UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to

Commission File Number: 001-39314

TALKSPACE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**84-4636604**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
622 Third Avenue, New York, New York	**10017**
(Address of principal executive offices)	**(Zip Code)**

(212) 284-7206

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	**TALK**	**Nasdaq Stock Market**
Warrants to purchase common stock	**TALKW**	**Nasdaq Stock Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 3, 2023, the registrant had 167,095,019 shares of common stock, $0.0001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TALKSPACE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands, except share and per share data)	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 125,332	$ 138,545
Accounts receivable, net	7,972	9,640
Other current assets	4,413	4,372
Total current assets	137,717	152,557
Property and equipment, net	272	677
Intangible assets, net	1,971	2,529
Other long-term assets	388	491
Total assets	$ 140,348	$ 156,254
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,512	$ 6,461
Deferred revenues	3,622	4,355
Accrued expenses and other current liabilities	10,717	16,502
Total current liabilities	20,851	27,318
Warrant liabilities	1,586	939
Other long-term liabilities	190	461
Total liabilities	22,627	28,718
Commitments and contingencies (Note 5)		
STOCKHOLDERS' EQUITY:		
Common stock of $0.0001 par value — Authorized: 1,000,000,000 shares at September 30, 2023 and December 31, 2022; Issued and outstanding: 167,065,019 and 161,155,030 shares at September 30, 2023 and December 31, 2022, respectively	16	16
Additional paid-in capital	386,783	378,722
Accumulated deficit	(269,078)	(251,202)
Total stockholders' equity	117,721	127,536
Total liabilities and stockholders' equity	$ 140,348	$ 156,254

The accompanying notes are an integral part of the condensed consolidated financial statements.

TALKSPACE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(U.S. dollars in thousands, except share and per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues	$ 38,646	$ 29,332	$ 107,627	$ 89,326
Cost of revenues	19,797	14,737	54,218	45,163
Gross profit	18,849	14,595	53,409	44,163
Operating expenses:				
Research and development, net	4,180	6,073	13,704	16,869
Clinical operations, net	1,405	2,387	4,681	6,257
Sales and marketing	13,184	18,511	39,698	60,098
General and administrative	5,259	7,475	15,952	23,066
Total operating expenses	24,028	34,446	74,035	106,290
Operating loss	(5,179)	(19,851)	(20,626)	(62,127)
Financial (income), net	(779)	(1,885)	(2,915)	(889)
Loss before taxes on income	(4,400)	(17,966)	(17,711)	(61,238)
Taxes on income	14	17	165	127
Net loss	$ (4,414)	$ (17,983)	$ (17,876)	$ (61,365)
Net loss per share:				
Basic and Diluted	$ (0.03)	$ (0.11)	$ (0.11)	$ (0.39)
Weighted average number of common shares used in computing basic and diluted net loss per share:				
Basic and Diluted	166,570,673	158,330,684	164,215,802	156,056,900

The accompanying notes are an integral part of the condensed consolidated financial statements.

TALKSPACE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

(U.S. dollars in thousands, except share data)	Common Stock					
Three and Nine Months Ended September 30, 2023	Number of Shares Outstanding	Amount	Additional paid-in capital	Accumulated deficit	Total
Balance as of December 31, 2022	161,155,030	$ 16	$ 378,722	$ (251,202)	$ 127,536
Exercise of stock options	1,739,265	*)	621	—	621
Restricted stock units vested, net of tax	225,050	*)	(65)	—	(65)
Stock-based compensation	—	—	2,303	—	2,303
Net loss	—	—	—	(8,758)	(8,758)
Balance as of March 31, 2023 (unaudited)	163,119,345	$ 16	$ 381,581	$ (259,960)	$ 121,637
Exercise of stock options	1,837,734	*)	869	—	869
Restricted stock units vested, net of tax	1,247,216	*)	(136)	—	(136)
Stock-based compensation	—	—	2,129	—	2,129
Net loss	—	—	—	(4,704)	(4,704)
Balance as of June 30, 2023 (unaudited)	166,204,295	$ 16	$ 384,443	$ (264,664)	$ 119,795
Exercise of stock options	480,929	*)	569	—	569
Restricted stock units vested, net of tax	379,795	*)	(198)	—	(198)
Stock-based compensation	—	—	1,969	—	1,969
Net loss	—	—	—	(4,414)	(4,414)
Balance as of September 30, 2023 (unaudited)	167,065,019	$ 16	$ 386,783	$ (269,078)	$ 117,721

	Common Stock				
Three and Nine Months Ended September 30, 2022	Number of Shares Outstanding	Amount	Additional paid-in capital	Accumulated deficit	Total
Balance as of December 31, 2021	152,862,447	$ 15	$ 363,788	$ (171,530)	$ 192,273
Exercise of stock options	2,164,870	*)	2,063	—	2,063
Restricted stock units vested, net of tax	77,338	*)	(67)	—	(67)
Stock-based compensation	—	—	2,368	—	2,368
Net loss	—	—	—	(20,360)	(20,360)
Balance as of March 31, 2022 (unaudited)	155,104,655	$ 15	$ 368,152	$ (191,890)	$ 176,277
Exercise of stock options	1,092,515	*)	286	—	286
Restricted stock units vested, net of tax	1,175,446	*)	(126)	—	(126)
Stock-based compensation	—	—	3,839	—	3,839
Net loss	—	—	—	(23,022)	(23,022)
Balance as of June 30, 2022 (unaudited)	157,372,616	$ 15	$ 372,151	$ (214,912)	$ 157,254
Exercise of stock options	893,194	*)	347	—	347
Restricted stock units vested, net of tax	725,209	*)	(128)	—	(128)
Stock-based compensation	—	—	3,179	—	3,179
Net loss	—	—	—	(17,983)	(17,983)
Balance as of September 30, 2022 (unaudited)	158,991,019	$ 15	$ 375,549	$ (232,895)	$ 142,669

*) Represents an amount lower than $1

The accompanying notes are an integral part of the condensed consolidated financial statements.

