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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Talkspace First Quarter 2022 Earnings Conference Call. (Operator Instructions) Please be advised today's conference maybe recorded. (Operator Instructions)

I'd now turn the conference over to your Mr. Mike Lovell, Investor Relations Director.

Mike Lovell - Talkspace, Inc. - Senior Director of IR

Good evening, everyone. Thanks for joining Talkspace's 2022 First Quarter Earnings Call. I hope you've had the opportunity to access the press release. We have a presentation of our earnings materials that you should see on Talkspace's ir site. We will use the presentation to walk you through today's remarks.

We will begin with comments from Chairman and Interim Chief Executive Officer, Doug Braunstein, followed by Chief Financial Officer, Jennifer Fulk. Both are available for questions following their prepared remarks.

Certain measures we will discuss on this call are expressed on a non-GAAP basis and have been adjusted to exclude the impact of one-off items. Reconciliations of these non-GAAP measures are included in our earnings release and on our website, talkspace.com. I also want to remind you that we'll be discussing forward-looking information today, which may include forecasts, targets, and other statements regarding our plans, goals, strategic priorities, and anticipated financial results. While these statements represent our best current judgment about future results and performance as of today, our actual results are subject to many risks and uncertainties that could cause actual results to differ materially from what we expect.

Important factors that may affect our future results are described in our most recent SEC reports and today's earnings press release. For more information, please review our safe harbor disclaimer on Slide 2.

And now I'll turn the call over to Doug, who will begin on Slide 3.
Thanks Mike and thank you all for joining us today to discuss our first quarter 2022 results. I'm going to begin with a snapshot of the first quarter financial performance and then discuss the progress we are making towards the operational and executional priorities we outlined during our fourth quarter earnings call.

So you can see on Slide 3 that revenue grew 11% year-over-year, driven by an expansion of our B2B franchise, which demonstrated year-over-year and quarterly growth in revenues, in sessions, and covered lives. We added Beacon, a significant new national account at the end of the quarter, and we expanded our relationship with Optum in Q1. We also added 31 new accounts in the quarter for our DTE, or direct-to-employer business, including large national accounts such as Kimpton Hotels & Restaurants, and two significant broker houses, Gallagher and Alliant.

Our B2C business was down year-over-year, but was essentially flat quarter-on-quarter despite another sequential reduction in our advertising spend. We implemented several changes to the funnel in March that have begun to yield modest improvements in our conversion metrics and reduced our customer acquisition costs.

So if you turn to Slide 4. You'll recall that in January, we outlined six strategic priorities that the management team would be focused on to improve our performance. Page 4 highlights some of the items we introduced in Q1 that we believe represent progress towards these priorities and impacted the performance and the KPIs we track in the first quarter.

So first, we began data tests in March, unifying our funnel, essentially making it easier for B2C and B2B customers to find a provider directly through our consumer website and apps. As a reminder, we have several million non-unique visitors to our site each quarter, and the early results from these tests are encouraging. We believe that this can drive both penetration and utilization in our B2B business over-time. In addition, we made an important change to our matching process based on consumer research and we made that change in March as well. This change, which uses our proprietary algorithm to deliver quick and appropriate matches, drove a higher conversion rate and a lower CAC in March, which favorably impacted quarterly results.

Second, we continue to make progress towards expanding capacity and increasing satisfaction of our clinical network. The marketplace for clinical talent, as you know, is undoubtedly competitive today, and we are taking steps to make Talkspace a platform-of-choice for providers. We have accelerated multi-state licensing. We improved our provider dashboard, and we adjusted our clinical compensation policies, making it both more transparent, as well as more responsive to the current market environment. As a result of these actions, we are seeing early signs of improving therapist satisfaction in our most recent surveys. We grew our average hourly engagement from our existing therapists during the quarter, and we had our strongest recruiting month in March for new contracted therapists over the past year.

Third, we are continuing to add customers, resources, focus, and products to our B2B business. We introduced a bundled offering product late in the first quarter for our B2B partners, which now includes our new Talkspace Self-Guided product, and we grew our B2B sales team over 25% in the quarter. Improved targeting and focus in our DTE business introduced in Q1 is helping us to build a pipeline of larger DTE customers. Our average contract size was up in Q1 and we signed our first large million-dollar-plus account this year. While the cycle time for these larger clients is often longer and the revenue growth can be lumpyier, we are targeting these opportunities today more directly with our sales force.

