

Talkspace

2024 Third Quarter Earnings Presentation

October 29, 2024

Disclaimer

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. All statements contained in this presentation 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 presentation, including but not limited to: (i) our business and the markets we operate in are rapidly evolving; (ii) rapid technological change in our industry; (iii) our ability to secure clients' contract renewals; (iv) our ability to maintain and expand our network of therapists, psychiatrists and other providers; (v) a decline in the prevalence of enterprise-sponsored healthcare or the emergence of new technologies may adversely impact our DTE business; (vi) if our or our vendors' security measures fail or are breached; (vii) changes in healthcare laws, regulations or trends and our ability to operate in the heavily regulated healthcare industry; and (viii) and the other factors, risks and uncertainties described in under the caption “Risk Factors” in our Annual Report on Form 10-K for the annual period ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on March 13, 2024, subsequent quarterly reports on Form 10-Q and in 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. We do not give any assurance that we will achieve our expectations.

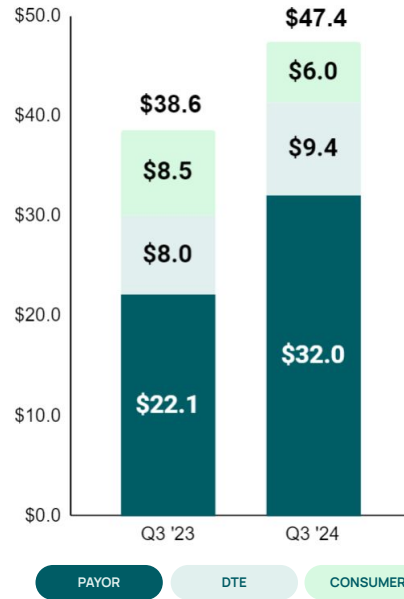
Certain information contained in this presentation relate to or are based on studies, publications, surveys and other data obtained from third-party sources and the Company's own internal estimates and research. While the Company believes these third-party sources to be reliable as of the date of this presentation, it has not independently verified, and makes no representation as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources, and you are urged not to give undue weight to such third-party information. While the Company believes its internal research is reliable, such research has not been verified by any independent source.

This presentation may contain the measure Adjusted EBITDA, Adjusted EBITDA margin, and non-GAAP costs and expenses (including non-GAAP cost of revenue, research and development, sales and marketing, and general and administrative) which are non-GAAP financial measure. For additional information about the measure and a reconciliation to the most closely comparable GAAP measure see the Talkspace Investors Relations website at investors.talkspace.com.

3Q 2024 Performance Highlights

USD, Millions

Revenue¹ and % Composition



Thousands

Payor Sessions²



USD, Millions

Adjusted EBITDA³



- (1) Revenue is presented on an as-reported basis.
 (2) Includes sessions from Managed Behavioral Health ("MBH") and Employee Assistance Programs ("EAP").
 (3) Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation to the most directly comparable GAAP measure, see the appendix to this presentation.

3Q 2024 Business Highlights

Strong Top-Line Momentum

- Robust YOY revenue growth, with 45% YoY increase from Payor, reflects significant demand for behavioral healthcare and our ability to attract new members
- Payor sessions +38% and unique active members +24% YoY
- Increased covered lives to more than 158m and launched Medicare coverage in 15 states
- DTE revenue increased 17% YoY, with a strong pipeline

Efficient Provider Network Expansion

- Grew provider network to 5,900+; up 24% YOY and 3% sequentially, intentionally moderating growth to reflect recent improvements in network efficiency
- Continued product improvements for provider efficiency and experience resulted in highest ever provider NPS