TALKSPACE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(U.S. dollars in thousands)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (17,876)	$ (61,365)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	913	1,006
Stock-based compensation	6,401	9,386
Remeasurement of warrant liabilities	647	(421)
Decrease (increase) in accounts receivable	1,668	(3,180)
(Increase) decrease in other current assets	(41)	4,848
Increase in accounts payable	51	2,931
Decrease in deferred revenues	(733)	(1,728)
(Decrease) increase in accrued expenses and other current liabilities	(5,785)	1,465
Other	(108)	202
Net cash used in operating activities	(14,863)	(46,856)
Cash flows from investing activities:		
Purchase of property and equipment	(20)	(254)
Proceeds from sale of property and equipment	10	—
Net cash used in investing activities	(10)	(254)
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,059	2,696
Payments for employee taxes withheld related to vested stock-based awards	(399)	(558)
Payments for reverse capitalization, net of transaction costs	—	(645)
Net cash provided by financing activities	1,660	1,493
Net decrease in cash and cash equivalents	(13,213)	(45,617)
Cash and cash equivalents at the beginning of the period	138,545	198,256
Cash and cash equivalents at the end of the period	$ 125,332	$ 152,639
Supplemental cash flow data:		
Cash paid during the period for income taxes	$ 199	$ 122

The accompanying notes are an integral part of the condensed consolidated financial statements.

TALKSPACE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Talkspace, Inc. (together with its consolidated subsidiaries, the "Company" or "Talkspace") is a leading behavioral healthcare company enabled by a purpose-built technology platform. Talkspace provides individuals and licensed therapists, psychologists and psychiatrists with an online platform for one-on-one therapy delivered via messaging, audio and video. The Company offers convenient and affordable access to a fully credentialed network of highly qualified providers. Since its inception, the Company has connected millions of patients with licensed behavioral health providers across a wide and growing spectrum of care through virtual counseling, psychotherapy, and psychiatry.

The Company's principal executive office is located in New York, NY. The Company has three wholly owned subsidiaries, Talkspace LLC, Talkspace Network LLC and Groop Internet Platform LTD. In addition, the Company holds a variable interest in one professional association and eight professional corporations, which have been established pursuant to the requirements of their respective domestic jurisdiction governing the corporate practice of medicine. See Note 10, "Variable Interest Entities," in the notes to the condensed consolidated financial statements for further details.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. The Company's interim period results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2022, have been applied consistently in these unaudited condensed consolidated financial statements, unless otherwise stated.

Intercompany transactions and balances have been eliminated in the preparation of the condensed consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the condensed consolidated financial statements. The Company's significant estimates and assumptions used in these condensed consolidated financial statements include, but are not limited to, the recognition and disclosure of contingent liabilities, revenue recognition, stock-based compensation awards and the fair value of warrant liabilities. The Company bases its estimates on historical factors, current circumstances and the experience and judgment of management. The Company evaluates its assumptions on an ongoing basis. The Company's management believes that the estimates, judgments, and assumptions used are reasonable based on information available at the time they are made. Estimates, by their nature, are based on judgment and available information, therefore, actual results could be materially different from these estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Recently Issued and Adopted Accounting Pronouncements

The Company has reviewed recent accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on the condensed consolidated financial statements as a result of their future adoption.

NOTE 3. REVENUE RECOGNITION

The Company recognizes revenue in accordance with ASC 606, "Revenue from Contracts with Customers", when the Company satisfies its performance obligation to perform its defined contractual obligations to provide virtual behavioral healthcare services. Revenue is recognized in an amount that reflects the consideration that the Company will be entitled in exchange for the service rendered. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that is included in the transaction price. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Through its platform, Talkspace serves its business-to-business ("B2B") channel, comprised of large health insurance plans and employee assistance programs ("Payors"), and large enterprise clients ("DTE") who offer their insured members and employees access to the Company's platform at in-network reimbursement rates, or while their employer is under an active contract with Talkspace, where applicable, and its business-to-consumer ("Consumer") channel, comprised of individual consumers who subscribe directly to the Company's platform.

The Company contracts with Payors to provide its therapy and psychiatry services to their eligible covered members. Revenue is recognized at a point in time, as virtual therapy or psychiatry session is rendered. The transaction price is determined based on contracted rates and includes variable consideration in the form of implicit price concessions. The Company determines the total transaction price, including an estimate of variable consideration, at contract inception and reassesses this estimate at each reporting date. The Company estimates the amount of variable consideration that is included in the transaction price primarily based on historical collection experience for each insurance payor. Revenue from Payors is presented net of implicit price concessions. Contracts with Payors include annual evergreen clauses and generally may be terminated by either party typically upon a minimum 60-day advance notice.

The Company contracts with enterprises to provide access to its therapist platform for their employees, primarily based on a per-member-per-month access fee model. Revenues from access fees are recognized ratably over the contractual term. The majority of contracts with enterprise clients typically range in length from one to three years and are generally non-cancelable during the initial contractual term.

The Company also generates revenues from the sale of monthly, quarterly, bi-annual and annual membership subscriptions to the Company's therapy platform as well as supplementary a la carte offerings directly to individual consumers through a subscription plan. The Company recognizes consumer revenues ratably over the subscription period, beginning when therapy services commence. The Company recognizes revenues from supplementary a la carte offerings at a point in time, as virtual therapy session is rendered. Members may cancel their subscription at any time and will receive a pro-rata refund for the subscription price. The transaction price from member subscription revenue and supplementary a la carte offerings includes variable consideration in the form of refunds. The Company estimates the refund liability for the variable consideration portion of the transaction price primarily based on historical experience. The refund liability is recorded within the "Accrued expenses and other current liabilities" line item in the condensed consolidated balance sheets. Revenue from individual consumers is presented net of refunds.

The following table presents the Company's revenues from sales to unaffiliated customers disaggregated by revenue source:

Unaudited	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Revenues from sales to unaffiliated customers:				
Payor revenue	$ 22,112	$ 9,513	$ 55,462	$ 25,503
DTE revenue	8,002	7,280	24,717	19,626
Total B2B revenue	30,114	16,793	80,179	45,129
Consumer revenue	8,532	12,539	27,448	44,197
Total revenue	$ 38,646	$ 29,332	$ 107,627	$ 89,326

Accounts Receivable and Allowance for Credit Losses

Accounts receivables are stated net of credit losses allowance. The Company is exposed to credit losses primarily through its contracts with health insurance plans, employee assistance programs and enterprise clients. The Company's methodology for estimating credit loss is based on historical collection experience, customer creditworthiness, current and future economic condition and market condition. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. Accounts receivables are written off after all reasonable means to collect the full amount have been exhausted. The allowance for credit losses was immaterial as of September 30, 2023 and December 31, 2022.

