

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 June 30, 2026

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
(State or other jurisdiction of
incorporation or organization)
622 Third Avenue, New York, New York
(Address of principal executive offices)

84-4636604
(I.R.S. Employer
Identification No.)
10017
(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

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 August 5, 2026, the registrant had 165,823,816 shares of common stock, \$0.0001 par value per share, outstanding.

Table of Contents

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	3
Condensed Consolidated Balance Sheets as of June 30, 2026 (unaudited) and December 31, 2025	3
Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2026 and 2025	4
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and six months ended June 30, 2026 and 2025	5
Condensed Consolidated Statements of Stockholders' Equity (unaudited) for the three and six months ended June 30, 2026 and 2025	6
Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2026 and 2025	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3. Defaults Upon Senior Securities	29
Item 4. Mine Safety Disclosures	29
Item 5. Other Information	29
Item 6. Exhibits	30
Signatures	31

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TALKSPACE, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2026	December 31, 2025
	Unaudited	
<i>(U.S. dollars in thousands, except share and per share data)</i>		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents ⁽¹⁾	\$ 39,159	\$ 37,352
Marketable securities	51,839	55,234
Accounts receivable, net ⁽¹⁾	15,444	16,061
Other current assets	2,573	2,415
Total current assets	109,015	111,062
Fixed assets, net	20,053	15,794
Goodwill	3,427	3,318
Other long-term assets	3,951	4,689
Total assets	\$ 136,446	\$ 134,863
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,937	\$ 8,501
Accrued expenses and other current liabilities ⁽¹⁾	10,468	6,672
Deferred revenue	2,713	2,223
Total current liabilities	24,118	17,396
Other long-term liabilities	197	452
Total liabilities	24,315	17,848
Commitments and contingencies (Note 6)		
STOCKHOLDERS' EQUITY:		
Common stock of \$0.0001 par value per share:		
Shares authorized: 1,000,000,000 as of June 30, 2026 (unaudited) and December 31, 2025; shares issued and outstanding: 165,823,816 and 166,718,150 as of June 30, 2026 (unaudited) and December 31, 2025, respectively.	17	17
Additional paid-in capital	381,474	378,384
Accumulated deficit	(269,265)	(261,443)
Accumulated other comprehensive (loss) income	(95)	57
Total stockholders' equity	112,131	117,015
Total liabilities and stockholders' equity	\$ 136,446	\$ 134,863

(1) Talkspace, Inc.'s condensed consolidated balance sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors may have recourse to Talkspace, Inc. or its affiliates. At June 30, 2026 (unaudited) and December 31, 2025, assets of these consolidated VIEs totaled \$13,443 and \$13,562, respectively. At June 30, 2026 (unaudited) and December 31, 2025, liabilities of these consolidated VIEs totaled \$4,835 and \$3,755, respectively. See Note 11, "Variable Interest Entities," in the notes to the condensed consolidated financial statements for further details.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
<i>(U.S. dollars in thousands, except share and per share data)</i>				
Revenue	\$ 61,672	\$ 54,310	\$ 123,351	\$ 106,492
Costs and operating expenses:				
Cost of revenue, excluding depreciation and amortization	36,869	30,917	72,933	59,706
Research and development	2,343	2,563	5,007	5,403
Clinical operations	1,873	1,921	3,747	3,777
Sales and marketing	14,661	14,253	28,510	28,178
General and administrative	6,458	5,728	19,276	10,935
Depreciation and amortization	1,581	718	3,118	1,368
Total costs and operating expenses	63,785	56,100	132,591	109,367
Loss from operations	(2,113)	(1,790)	(9,240)	(2,875)
Financial income, net	(608)	(1,325)	(1,553)	(2,851)
Loss before income taxes	(1,505)	(465)	(7,687)	(24)
Income tax expense	11	76	135	199
Net loss	\$ (1,516)	\$ (541)	\$ (7,822)	\$ (223)
Net loss per share:				
<i>Basic and Diluted</i>	\$ (0.01)	\$ (0.00)	\$ (0.05)	\$ (0.00)
Weighted average shares used to compute net loss per share:				
<i>Basic and Diluted</i>	167,486,050	167,532,721	167,281,977	168,098,647

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

TALKSPACE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
<i>(U.S. dollars in thousands)</i>				
Net loss	\$ (1,516)	\$ (541)	\$ (7,822)	\$ (223)
Other comprehensive (loss) income:				
Change in unrealized (loss) gain on marketable debt securities	(52)	(8)	(152)	17
Total other comprehensive (loss) income	(52)	(8)	(152)	17
Total comprehensive loss	<u>\$ (1,568)</u>	<u>\$ (549)</u>	<u>\$ (7,974)</u>	<u>\$ (206)</u>

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

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

(U.S. dollars in thousands, except share data)