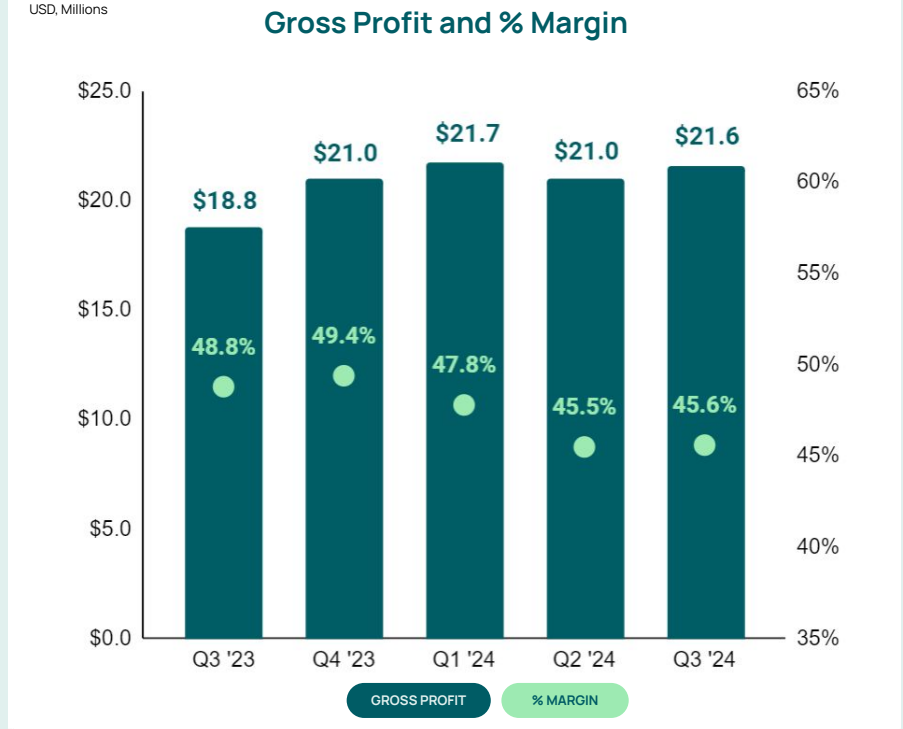
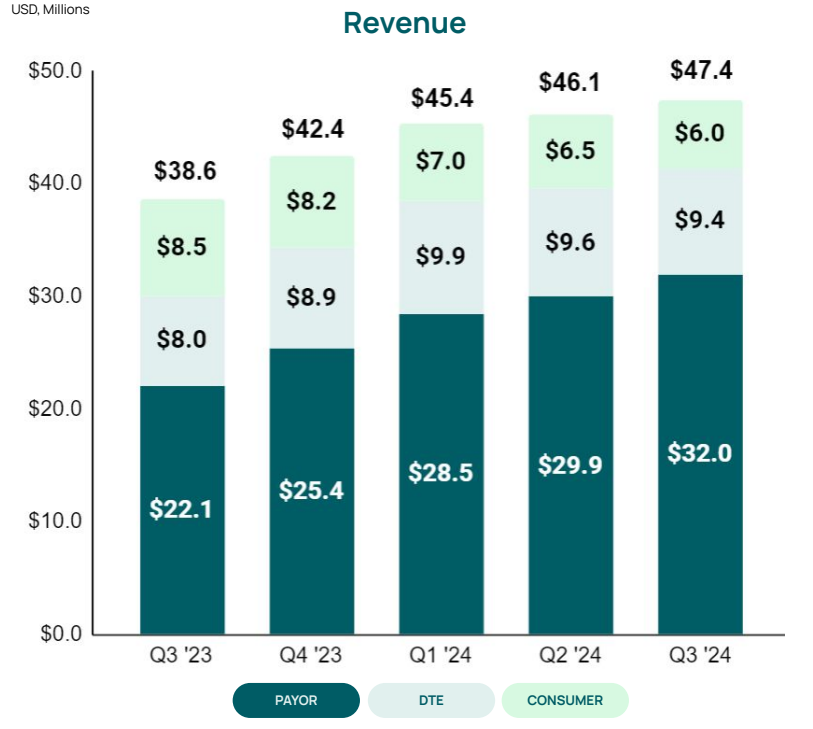
Meaningful Adjusted EBITDA Growth