Deferred Revenue

The Company records deferred revenues when cash payments from customers are received in advance of the Company's performance obligation to provide services. As of September 30, 2023, deferred revenue related mainly to the Company's consumer channel. The Company expects to satisfy the majority of its performance obligations associated with deferred revenue within one year or less. Revenue recognized for the three and nine months ended September 30, 2023, that was included in the deferred revenue balance at the beginning of each reporting period, was approximately $2.3 million and $3.8 million, respectively.

NOTE 4. FAIR VALUE MEASUREMENT

The carrying value of the Company's cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the relatively short-term nature of the underlying assets. The Company's Private Placement Warrants are carried at fair value with changes in fair value recognized in earnings each period.

The Private Placement Warrants are accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities in the accompanying condensed consolidated balance sheets. The warrant liabilities were measured at fair value at inception and thereafter on a recurring, quarterly basis, with changes in fair value presented within financial income, net, in the condensed consolidated statement of operations.

The Private Placement Warrants were valued using the Black-Scholes-Merton Model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Placement Warrants is the implied volatility from the trading prices of the Public Warrants, significant increases (decreases) in this input in isolation would have resulted in a significantly higher (lower) fair value measurement.

The following were the inputs utilized in determining the fair value of the Private Placement Warrants as of September 30, 2023 and 2022:

	September 30,	
Unaudited	**2023**	**2022**
Dividend yield (1)	0%	0%
Expected volatility (2)	65.90%	102.00%
Risk-free interest rate (3)	4.80%	4.12%
Time to maturity (years)	2.73	3.73

(1) No dividends were paid during the nine months ended September 30, 2023 and 2022.

(2) The expected volatility is based on the volatility implied by backsolving to the Public Warrant price as of the valuation date.

(3) The risk-free interest rate is based on the yield from U.S. Treasury bonds with an equivalent term to the time to maturity of the warrants.

The following table presents the changes in the fair value of warrant liabilities during the three and nine months ended September 30, 2023 and 2022:

	Level 3 Liabilities (unaudited)		
	For the Three Months Ended September 30, 2023		
(in thousands)	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	$ 820	$ 766	$ 1,586

	For the Nine Months Ended September 30, 2023		
(in thousands)	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	$ 939	$ 647	$ 1,586

	Level 3 Liabilities (unaudited)		
	For the Three Months Ended September 30, 2022		
(in thousands)	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	$ 5,287	$ (1,638)	$ 3,649

	For the Nine Months Ended September 30, 2022		
(in thousands)	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	$ 4,070	$ (421)	$ 3,649

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

In January 2022, the Company and certain of its current and former officers and directors were named as defendants in securities class action complaints filed in the United States District Court for the Southern District of New York under the case headings: (1) Baron v. Talkspace et al., No. 22-cv-00163 (S.D.N.Y.) and (2) Valdez v. Talkspace et al., No. 22-cv-00840 (S.D.N.Y.), which were subsequently consolidated under the caption *In re Talkspace, Inc. Securities Litigation*, No. 22-cv-00163 (S.D.N.Y) (the “Securities Action”). The Securities Action asserts violations of sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rules 10b-5 and 14a-9 promulgated thereunder. These actions generally relate to public disclosures and statements by the Company in connection with its merger with Hudson Executive Investment Corp. (“HEIC”).

In December 2022, the Company’s subsidiary Tailwind Merger Sub II, LLC, certain of the Company’s current and former directors and officers, and others were named as defendants in a putative class action complaint filed in the Delaware Court of Chancery under the case caption *Valdez v. Braunstein, et al.*, C.A. No. 2022-1148 (Del. Ch.) (the “Delaware Action”). The Delaware Action asserts claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty relating to the merger with HEIC, among other things, based on many of the same facts at issue in the Securities Action. The complaint seeks, among other things, damages on behalf of putative class members who did not redeem their shares in connection with the Company’s merger with HEIC.

In February 2023, the Company resolved the Securities Action and the Delaware Action through mediation. The settlement resolves these litigations with respect to all named defendants (the "Securities Settlement"). On June 30, 2023, the court entered an order preliminarily approving the Securities Settlement. On October 30, 2023, the court granted final approval to the Securities Settlement in all respects. The defendants have not admitted any liability or wrongdoing in connection with the Securities Settlement and have entered into the Securities Settlement solely to avoid the costs, risks, distraction, and uncertainties of continued litigation of the Securities Action and Delaware Action.

In June and July 2022, two individuals filed stockholder derivative lawsuits on behalf of Talkspace in the United States District Court for the Southern District of New York under the case captions: (1) *Odsvall v. Oren Frank et al.*, No. 22-cv-05016 (S.D.N.Y.) and (2) *Nayman v. Berg, et al.*, No. 22-cv-06258 (S.D.N.Y.), which were subsequently consolidated under the caption *In re Talkspace Stockholder Derivative Litigation*, No. 22-cv-05016 (S.D.N.Y.) in September 2022 (the “Derivative Action”). The Derivative Action named certain of the Company’s current and former officers and directors as defendants and the Company as a nominal defendant. The Derivative Action asserted claims for violations of federal securities laws, breach of fiduciary duty, and aiding and abetting breaches of fiduciary duty relating to the merger with HEIC, among other things, based on many of the same facts at issue in the Securities Action.

In February 2023 the parties reached an agreement in principle to resolve the Derivative Action with respect to all named defendants in exchange for certain changes to the Company's Corporate Governance environment, including the declassification of the Company's board of directors, creation of a management-level disclosure committee, enhancements to the responsibilities and duties of the Company's Audit Committee, the addition of independent directors, enhancements to employee compliance training and retention of an internal controls consultant. In addition, the Company agreed to pay or cause to be paid $550,000 in attorney's fees and expenses. On May 18, 2023, the parties entered into a Stipulation of Settlement and Release Agreement (the "Stipulation") that sets forth the terms and conditions for the proposed settlement and dismissal with prejudice of the Derivative Action (the "Derivative Settlement"). On June 30, 2023, the court entered an order preliminarily approving the Stipulation and proposed Derivative Settlement and scheduling a hearing for August 16, 2023 to determine whether to give final approval to the Derivative Settlement. On August 16, 2023, the court granted final approval to the Derivative Settlement in all respects. The defendants have not admitted any liability or wrongdoing in connection with the Derivative Settlement and have entered into the Derivative Settlement solely to avoid the costs, risks, distraction, and uncertainties of continued litigation of the Derivative Action.