Fourth, we continue to optimize our consumer businesses to deliver improved efficiencies. As I mentioned, we implemented a number of changes to the funnel in early March that we believe led to our modest improvements in conversion and customer acquisition metrics compared to last quarter. In fact, this is the first positive quarterly trend in our conversion data in the past 4 quarters for the company. So while media spend was reduced by 19% sequentially pursuant to our plans coming into the quarter, adjusted sequential revenues were flat as we saw increased traction for our highest service video products. We do expect to continue to reduce aggregate B2C media spend going forward as we better manage our cash flows and that should result in a smaller revenue base for this business, but we believe management can implement changes to further improve our members' experience while also increasing efficiencies in both CAC and unit economics.

Our fifth strategic priority is continuing to innovate and enhance our product suite. Minor changes like simplifying our onboarding process for our MBH members in their initial evaluation sessions, as well as more significant product launches like Talkspace Self-Guided, do allow us to build towards a better member experience and offer a broader solution set for our B2B customers.
And finally, as we continue to focus on optimizing cash flow across the business, as I mentioned on our last call, we believe we have ample cash resources to enhance and expand our capabilities in ways that both deliver operating leverage over-time, as well as value to our shareholders. But basic operating progress, like introducing KPIs, scorecards, and real-time reporting, have been both adopted and embraced throughout the broader organization and has allowed us to make timelier, data-driven adjustments to our business plan. As an example, actions taken this quarter generated efficiencies in our cash collections that positively reduced working capital. So while management clearly understands that we've got plenty of ongoing work ahead of us, we believe that the actions we've taken in the first quarter reflect the first important steps in our path towards building shareholder value and delivering on our mission.

So with that, I'll turn the call over to Jennifer to provide details on our operating and financial performance. Jennifer, over to you.

Jennifer Fulk - Talkspace, Inc. - CFO

Thanks, Doug, and good evening, everyone. I'll focus my comments on sequential results as we continue to believe this presentation is most useful to understand our performance beginning in November 2021, given the new management team, our evolving revenue mix, and the significant operational initiatives we identified at that time.

Starting with Slide 5. First quarter revenue was $30.2 million, up 3% sequentially on a reported basis from the fourth quarter. First quarter B2C revenue was $17.3 million, up 5% from the fourth quarter, with three percentage points of growth related to a $500,000 onetime noncash reversal in deferred revenue associated with customers no longer active on the platform. The remaining two percentage points of sequential growth were driven by improved mix in consumer plans, partially offset by a lower number of active users.

B2B revenue was $12.9 million, up 1% on a reported basis from Q4. You will recall that Q4 2021 results included a favorable impact from revenue reserve on receivables of $800,000 from prior periods. Normalizing for that adjustment, sequential growth was 8%, driven primarily by growth in B2B sessions, and to a lesser extent additional DTE customers.

Our first quarter gross profit declined 6% sequentially to $15 million with a gross margin of 49.8%, down compared to Q4 primarily due to higher clinician costs and a revenue mix shift within the B2B business.

Turning to Slide 6. First quarter 2022 GAAP operating expenses were $36 million compared to $45 million in the fourth quarter. This reduction was due to lower stock-based compensation and the elimination of non-recurring severance costs booked in Q4. Excluding non-recurring items, first quarter operating expenses were down slightly from the fourth quarter, as lower media spend and lower employee related expenses were partially offset by higher professional services fees.

Fourth quarter net loss was $20 million and adjusted EBITDA loss was $18 million. Our cash balance as of March 31st was $184 million, a reduction of $14 million from the year-end. We benefited in this quarter from actions taken to reduce the DSO for our receivables, which generated a one-time benefit of approximately $4 million. We expect cash burn to generally match our EBITDA going forward.