- Cost discipline and benefits of scale drive meaningful growth in Adjusted EBITDA; three consecutive quarters of profitability
- Sequential Adjusted EBITDA growth of ~100%, vs. \$2.8 million loss a year ago
- Adjusted EBITDA margin expansion to 5.0% highlights operating leverage

Strategic Partnership Initiatives

- Furthering partner ecosystem strengthens brand recognition and increases cost effectiveness of member acquisition
- Launched on Amazon Health Conditions program as first behavioral health partner to enhance discoverability, ease of coverage checks and enrollment

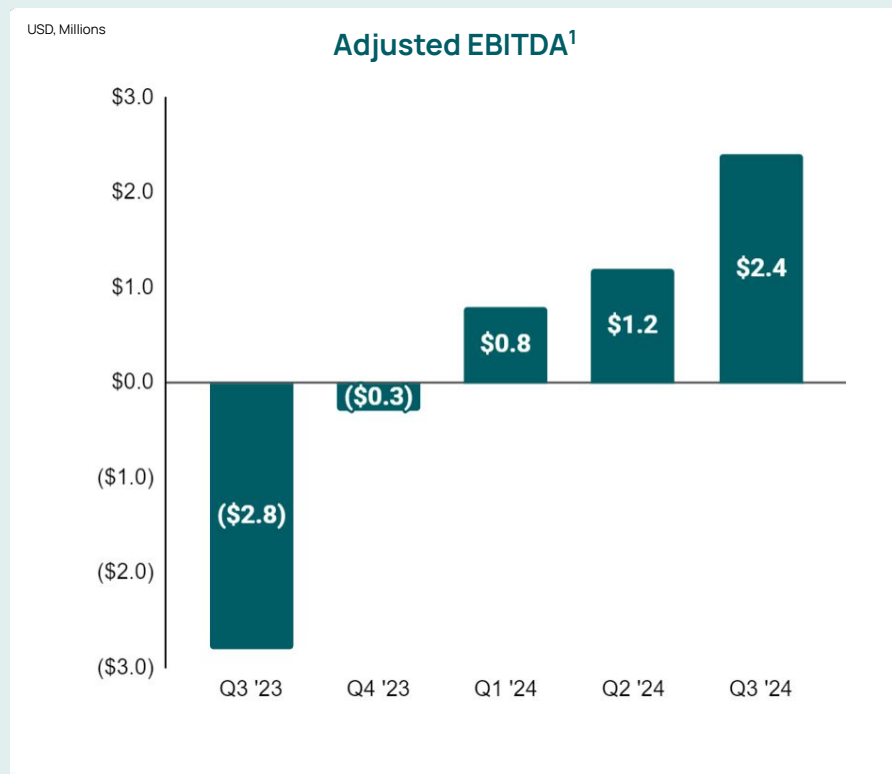
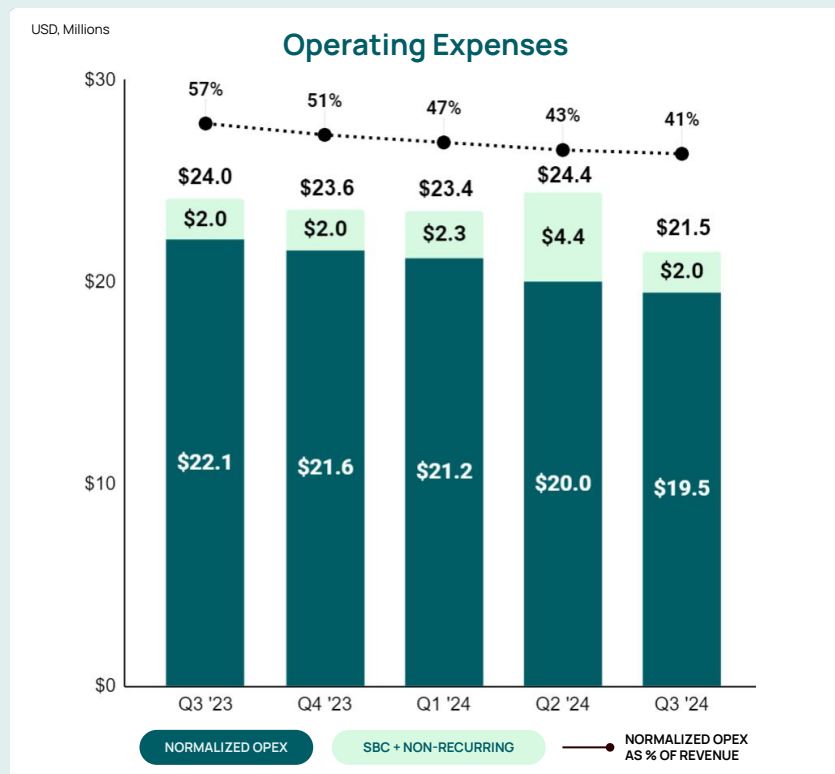
Revenue and Gross Profit