In addition to the foregoing, the Company may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. The Company accrues for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses.

Warranties and Indemnification

The Company's arrangements generally include certain provisions for indemnifying clients against liabilities if there is a breach of a client's data or if the Company's service infringes a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnifications.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as a director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer liability insurance coverage that would generally enable it to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

NOTE 6. CAPITAL STOCK

As of September 30, 2023 and December 31, 2022 there were outstanding 12,780,000 Private Placement Warrants and 21,350,000 Public Warrants to purchase the Company's common stock at an exercise price of $11.50 per share. As of September 30, 2023 and December 31, 2022, no shares of preferred stock were issued or outstanding.

NOTE 7. SHARE-BASED COMPENSATION

In June 2021, the Company adopted the 2021 Incentive Award Plan (the "2021 Plan") under which the Company may grant cash and equity incentive awards to officers, employees, directors, consultants and service providers in order to attract, motivate and retain the talent. The 2021 Plan replaced the Company's previous stock compensation plan.

In June 2021, the Company also adopted the 2021 Employee Stock Purchase Plan (the "2021 ESPP") under which employees of the Company and its participating subsidiaries are provided with the opportunity to purchase Talkspace common stock at a discount through accumulated payroll deductions during successive offering periods. As of September 30, 2023, no employee stock purchases have been made under the 2021 ESPP.

All stock-based awards are measured based on the grant date fair value and are generally recognized on a straight-line basis in the Company's condensed consolidated statement of operations over the period during which the employee is required to perform services in exchange for the award (generally requiring a four-year vesting period).

The following table sets forth the total stock-based compensation expense related to stock options and restricted stock units included in the respective components of operating expenses in the condensed consolidated statements of operations:

Unaudited *(in thousands)*	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Research and development, net	$ 631	$ 630	$ 1,851	$ 1,838
Clinical operations, net	132	113	378	314
Sales and marketing	446	793	1,282	2,386
General and administrative	760	1,643	2,890	4,848
Total stock-based compensation expense	$ 1,969	$ 3,179	$ 6,401	$ 9,386

NOTE 8. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders for the periods presented:

Unaudited *(in thousands, except share and per share data)*	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net loss	$ (4,414)	$ (17,983)	$ (17,876)	$ (61,365)
Weighted-average shares used to compute net loss per share:				
Basic and Diluted	166,570,673	158,330,684	164,215,802	156,056,900
Net loss per share:				
Basic and Diluted	$ (0.03)	$ (0.11)	$ (0.11)	$ (0.39)

For the three and nine months ended September 30, 2023, the following were excluded from the calculation of diluted net loss per share since each would have had an anti-dilutive effect: 11,812,822 vested and non-vested stock options outstanding, 9,609,252 non-vested and outstanding restricted stock units, 12,780,000 Private Placement Warrants and 21,350,000 Public Warrants to purchase the Company’s common stock.

For the three and nine months ended September 30, 2022, the following were excluded from the calculation of diluted income per share since each would have had an anti-dilutive effect: 17,746,401 vested and non-vested stock options outstanding, 6,670,934 non-vested and outstanding restricted stock units, 12,780,000 Private Placement Warrants and 21,350,000 Public Warrants to purchase the Company’s common stock.

NOTE 9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The following table presents the amounts included within accrued expenses and other current liabilities as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023 *Unaudited*	December 31, 2022
Employee compensation	$ 5,258	$ 5,290
User acquisition	1,660	2,256
Professional fees	693	543
Litigation costs	118	5,500
Other	2,988	2,913
Accrued expenses and other current liabilities	$ 10,717	$ 16,502

NOTE 10. VARIABLE INTEREST ENTITIES ("VIEs")

The Company holds a variable interest in Talkspace Provider Network, PA (“TPN”) and eight affiliated professional corporations (“PC entities”). TPN and the PC entities are VIEs. Under the provisions of ASC 810, “Consolidation”, an entity consolidates a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (a) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company has determined that it is able to direct the activities of TPN and the PC entities that most significantly impact their economic performance and it funds and absorbs all losses of these VIEs resulting in the Company being the primary beneficiary of these entities. Accordingly, the Company consolidates these VIEs.

The following table details the assets and liabilities of the Company's consolidated VIEs as of September 30, 2023 and December 31, 2022. The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

(in thousands)	**September 30, 2023**	**December 31, 2022**
ASSETS	*Unaudited*	
Cash and cash equivalents	$ 343	$ 883
Accounts receivable	1,471	1,716
Other assets	8,203	4,813
Total Assets	$ 10,017	$ 7,412
LIABILITIES		
Accrued expenses and other current liabilities	3,117	3,758
Total Liabilities	$ 3,117	$ 3,758

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Unless the context otherwise requires, all references in this section as to "Talkspace," the "Company," "we," "us" or "our" refer to the business of Talkspace, Inc. and its consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes contained in this Quarterly Report and the financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks and uncertainties. As a result of many factors, such as those discussed in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and "Forward-Looking Statements" sections and elsewhere in this Quarterly Report, our actual results may differ materially from those anticipated in these forward-looking statements.

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations for the three and nine months ended September 30, 2023 and 2022.

Overview

Talkspace is a healthcare company offering its members convenient and affordable access to a fully-credentialed network of highly qualified providers. We are a leading virtual behavioral health company and, since Talkspace's founding, we have connected millions of patients with licensed mental health providers across a wide and growing spectrum of care through virtual counseling, psychotherapy and psychiatry. We created a purpose-built platform to address the vast, unmet and growing demand for mental health services of our members, serving our business-to-business ("B2B") channel, comprised of large health plans and employee assistance programs ("Payors") such as Aetna, Cigna, Premera and Optum and large enterprise clients ("DTE") such as Google and the University of Kentucky, (collectively, our "clients"), who offer their insured members and employees access to our platform at in-network reimbursement rates, or while their employer is under an active contract with Talkspace, where applicable, and our business-to-consumer ("Consumer") channel, comprised of individual consumers who subscribe directly to our platform.