Turning to Slide 7 for a closer look at our B2B performance. As I mentioned earlier, B2B revenue for the quarter grew 8% on a normalized basis, reflecting an increase in covered lives and sessions as well as growth in our DTE customer base. We ended the quarter with approximately $76.5 million eligible lives, an increase of 11% versus the prior quarter. Number of sessions completed also increased 11% sequentially to almost 91,000. We believe we have significant opportunities to continue to grow our B2B business as we execute our operational agenda to drive penetration in our covered lives, expand our relationships with existing health plan partners, and launch coverage with new payers. Enterprise revenue is up 5% sequentially, driven by the addition of 31 customers in the first quarter, partially offset by the loss of a large municipal customer that no longer had funding available for our program. We continue to see strong demand in our pipeline from employers seeking expanded mental health benefits for their employees.

Turning to Slide 8 for a closer look at our B2C performance. Revenue grew 5% sequentially, of which 3% is related to the deferred revenue adjustment as mentioned earlier. The revenue increase was driven by higher ARPU, as our members continued to migrate toward higher subscription tiers with a greater number of video sessions, partially offset by a 7% reduction in active members. Advertising spending was down 19% sequentially,
as we continued to optimize our marginal ROI. The combination of modestly improved conversion and reduced advertising spend led to a modest improvement in quarterly contribution.

Turning to our conclusion on Slide 9. As Doug mentioned in his remarks, we continue to believe the initiatives we are focused on as a management team will drive growth and profitability and deliver shareholder value over time. We look forward to keeping you updated on our progress.

With that, we will open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Charles Rhyee with Cowen.

Charles Rhyee - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

If I could start with -- on the B2C side, obviously, results looked much better than we were expecting, and just wanted to get your sense: the performance is holding up here, you kind of mentioned more video visits. Maybe can you talk about some trends that you're seeing here? Obviously, you are reducing your marketing spend, maybe your thoughts on the ads sort of that the ad market and the pricing there, obviously your larger competitor highlighted that recently last week and just wanted to get your thoughts on what you're seeing right now in the market as it relates to that.

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

So Charles, thanks for the question. Actually it felt like quite a few questions. So let me try and step back and address it. We have been speaking consistently since I began making these calls about the pressures and challenges in the advertising market. We did not see anything unique or different in our business in the first quarter as it relates to that. What we did tell you, however, is that we believed we had a number of opportunities to address and improve our customer journey through our website and the conversion of those customers as they come through the process with us. And what you see in our results in the first quarter is, we told you we would be reducing our advertising spend and we did that. I did also reference we're going to continue to improve our efficiency in this business. So you can expect some further reduction in the second quarter. But importantly, we actually implemented a number of things we were working on through the beginning of the year in March that had a meaningful impact in increasing our conversion. And as a result of that, reducing our CAC.

And we have a number of other adjustments and additions to how customers experience their journey through our website, and then are connected with therapists and the retention associated with that that we're going to be introducing throughout the second quarter that we think will continue to make us a much more efficient platform. So I can't speak to what others may or may not be doing. But I think a lot of what we have in front of us on the B2C side to improve our economics is completely within our control.

Charles Rhyee - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

Maybe just clarify to expand a little bit. Can you give an example or some examples of what's changed to make the experience that the conversion better?
Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. So we changed our matching function. So we did a bunch of customer research and one of the things, Charles, we've said is we're going to try and -- we've now got a fully staffed team, a conversion pod, that is literally focused on optimizing our conversion. So we've added engineering software talent and data scientists in addition to our marketing team. And we are basically looking at our analytics and saying, where can we improve conversion? So one of the big sets of feedback we got from our customers was, they prefer for us to use our algorithm to match them to a therapist. And so we actually went from a match, a broader matching process to what we call the queue. We effectively use the algorithm, pick the therapists for them, get them a match both quicker and we think actually a much more preferential way for the consumer to experience our process and it had a meaningful impact on our conversion. By the way, it also improved the speed at which we match. And it actually increases the capacity in the system. So it had a couple of ancillary benefits for us. But mostly it improves the customer experience.

Charles Rhyee - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

That's helpful. And then a question for you, Jennifer. You mentioned the gross profit in the quarter impacted by higher costs for clinicians. Can you talk about sort of, what should we expect going forward? Is this something that, obviously wage inflation is a topic across all industries right now? Maybe give us a sense for how you are thinking about further increases in clinician payouts, just maybe your thoughts there that would be helpful as we think about the second quarter and going forward?