Appendix



Operating Expense and Adjusted EBITDA¹



(1) Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation to the most directly comparable GAAP measure, see the appendix to this presentation.

2024 Guidance¹ Unchanged

Revenue

\$185M to \$195M
+23% to +30% Y/Y

Adjusted EBITDA²

\$4M to \$8M
+\$18M to \$22M Y/Y

(1) Guidance based on current market conditions and expectations and what we know today.
(2) Adjusted EBITDA is a non-GAAP financial measure. We do not provide a forward-looking reconciliation of our guidance for adjusted EBITDA as the amount and significance of items required to develop meaningful comparable GAAP financial measures cannot be estimated at this time without unreasonable efforts. These special items could be meaningful.

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 income (loss) before income taxes, net income (loss), income (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 income (loss) and other GAAP results.

A reconciliation is provided below for adjusted EBITDA to net income (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 of 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.

Reconciliation of Net Loss to Adjusted EBITDA

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, (iv) stock-based compensation expense, and (v) certain non-recurring expenses, where applicable.

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Net income (loss)	\$ 1,874	\$ (4,414)	\$ (66)	\$ (17,876)
Add:				
Depreciation and amortization	231	305	652	913
Financial (income), net ⁽¹⁾	(1,701)	(779)	(5,123)	(2,915)
Taxes on income	(74)	14	123	165
Stock-based compensation	1,931	1,969	7,290	6,401
Non-recurring expenses ⁽²⁾	89	105	1,427	89
Adjusted EBITDA	<u>\$ 2,350</u>	<u>\$ (2,800)</u>	<u>\$ 4,303</u>	<u>\$ (13,223)</u>

- (1) For the three months ended September 30, 2024, financial (income), net, primarily consisted of \$1.5 million of interest income from our money market accounts and \$0.3 million in non-cash gains resulting from the remeasurement of warrant liabilities. For the nine months ended September 30, 2024, financial (income), net, primarily consisted of \$4.6 million of interest income from our money market accounts and \$0.8 million in non-cash gains resulting from the remeasurement of warrant liabilities. For the three months ended September 30, 2023, financial (income), net, primarily consisted of \$1.6 million of interest income from our money market accounts partially offset by \$0.8 million in non-cash losses resulting from the remeasurement of warrant liabilities. For the nine months ended September 30, 2023, financial (income), net, primarily consisted of \$3.7 million of interest income from our money market accounts partially offset by \$0.6 million in non-cash losses resulting from the remeasurement of warrant liabilities.
- (2) For the nine months ended September 30, 2024, non-recurring expenses, primarily consisted of severance costs related to the departure of key executives of the Company and other related costs. For the three and nine months ended September 30, 2023, non-recurring expenses primarily consisted in losses resulting from the disposition of fixed assets.