As of September 30, 2023, we had approximately 113 million B2B eligible lives and approximately 13,300 consumer active members compared to 86 million B2B eligible lives and 17,900 consumer active members as of September 30, 2022. For the three and nine months ended September 30, 2023, our clinicians completed 228,600 and 600,800 B2B sessions, respectively, related to members covered under our health plan clients, as compared to 111,400 and 298,000 completed B2B sessions for the three and nine months ended September 30, 2022. Please refer to the "Key Business Metrics" section below for a description of active members and B2B eligible lives.

Principal External Factors that Affect our Business

We are subject to a number of external factors that may adversely affect our business and the price of our securities. These factors, and other factors, are discussed below and under the heading "Forward-Looking Statements," and in Part I—Item 1A—Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 and in Item 1A—"Risk Factors" in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023.

In Part I—Item 1A—Risk Factors—General Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022, we discussed how general worldwide economic conditions, uncertainty and downturns could disproportionately affect the demand for our solution and negatively impact our results of operations. The demand for our service is dependent on the general economy, which is in turn affected by geopolitical conditions and the stability of the global credit markets. The ongoing and potential future impacts of escalating global conflicts, including those between Russia and Ukraine and in the Middle East, has heightened global economic and geopolitical uncertainty.

While we have a small back-office presence in Israel, none of our global operations are dependent on those operations and we can use other locations and employees to fully supplement the work conducted in Israel. Any impact of this conflict on our business is limited to the conflict's impact on global economic conditions.

Operating Segments

The Company operates as a single segment and as one reporting unit, which is how the chief operating decision maker (who is the chief executive officer) reviews financial performance and allocates resources.

Key Business Metrics

We monitor the following key metrics to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions. We believe the following metrics are useful in evaluating our business:

Unaudited	**Nine Months Ended September 30,**	
(in thousands except number of health plan and enterprise clients or otherwise indicated)	**2023**	**2022**
Number of B2B eligible lives at period end *(in millions)*	113	86
Number of completed B2B sessions during the period	600.8	298.0
Number of health plan clients at period end	21	17
Number of enterprise clients at period end	212	215
Number of Consumer active members at period end	13.3	17.9

B2B Eligible Lives: We consider B2B lives “eligible” if such persons are eligible to receive treatment on the Talkspace platform, in the case of our health plan clients, at an agreed upon reimbursement rate through insurance under an employee assistance program or other network behavioral health paid benefit program. There may be instances where a person may be covered through multiple solutions, typically through behavioral health plans and employee assistance programs. In these instances, the person is counted each time they are covered in the B2B eligible lives calculation, which may cause this amount to reflect a higher number of B2B eligible lives than we actually serve.

Active Members: We consider members “active”, in the case of our Consumer members, commencing on the date such member initiates contact with a provider on our platform until the term of their monthly, quarterly or bi-annual subscription plan expires, unless terminated early.

Components of Results of Operations

Revenues

We contract with health insurance plans, employee assistance organizations and enterprises to provide services to individuals who are qualified to receive access to the Company’s services through the Company’s commercial arrangements. We generate revenues from payments from insured members and claims paid by their respective insurance companies and from contracted platform access fees paid to us by our enterprise clients for the delivery of therapy services to their members or employees. We recognize revenues from services provided to insured members at a point in time, as virtual therapy or psychiatry session is rendered. We recognize revenue from our enterprise clients ratably over the contractual term based primarily on a per-member-per-month access fee model.

We also generate revenues from the sale of monthly, quarterly, bi-annual and annual membership subscriptions to the Company's therapy platform as well as supplementary a la carte offerings directly to individual consumers through a subscription plan. We recognize member subscription revenues ratably over the subscription period, beginning when therapy services commence. We recognize revenues from supplementary a la carte offerings at a point in time, as virtual therapy session is rendered. Members may cancel their subscription at any time and will receive a pro-rata refund for the subscription price.

Revenue growth is generated from increasing our eligible covered lives through contracting with health plans, increasing utilization within eligible covered lives, expanding enterprise clients, and increasing membership subscriptions.

Cost of Revenues

Cost of revenues is comprised primarily of therapist payments. Cost of revenues is largely driven by number of sessions and the size of our provider network that is required to service the growth of our health plan and enterprise clients, in addition to the growth of our customer base.

We designed our business model and our provider network to be scalable and to leverage a hybrid model of both employee providers and independently contracted providers to support multiple growth scenarios. The compensation paid to our independently contracted providers is variable, and the amount paid to a provider is generally based on the amount of time committed by such provider to our members. In addition, our network supervisors have authority to approve the payment of incentive bonuses to providers with certain licenses during periods of higher demand for providers with such licenses. For our employee providers, they receive a fixed-salary and discretionary bonuses, where applicable, all of which is included in cost of revenues.

While we expect to make increased investments to support accelerated growth and the required investment to scale our provider network, we also expect increased efficiencies and economies of scale. Our cost of revenues as a percentage of revenues is expected to fluctuate from period to period depending on the interplay of these factors as well as pricing fluctuations.

Operating Expenses

Operating expenses consist of research and development, clinical operations, sales and marketing, and general and administrative expenses.

Research and Development Expenses

Research and development expenses include personnel and related expenses for software development and engineering, information technology infrastructure, security, privacy compliance and product development (inclusive of stock-based compensation for our research and development employees), third-party services and contractors related to research and development, information technology and software-related costs.

Clinical Operations Expenses

Clinical operations expenses are associated with the management of our network of therapists. This item is comprised of costs related to recruiting, onboarding, credentialing, training and ongoing quality assurance activities (inclusive of stock-based compensation for our clinical operations employees), costs of third-party services and contractors related to recruiting and training and software-related costs.

Sales and Marketing Expenses

Sales expenses consist primarily of employee-related expenses, including salaries, benefits, commissions, travel and stock-based compensation costs for our employees engaged in sales and account management.

Marketing expenses consist primarily of advertising and marketing expenses for member acquisition and engagement, as well as personnel costs, including salaries, benefits, bonuses, stock-based compensation expense for marketing employees, third-party services and contractors. Marketing expenses also include third-party software subscription services, third-party independent research, participation in trade shows, brand messaging and costs of communications materials that are produced for our clients to generate greater awareness and utilization of our platform among our health plan and enterprise clients.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, bonuses and stock-based compensation expense for certain executives, finance, accounting, legal and human resources functions, as well as professional fees, occupancy costs, and other general overhead costs.

Financial income, net

Financial income, net includes the impact from (i) non-cash changes in the fair value of our warrant liabilities, (ii) interest earned on cash equivalents deposited in our money market accounts and (iii) other financial expenses in connection with bank charges.