Jennifer Fulk - Talkspace, Inc. - CFO

Yes. Sure, Charles. So I mentioned that, we -- Doug had mentioned on a previous call we had a lot of needs as far as addressing the network and ensuring that we were optimizing the experience for our clinicians. And specifically in Q2, we increased wages for...

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Q1.

Jennifer Fulk - Talkspace, Inc. - CFO

In Q1, we increased wages for the 1099 therapists’ network and that obviously had a negative impact on margins. But as Doug mentioned, it was effective in what we were after, which was improving the satisfaction scores, expanding the hours worked for the contract network, as well as improving our recruiting capabilities. So I think again, our Q1 efforts were effective at doing that. Looking forward, without having specific numbers for you, I think we see opportunities to drive more optimal margin. That's specifically our largest opportunity with regard to our W2 salaried network where we have really just begun early in the second quarter to implement initiatives to drive better productivity with regard to the work that they do. So we see this as having a benefit, as we look forward. And in addition, more broadly as we look at margin, we also see the need to be able to leverage the quality of our services to help to offset those higher wages that we are paying in the price of our services. So these are all parts of our agenda going forward.

Charles Rhyee - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

So net-net, as we think about the second quarter, and maybe as we think about the year, is this sort of the right gross margin range you would expect or would you expect it to trend back up a little bit? Any color there would be helpful.

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. Charles, I guess I would say we think there are number of additional self-help items here, much like I talked about in B2C, that we would hope to be in a position where this is the bottom of the cycle for us from a margin standpoint.
Vikram Kesavabhotla - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

I want to start on the consumer side. Can you just give us some more color on what you’re seeing in the competitive landscape today? And in particular, I’m curious if you’re noticing any change in the advertising behavior or the types of strategies being used in the environment today relative to the environment that you navigated throughout last year? And maybe from a higher level, would love to get your thoughts on how you’re expecting the B2C competitive landscape to evolve going forward?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. So Vikram, happy to do that and Charles focused on that as well. So let me say a couple things. We haven’t experienced in the first quarter any meaningful increase in advertising cost. Now we have experienced over the past several quarters increased pressure, largely driven through increased competition in the space. We are certainly aware of what others are saying, but we are really focused on optimizing the spend that we participate in. And so you’ve seen us, our trending on spend come down now sequentially for 3 quarters. And our ARPU continues to rise sequentially for 3 quarters, and we’ve now begun to work on improving our conversion. So as I mentioned in my opening remarks, we had the first positive trend in 4 quarters in an improvement in conversion and a reduction in CAC. And much of that was really driven by initiatives that weren’t formally launched until March. And we have other things that we believe we can do to continue to improve that performance. I would say that we are striving to have a very disciplined return on invested capital with our B2C business.

And the other piece of the equation for us is the ability to use what is we think we’ve maintained a leading brand in the space to really drive incremental conversion with our growing network of B2B customers. So you heard me talk about this and I think this is unique for us: Unification of the funnel. We literally talked about that in the third quarter call. We talked again about it in the fourth quarter. We’ve just begun to implement some testing, quite extensive testing now in our consumer-driven funnel that is demonstrating some really interesting and exciting results to increase our penetration and utilization of our B2B customers through that channel. So we think that for us is also a unique benefit from our consumer advertising spend, converted into B2B.

Vikram Kesavabhotla - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Okay. And then maybe a follow-up question on the B2B side. I’m just curious, if you can talk about how the selling process has evolved there. Obviously, there is a lot of moving pieces in the macro environment right now. You talked about the competitive landscape continuing to evolve as well. I’m just wondering, how are customers adjusting their buying processes and decision making processes in this environment? And what types of adjustments are you making to your kind of marketing approach in that environment, if any to kind of react to that. It would great to get your thoughts there as well.

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. So Vikram, actually, again, I’m going to tell you for us the first quarter, we added covered lives, we added sessions, we added DTE customers, we signed our first $1 million annual revenue account. We have what I would suggest is a reasonably robust pipeline of potential customers to add to our DTE business coming into Q2. We’re not really seeing a change in the pace of demand for B2B services for behavioral healthcare. Quite the opposite. It continues to be, I think, top of mind for companies and for payers and this is still unfortunately in the US, a huge unmet medical need. Access still remains remarkably challenged, and we think our solution set both for our DTE account and for our payers is actually quite powerful in addressing those needs. So we’re not really seeing a change in buying patterns.
I will say, the one caveat is, I mentioned in the introductory remarks, we are increasingly targeting larger accounts, and the general selling cycle of those accounts, as you might expect are longer. They have RFPs. Those tend to go through a little bit more, having worked at a very large company in my prior life, they are more process-driven and they take time. So while we have a robust pipeline of those opportunities, they’ll be lumpier in nature and they can have a quarter to quarter swing on our trendline but the trend is still up and to the right.

Operator

Our next question comes from Ryan Daniels with William Blair.

Ryan Scott Daniels - William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services

Congrats on the progress, I guess, really towards all the goals you laid out. Let me start with one. You mentioned ARPU is also increasing, which is a nice trend to see. What’s driving the move to more video sessions? Is that something you’re actively pushing or marketing differently, or is it just consumers adopting that more?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

It’s a combination. Look, I think we are doing some smart things from a marketing standpoint, because we like the higher ARPU. But honestly, it’s a demand-driven functionality. We are seeing that, by the way, Ryan, we are seeing that in our B2B business as well. There is an increasing, as we’re re-upping clients they're moving from texting only plans to texting plus video or moving completely to live video. It’s for us. It is not only a positive from an ARPU standpoint, but Jennifer mentioned the opportunity for us to improve the productivity of our W2 therapists, which is called our NPP, our National Provider Practice.

One of the ways we intend to do that is to move that group more towards live video, which allows us to more effectively manage their schedules. It also allows us to do a better job with our members by actually doing some basic forward scheduling, regular scheduling. And so, it not only has a benefit from a productivity standpoint, but we think it will increase utilization and retention because we’re able to more actively manage the interaction with therapists and their members. Ultimately, the best news in that is we think duration improves efficacy, in fact, we know that from our clinical work. And so we think this actually improves outcomes and makes our members healthier and more productive.

Ryan Scott Daniels - William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services

Yes. That’s helpful color. And then I, you didn’t mention this, but I assume the improvement in the matching algorithms is not only helping with conversion rates, but is that also driving longer lengths of treatment, because you’re getting them to the right therapist?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

We implemented in March, so I think it’d be misleading from a data standpoint. We think it will, but we don’t have enough data to come back to you yet. We’re clearly keeping an eye on that.

Ryan Scott Daniels - William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services

Okay. We will stay tuned. And then good news on the strength of the pipeline to D2E customers and in the first million dollar sale. So congrats -- I am curious with that changes, does it require any changes in the size of your sales team? The way you are going to market there or pitching the product, whether it’s an employee benefit or ROI driven? Just anything like that sales force changes, product needs, et cetera?
Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. So it’s a really great question. As I mentioned, actually again, in the introductory remarks, we added about 25% more individuals to our sales team across B2B. In the first quarter that was basically our target. We were very successful in hiring, and adding folks because people are excited to come to us because they see the opportunity.

The other big thing we’re doing is we’ve gotten way more rigorous in targeting. That’s really important. And then, I’ll tell you the third thing that we’re doing, Jennifer talked about our ability to respond to the increased cost of our therapists, which we thought was really important to do for a variety of reasons. We’ve also got increased cost across the board. Obviously everyone is dealing with increased costs. We’re trying to drive much more effective relationships with our customers that reflect the quality and the efficacy of our services. And we are having, I would say, it’s early days and we’re having real success with this. I know this is maybe more than you asked for. But we are really, we are doing some research right now that we think will help continue to validate the fact that people who use us as a benefit for their employees get reduced turnover; increased satisfaction, increased morale, and reduced medical costs. And so as a result, we think, of a lot of that work that’s been done -- we think there is a pretty high ROI for our employers in utilizing our services.