Taxes on income

Immaterial taxes on income consists primarily of foreign income taxes related to income generated by our subsidiary organized under the laws of Israel.

We have a full valuation allowance for our U.S. deferred tax assets, including federal and state NOLs. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized through expected future taxable income in the United States.

Results of Operations

The following table presents our results of operations for the three and nine months ended September 30, 2023 and 2022 and the dollar and percentage change between the respective periods:

(in thousands, except percentages)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
Unaudited	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Revenue:								
Payor revenue	$22,112	$9,513	12,599	132.4	$55,462	$25,503	29,959	117.5
DTE revenue	8,002	7,280	722	9.9	24,717	19,626	5,091	25.9
Total B2B revenue	30,114	16,793	13,321	79.3	80,179	45,129	35,050	77.7
Consumer revenue	8,532	12,539	(4,007)	(32.0)	27,448	44,197	(16,749)	(37.9)
Total revenue	38,646	29,332	9,314	31.8	107,627	89,326	18,301	20.5
Cost of revenue	19,797	14,737	5,060	34.3	54,218	45,163	9,055	20.0
Gross profit	18,849	14,595	4,254	29.1	53,409	44,163	9,246	20.9
Operating expenses:								
Research and development, net	4,180	6,073	(1,893)	(31.2)	13,704	16,869	(3,165)	(18.8)
Clinical operations, net	1,405	2,387	(982)	(41.1)	4,681	6,257	(1,576)	(25.2)
Sales and marketing	13,184	18,511	(5,327)	(28.8)	39,698	60,098	(20,400)	(33.9)
General and administrative	5,259	7,475	(2,216)	(29.6)	15,952	23,066	(7,114)	(30.8)
Total operating expenses	24,028	34,446	(10,418)	(30.2)	74,035	106,290	(32,255)	(30.3)
Operating loss	(5,179)	(19,851)	14,672	73.9	(20,626)	(62,127)	41,501	66.8
Financial (income), net	(779)	(1,885)	1,106	(58.7)	(2,915)	(889)	(2,026)	227.9
Loss before taxes on income	(4,400)	(17,966)	13,566	75.5	(17,711)	(61,238)	43,527	71.1
Taxes on income	14	17	(3)	(17.6)	165	127	38	29.9
Net loss	$(4,414)	$(17,983)	$13,569	75.5	$(17,876)	$(61,365)	$43,489	70.9

Revenues. Revenues increased by $9.3 million, or 31.8% to $38.6 million for the three months ended September 30, 2023 from $29.3 million for the three months ended September 30, 2022. The increase was principally due to a 79.3% growth in B2B revenue driven by a higher number of completed B2B sessions and an increase in covered lives from health plan clients ("Payors"), partially offset by a 32.0% decline in consumer subscription revenue. Revenue from our health plan clients increased by $12.6 million, or 132.4%, to $22.1 million for the three months ended September 30, 2023 from $9.5 million for the three months ended September 30, 2022. DTE revenue increased by $0.7 million, or 9.9% to $8.0 million for the three months ended September 30, 2023 from $7.3 million for the three months ended September 30, 2022. Consumer subscriptions revenue decreased by $4.0 million, or 32.0%, to $8.5 million for the three months ended September 30, 2023 from $12.5 million for the three months ended September 30, 2022, due to the Company's intentional and strategic decision to reduce marketing spend related to this service.

Revenues increased by $18.3 million, or 20.5% to $107.6 million for the nine months ended September 30, 2023 from $89.3 million for the nine months ended September 30, 2022. The increase was principally due to a 77.7% growth in B2B revenue driven by a higher number of completed B2B sessions and an increase in covered lives from Payors, partially offset by a 37.9% decline in consumer subscription revenue. Revenue from our health plan clients increased by $30.0 million, or 117.5%, to $55.5 million for the nine months ended September 30, 2023 from $25.5 million for the nine months ended September 30, 2022. DTE revenue increased by $5.1 million, or 25.9% to $24.7 million for the nine months ended September 30, 2023 from $19.6 million for the nine months ended September 30, 2022. Consumer subscriptions revenue decreased by $16.7 million, or 37.9%, to $27.4 million for the nine months ended September 30, 2023 from $44.2 million for the nine months ended September 30, 2022, due to the Company's intentional and strategic decision to reduce marketing spend related to this service.

Costs of revenues. Cost of revenues increased by $5.1 million, or 34.3%, to $19.8 million for the three months ended September 30, 2023 from $14.7 million for the three months ended September 30, 2022, and increased by $9.1 million, or 20.0%, to $54.2 million for the nine months ended September 30, 2023 from $45.2 million for the nine months ended September 30, 2022. The increase in cost of revenues for the three and nine months ended September 30, 2023, was primarily due to increased hours worked by therapists to meet strong customer engagement.

Gross profit. Gross profit increased by $4.3 million, or 29.1%, to $18.8 million for the three months ended September 30, 2023 from $14.6 million for the three months ended September 30, 2022. Gross profit increased by $9.2 million, or 20.9%, to $53.4 million for the nine months ended September 30, 2023 from $44.2 million for the nine months ended September 30, 2022. The increase in gross profit for the three months ended September 30, 2023 was primarily driven by an increase in B2B revenues. The increase in gross profit for the nine months ended September 30, 2023 was primarily driven by an increase in B2B revenues and higher provider network productivity.

Gross margin was 48.8% for the three months ended September 30, 2023, compared to 49.8% during the three months ended September 30, 2022. Gross margin was 49.6% for the nine months ended September 30, 2023, compared to 49.4% during the nine months ended September 30, 2022. The decrease in gross margin for the three months ended September 30, 2023 was primarily driven by a shift in revenue mix towards Payor. The increase in gross margin for the nine months ended September 30, 2023 was primarily due to higher B2B revenues, partially offset by a shift in revenue mix towards payor revenue.

Operating expenses

Overall, our operating expenses for the three and nine months ended September 30, 2023 have decreased due to our efficiency initiatives in order to optimize for profitability.

Research and development expenses. Research and development expenses decreased by $1.9 million, or 31.2% to $4.2 million for the three months ended September 30, 2023 from $6.1 million for the three months ended September 30, 2022, and decreased by $3.2 million, or 18.8% to $13.7 million for the nine months ended September 30, 2023 from $16.9 million for the nine months ended September 30, 2022. The decrease in research and development expenses for the three and nine months ended September 30, 2023 was primarily due to a decrease in employee-related costs, inclusive of non-cash stock compensation expense.

Clinical operations expenses. Clinical operations expenses decreased by $1.0 million, or 41.1% to $1.4 million for the three months ended September 30, 2023 from $2.4 million for the three months ended September 30, 2022, and decreased by $1.6 million, or 25.2% to $4.7 million for the nine months ended September 30, 2023 from $6.3 million for the nine months ended September 30, 2022. The decrease in clinical operations expenses for the three months ended September 30, 2023 was primarily due to lower provider recruitment costs and employee-related costs, inclusive of non-cash stock compensation expense. The decrease in clinical operations expenses for the nine months ended September 30, 2023 was primarily due to lower provider recruitment costs.

Sales and marketing expenses. Sales and marketing expenses decreased by $5.3 million, or 28.8%, to $13.2 million for the three months ended September 30, 2023 from $18.5 million for the three months ended September 30, 2022, and decreased by $20.4 million, or 33.9%, to $39.7 million for the nine months ended September 30, 2023 from $60.1 million for the nine months ended September 30, 2022. The decrease in sales and marketing expenses for the three and nine months ended September 30, 2023 was primarily driven by a decrease in direct marketing and promotional costs, subcontractor costs and employee-related costs, inclusive of non-cash stock compensation expense.

General and administrative expenses. General and administrative expenses decreased by $2.2 million, or 29.6%, to $5.3 million for the three months ended September 30, 2023 from $7.5 million for the three months ended September 30, 2022, and decreased by $7.1 million, or 30.8%, to $16.0 million for the nine months ended September 30, 2023 from $23.1 million for the nine months ended September 30, 2022. The decrease in general and administrative expenses for the three and nine months ended September 30, 2023 was primarily due to a decrease in professional fees, subcontractor costs and employee-related costs, inclusive of non-cash stock compensation expense.

Financial income, net. Financial income, net was $0.8 million for the three months ended September 30, 2023, compared to financial income, net of $1.9 million for the three months ended September 30, 2022. For the three months ended September 30, 2023 financial income, net was primarily driven by interest income earned on our money market accounts of $1.6 million partially offset by $0.8 million in non-cash losses resulting from the remeasurement of warrant liabilities. For the three months ended September 30, 2022 financial income, net primarily consisted of $1.6 million in non-cash gains resulting from the remeasurement of warrant liabilities and interest income earned on our money market accounts of $0.3 million.

Financial income, net was $2.9 million for the nine months ended September 30, 2023, compared to financial income, net of $0.9 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023 financial income, net was primarily driven by interest income earned on our money market accounts of $3.7 million partially offset by $0.6 million in non-cash losses resulting from the remeasurement of warrant liabilities. For the nine months ended September 30, 2022 financial income, net was primarily driven by $0.4 million of non-cash gains resulting from the remeasurement of warrant liabilities and interest income earned on our money market accounts of $0.4 million.

Taxes on income. Immaterial taxes on income consists primarily of foreign income taxes related to income generated by our subsidiary organized under the laws of Israel.

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 is a key performance measure that our management uses 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 calculate adjusted EBITDA as net loss income adjusted to exclude (i) depreciation and amortization, (ii) interest and other expenses (income), net, (iii) tax benefit and expense, (iv) stock-based compensation expense, (v) and certain non-recurring expenses, where applicable.

The following table presents a reconciliation of adjusted EBITDA from the most comparable GAAP measure, net loss for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Unaudited	**2023**	**2022**	**2023**	**2022**
(in thousands)				
Net loss	$(4,414)	$(17,983)	$(17,876)	$(61,365)
Add:				
Depreciation and amortization	305	309	913	1,006
Financial (income), net [(1)]	(779)	(1,885)	(2,915)	(889)
Taxes on income	14	17	165	127
Stock-based compensation	1,969	3,179	6,401	9,386
Non-recurring expenses [(2)]	105	900	89	900
Adjusted EBITDA	$(2,800)	$(15,463)	$(13,223)	$(50,835)

1) 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 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 losses resulting from the remeasurement of warrant liabilities. For the three and nine months ended September 30, 2022, financial (income) net, primarily consisted of $1.6 million and $0.4 million, respectively, in gains resulting from the remeasurement of warrant liabilities.

2) For the three and nine months ended September 30, 2023, non-recurring expenses primarily consisted of $0.1 million in losses resulting from the disposition of fixed assets. For the three and nine months ended September 30, 2022, non-recurring expenses consisted of $0.6 million in legal fees and $0.3 million in general and administrative expenses.

Liquidity and Capital Resources

As of September 30, 2023, we had $125.3 million of cash and cash equivalents ($138.5 million as of December 31, 2022), which we use to finance our operations and support a variety of growth initiatives and investments. We had no debt as of September 30, 2023.

Our primary cash needs are to fund operating activities. Our future capital requirements will depend on many factors including our growth rate, contract renewal activity, the timing and extent of investments to support product development efforts, our expansion of sales and marketing activities, the introduction of new and enhanced service offerings, and the continuing market acceptance of virtual behavioral services. Additionally, we may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies.

We currently anticipate to be able to fund our cash needs for at least the next 12 months and thereafter for the foreseeable future using available cash and cash equivalent balances as of September 30, 2023. However, in the future we may require additional capital to respond to technological advancements, competitive dynamics, customer demands, business and investment opportunities, acquisitions or unforeseen circumstances and we may determine to engage in equity or debt financings for other reasons. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we cannot raise capital when needed, we may be forced to undertake asset sales or similar measures to ensure adequate liquidity.

Cash Flows from Operating, Investing and Financing Activities

The following table presents the summary condensed consolidated cash flow information for the periods presented:

Cash Flows

Unaudited *(in thousands)*	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net cash used in operating activities	$ (14,863)	$ (46,856)
Net cash used in investing activities	(10)	(254)
Net cash provided by financing activities	1,660	1,493
Net decrease in cash and cash equivalents	$ (13,213)	$ (45,617)

Operating Activities

The decrease in net cash used in operating activities was primarily driven by a lower net loss for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, partially offset by unfavorable timing of payments of account payables and accrued expenses.

Investing Activities

The decrease in net cash used in investing activities was driven primarily by a decrease in the purchases of computer equipment and software.