And I know, I’m going on, on this, but I’ll add one more thing, which is really exciting for us. We introduced a full suite of, and I haven’t really -- I didn’t talk enough about this -- we introduced Talkspace Self-Guided, which is a full suite of digital product that both has clinical efficacy as well as a broad set of applicability directly to our B2B customers. And it has really been driven as a B2B product set. We just started introducing that as an offering for our both DTE and our payer customers, and the early reaction to that is really quite positive. And what it allows us to say, is we’ve got a full suite from self-help to therapy, to psychiatry, so we can be sort of a one stop shop for behavioral needs for most of what employers are looking for.

Operator

Our next question comes from Stephanie Davis with SVB Leerink.

Stephanie July Davis - SVB Leerink LLC, Research Division - Senior MD of Healthcare Technology and Distribution & Senior Research Analyst

Hey guys, thank you for taking my question. I have a quick question about the arc of the B2B business. As we think about both growth and evolution, how should we think about the end market demand? Is there structurally enough wallet available for pure-play employer wins? Or with the current backdrop with employer fatigue, do we see greater focus on something else, such as EAP enablement or a continuation from your recent payer wins?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

You know, Stephanie, I am not exactly sure what you’re looking at or referring to. On the payor side, we signed up a big national account at the end of the first quarter. We added more lives with another large national player. And we have got a pretty robust pipeline of new payer relationships that we have not penetrated. And I would say, across the board on the payer side, everyone is facing significant challenges in meeting the demand of their members. On that side, we think there’s lots of opportunity and we haven’t even really scratched the surface of some of the things we’ve got planned to drive utilization and penetration of the lives we currently now cover.

On the DTE side, again I think our pipeline is pretty robust. While we are proud of all the accounts we’ve added, it’s an incredibly small number relative to the size of the opportunity set. And we continue to experience inbound calls from individuals. We continue to see circumstances where we’re pitching and there’s very little competition and we continue to win more than our fair share of things where there is competition because people really like our product. And I just have to say the strength of the brand is really important. And I think we’re making the product better every day. So I’m a little bit confused by the predicate of your question, but we remain reasonably optimistic about the opportunity set in B2B.
Stephanie July Davis - SVB Leerink LLC, Research Division - Senior MD of Healthcare Technology and Distribution & Senior Research Analyst

Follow-up then. We are seeing in our channel checks for employers there’s a lot of fatigue for all the different PM/PM solutions that exist in the market, and that they’ve been pitch through the past 2 years. So a lot of the employers facing solutions just aren’t doing as well recently, candidly. So is there more creative pricing beyond a rope PM/PM where you’re seeing a lot of traction such as just offering as an insured benefit or is there alternative ways you were selling in this market?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

So there’s no question for us, we’ve had a pretty unilateral approach to our DTE business. I would say, we think there’s a lot of opportunity over-time to drive the fact that we feel very strongly about our clinical efficacy and our outcomes data. And so are there going to be more opportunities for us to be creative? Absolutely. I think there are also more opportunities for us to become, because of that, closer, better partners with our employers. And we’re in active discussions with a number of them right now.

So I’m not -- again, fatigue would not be the adjective that I would use to describe any of our B2B business, quite the opposite. So I can’t speak to competitors. I don’t have a view. I can speak to what we are offering. And we have a pretty rigorously, clinically, demonstrably good product. And I would say this digital offering we just offered is differentiated from a lot of things out there, right. It’s got some real clinical efficacy to it. It also incorporates workshops and sessions with live therapists. There’s a lot -- and then, it has the natural extension for those individuals that need more to move right into our therapy product. So I remain pretty -- look, it’s a tough world out there, but I remain pretty optimistic.

Jennifer, you want to add something?

Jennifer Fulk - Talkspace, Inc. - CFO

Yes. I just wanted to add, so there’s the new business and expanding relationships with payers. But, as Doug mentioned, a huge opportunity for us is with the 76 million covered lives that we have in hand. And I just want to say, we grew sessions 11% quarter-over-quarter. This is where we have I think the largest opportunity. And this is where the efforts that we have, as we have described in the operational agenda related to the product and ensuring we are optimizing that customer experience, unifying the funnel, making it easier for those covered patients to use Talkspace. These are all efforts that we see playing out and driving, helping to drive growth into the future.

Operator

(Operator Instructions) Our next question comes from Glen Santangelo with Jefferies.

Glen Joseph Santangelo - Jefferies LLC, Research Division - Equity Analyst

I hate to do this, but I do want to follow-up on this B2C side one more time, because I think this is a good question for people. I think if you listen to one of your competitors last week, they talked about, a private player potentially doing some irrational things. And I think everyone including yourself is obviously aware of some of the financing that’s going on in the private side and in particular, some more recent financings. And now you are seeing some meaningful share shift and I guess that leaves people sort of wondering about the barriers to entry into this business. And you are at a time where Talkspace is trying to cut costs and become more financially efficient and lower the CAC at a period where others seem to be investing sort of very heavily and seem to be taking some share. So I was just wondering if you could maybe provide your thoughts on that dynamic on how that plays out on both not only the B2C side, but also if that ultimately spills into the B2B side.
Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

So I think, look, I can -- let me just reiterate and start off with the facts of where March was for us, which we made a number of changes that improved conversion and reduced CAC. And those 2 facts that I would not have been able to say that for the proceeding 4 quarters. So I can't tell you what the world will look like going forward. But I can tell you that we believe there are still a number of things within our control to improve conversion and reduce CAC. We want our share to be focused on high return investments. That's where we are, and we are going to continue to drive towards.

It's going to take us where -- we had a better quarter from a cash standpoint. We have our own set of expectations to continue to improve our cash efficiency. And we are going to be working on that every day. We have what I believe is a unique product, and others that have raised a lot of capital have different approaches to the market. Some of those have attracted a fair amount of press coverage in the last few days. That's not a path we've chosen to go on. We're really focused on these digital self-help capabilities --- therapy, and an approach to psychiatry which is different than others. Our objective is to spend our shareholder money wisely, and generate a good return.

Over time for us, I think that means more of our business comes out of the B2B side where we've got a really good presence today and we've got really good product and we've got really solid momentum. And the last piece I'm going to just say, which we have not begun to take advantage of at all, but I think it is clearly in our plans. We have great data and analytics, and eventually, I think we are very well positioned to be a leader in value-based care for behavioral. And I do not believe others are similarly situated.

Glen Joseph Santangelo - Jefferies LLC, Research Division - Equity Analyst

Doug, maybe I just follow-up on the balance sheet, right? There's still no guidance and so as you look forward, I am guessing you don't want to give us too much of a clue, but we're sitting with $184 million of cash, the Company lost $20 million this quarter. It's unclear to us if it stabilizes from here or gets better from here, and how we should think about that cash burn rate relative to the capital structure of the company today? Sorry, did I cut you off?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

No, it's a really good question. So let me just make sure we're clear on the underlying for the quarter. So we actually, because we are focused on cash across the income statement and the balance sheet, we burned a little less than -- a little more than $13 million in cash this quarter, because we actually drove some real efficiency in our working capital. And that was again part of a very proactive management team finding the ways to optimize use of cash.

The second thing, I think, what Jennifer said was, you should think that over time cash should better track EBITDA, and EBITDA for the quarter was a loss of about $18.5 million, if I'm remembering the number off the top of my head correctly. And then the last thing I just said is, we are going to continue to drive more efficiency out of the business in a variety of ways. So our expectation is that you will see cash burn coming down over time, as we continue to implement a lot of these changes. They're both good for the customer, they're good for our members, they're good for our employees, and they ultimately have to be good for our balance sheet. So that's sort of what I'm going to say. We are really highly focused on cash and having all the resources we need to get to a place where the shareholders are seeing a lot of value.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Doug Braunstein for closing remarks.

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Yes. So I want to thank everybody for listening. We look forward to continuing to engage and make progress. I do want folks to remember, we are on a journey together. I think we have made some really good steps forward. I hope you are starting to see that in the financials. We have more
room to go and your expectations should be consistent with mine, which the management team is really focused on creating value for the shareholders, and we hope to continue to demonstrate that progress in the quarters going forward. Thanks.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.