Financing Activities

The increase in net cash provided by financing activities was approximately $0.2 million for the nine months ended September 30, 2023.

Contractual Obligations, Commitments and Contingencies

As of September 30, 2023, we did not have any short-term or long-term debt, or significant long-term liabilities. As of September 30, 2023, we have a non-material long-term operating lease for our office space in New York, NY.

The Company reached settlements for certain class action lawsuits in February 2023 ending ongoing litigation, see Note 5, “Commitments and Contingent Liabilities” in the notes to the condensed consolidated financial statements for further details. In addition, we may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. We accrue for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and we can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses. Should any of our estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows. See Note 5, “Commitments and Contingent Liabilities” in the notes to the condensed consolidated financial statements for further details.

Our commercial contract arrangements generally include certain provisions requiring us to indemnify clients against liabilities if there is a breach of a client’s data or if our service infringes a third party’s intellectual property rights. To date, we have not incurred any material costs as a result of such indemnifications.

We have also agreed to indemnify our officers and directors for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person’s service as a director or officer, including any action by us, arising out of that person’s services as our director or officer or that person’s services provided to any other company or enterprise at our request. We maintain director and officer liability insurance coverage that would generally enable us to recover a portion of any future amounts paid. We may also be subject to indemnification obligations by law with respect to the actions of our employees under certain circumstances and in certain jurisdictions.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our condensed consolidated financial statements.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition or results of operations.

Critical Accounting Policies and Estimates

The Company’s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Reference is also made to the Company’s consolidated financial statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2022.

The Company’s accounting policies are essential to understanding and interpreting the financial results reported on the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company’s consolidated financial statements are summarized in Note 2 to those financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. Certain of those policies are considered to be particularly important to the presentation of the Company's financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain.

During the nine months ended September 30, 2023, there were no material changes to matters discussed under the heading “Critical Accounting Policies and Estimates” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Pronouncements

Information regarding recent accounting developments and their impact on our results can be found in Note 2, “Summary of Significant Accounting Policies and Estimates” in the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and in Note 2, “Significant Accounting Policies” in the notes to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements regarding our future results of operations and financial position, industry and business trends, stock-based compensation, revenue recognition, business strategy, plans and market growth.

The forward-looking statements in this Quarterly Report and other such statements we publicly make from time-to-time are only predictions. We base these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the important factors discussed in Part I, Item 1A, “Risk Factors” of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The forward-looking statements in this Quarterly Report are based upon information available to us as of the date of this Quarterly, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report and the risk factors discussed in Part I, Item 1A, “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q or any forward-looking statements we may publicly make from time-to-time, whether as a result of any new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended September 30, 2023, there were no material changes to the information contained in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures.

In connection with the preparation of this report, an evaluation was carried out under the supervision, and with the participation of, our management including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the "Act")) as of September 30, 2023. Based upon the evaluation and although management has made significant progress in the design and implementation of IT and business process controls, our CEO and CFO concluded our disclosure controls and procedures are not effective as of such date solely due to material weaknesses in internal controls over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and are discussed below.

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, we concluded that our internal control over financial reporting was not effective solely due to the existence of the following material weaknesses described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022:

1. Management was able to complete the design and establish effective information technology general controls (ITGCs) for the majority of tested ITGCs; however, some ineffective ITGC controls existed at December 31, 2022. As a result, business process controls (automated and IT-dependent manual controls) that are dependent on the ineffective ITGCs, or that use data produced from systems impacted by the ineffective ITGCs were deemed ineffective; and
2. Management did not have an adequate process in place to monitor and provide oversight over the completion of its testing and assessment of the design and operating effectiveness of internal control over financial reporting in a timely manner.

The material weaknesses did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results.

Remediation Plan for the Material Weakness

Management is committed to the remediation of the material weakness described above, as well as the continued improvement of the Company's internal control over financial reporting. Management has implemented and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented and operating effectively.

Remediation efforts include but are not limited to, (a) hiring additional personnel with appropriate technical skill sets, (b) developing an execution plan and resources to test controls and providing timely feedback of any deficiencies noted to complete remediation (c) establishing a training program for the entire organization to support ongoing execution of internal controls and adherence to control activities and (d) actively monitoring corrective actions and providing status reporting to leadership on the progress. Management will test and evaluate the implementation of internal controls and revised processes to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in our financial statements.

We believe that once these actions have been completed, it will remediate the material weakness. The material weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Other than changes made to remediate the material weaknesses described above, there have been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2023 which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In order to enhance the Company's internal control over financial reporting, during the nine months ended September 30, 2023, management has (a) hired additional personnel with appropriate technical skill sets, (b) developed an execution plan and engaged resources to test controls and provide timely feedback of any deficiencies noted, (c) provided training to the organization to support ongoing execution of internal controls and adherence to control activities, and (d) implemented status reporting to leadership on the progress of the assessment of the design and operating effectiveness of internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company reached settlements for certain class action lawsuits in February 2023 ending ongoing litigation. These settlements have been approved or are in the process of being approved by the court. The Company has not admitted any liability or wrongdoing in connection with these settlements and has entered into these settlements solely to avoid the costs, risks, distraction, and uncertainties of continued litigation. See Note 5, “Commitments and Contingent Liabilities” in the notes to the condensed consolidated financial statements for further details.

In addition to the foregoing, the Company may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. The Company accrues for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed under Part I, Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this Quarterly Report. During the nine months ended September 30, 2023, there were no material changes to the information contained in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Filed/ Furnished Herewith
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).	*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).	*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (as formatted as Inline XBRL and contained in Exhibit 101).	*

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Talkspace, Inc.	
Date: November 7, 2023	By:	/s/ Jon Cohen
		Jon Cohen
		Chief Executive Officer
Date: November 7, 2023	By:	/s/ Jennifer Fulk
		Jennifer Fulk
		Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Jon Cohen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Talkspace, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

By: /s/ Jon Cohen
Jon Cohen
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jennifer Fulk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Talkspace, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

By: /s/ Jennifer Fulk
Jennifer Fulk
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Talkspace, Inc. (the “Company”) for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023	By:	/s/ Jon Cohen
		Jon Cohen
		Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Talkspace, Inc. (the “Company”) for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023	By:	/s/ Jennifer Fulk
		Jennifer Fulk
		Chief Financial Officer