	Common Stock						
	Number of Shares	Amount		Additional paid-in	Accumulated	Accumulated	Total
Three and Six Months Ended June 30, 2026	Outstanding			capital	other comprehensive (loss) income	deficit	
Balance as of December 31, 2025	166,718,150	\$ 17		\$ 378,384	\$ 57	\$ (261,443)	\$ 117,015
Exercise of stock options	15,166	*)		23	—	—	23
Restricted stock units vested, net of tax	779,250	*)		(753)	—	—	(753)
Other comprehensive loss	—	—		—	(100)	—	(100)
Stock-based compensation	—	—		3,176	—	—	3,176
Net loss	—	—		—	—	(6,306)	(6,306)
Balance as of March 31, 2026 (unaudited)	167,512,566	\$ 17		\$ 380,830	\$ (43)	\$ (267,749)	\$ 113,055
Exercise of stock options	62,533	*)		96	—	—	96
Restricted stock units vested, net of tax	537,616	*)		(1,697)	—	—	(1,697)
Forfeiture and cancellation of sponsor shares	(2,288,899)	*)		*)	—	—	—
Other comprehensive loss	—	—		—	(52)	—	(52)
Stock-based compensation	—	—		2,245	—	—	2,245
Net loss	—	—		—	—	(1,516)	(1,516)
Balance as of June 30, 2026 (unaudited)	165,823,816	\$ 17		\$ 381,474	\$ (95)	\$ (269,265)	\$ 112,131

	Common Stock						
	Number of Shares	Amount		Additional paid-in	Accumulated	Accumulated	Total
Three and Six Months Ended June 30, 2025	Outstanding			capital	other comprehensive income	deficit	
Balance as of December 31, 2024	168,849,591	\$ 17		\$ 386,612	\$ 2	\$ (269,236)	\$ 117,395
Exercise of stock options	1,010,942	*)		678	—	—	678
Restricted stock units vested, net of tax	515,033	*)		(571)	—	—	(571)
Repurchase of common stock for retirement	(2,519,170)	*)		(6,975)	—	—	(6,975)
Other comprehensive income	—	—		—	25	—	25
Stock-based compensation	—	—		2,548	—	—	2,548
Net income	—	—		—	—	318	318
Balance as of March 31, 2025 (unaudited)	167,856,396	\$ 17		\$ 382,292	\$ 27	\$ (268,918)	\$ 113,418
Exercise of stock options	28,602	*)		49	—	—	49
Restricted stock units vested, net of tax	600,458	*)		(1,126)	—	—	(1,126)
Repurchase of common stock for retirement	(541,268)	*)		(1,429)	—	—	(1,429)
Other comprehensive loss	—	—		—	(8)	—	(8)
Stock-based compensation	—	—		2,578	—	—	2,578
Net loss	—	—		—	—	(541)	(541)
Balance as of June 30, 2025 (unaudited)	167,944,188	\$ 17		\$ 382,364	\$ 19	\$ (269,459)	\$ 112,941

*) 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)

	Six Months Ended June 30,	
	2026	2025
<i>(U.S. dollars in thousands)</i>		
<u>Cash flows from operating activities:</u>		
Net loss	\$ (7,822)	\$ (223)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,118	1,368
Accretion of discount on marketable securities, net	(132)	(457)
Stock-based compensation	5,031	4,688
Remeasurement of warrant liabilities	(199)	(828)
Decrease (increase) in accounts receivable, net	617	(5,779)
(Increase) decrease in other current assets	(158)	253
Increase in accounts payable	2,436	908
Increase (decrease) in deferred revenue	490	(416)
Increase (decrease) in accrued expenses and other current liabilities	3,995	(975)
Other	(409)	(129)
Net cash provided by (used in) operating activities	6,967	(1,590)
<u>Cash flows from investing activities:</u>		
Purchases of marketable securities	(32,471)	(20,557)
Proceeds from maturities of marketable securities	35,998	13,705
Capitalized internal-use software costs	(6,332)	(4,492)
Other	(24)	(42)
Net cash used in investing activities	(2,829)	(11,386)
<u>Cash flows from financing activities:</u>		
Proceeds from exercise of stock options	119	727
Payments for employee taxes withheld related to vested stock-based awards	(2,450)	(1,697)
Repurchase of common stock for retirement	—	(8,404)
Net cash used in financing activities	(2,331)	(9,374)
Net increase (decrease) in cash and cash equivalents	1,807	(22,350)
Cash and cash equivalents at the beginning of the period	37,352	76,692
Cash and cash equivalents at the end of the period	<u>\$ 39,159</u>	<u>\$ 54,342</u>
<u>Supplemental cash flow data:</u>		
Cash paid during the period for income taxes, net	\$ 788	\$ 79
<u>Non-cash activities:</u>		
Stock-based compensation included in capitalization of internal-use software costs	\$ 390	\$ 438

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. Since its founding in 2012, 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 wholly-owned subsidiaries and holds a variable interest in professional associations and various professional corporations, which have been established pursuant to the requirements of their respective domestic jurisdiction governing the corporate practice of medicine. These entities are considered Variable Interest Entities (“VIEs”). See Note 11, “Variable Interest Entities,” in the notes to the condensed consolidated financial statements for further details.

Pending Merger with Universal Health Services, Inc.

On March 9, 2026, the Company entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with Universal Health Services, Inc., a Delaware corporation (“UHS”), under which UHS will acquire all outstanding shares of Talkspace for \$5.25 per share in cash, without interest. The transaction is valued at approximately \$835.0 million and is expected to close in the third quarter of 2026.

The consummation of the merger is subject to certain customary closing conditions and approvals, as defined in the agreement. In addition, the Merger Agreement contains certain termination rights for both parties. If the agreement is terminated under specified circumstances, the Company may be required to pay UHS a termination fee of \$32.4 million.

During the three and six months ended June 30, 2026, the Company incurred approximately \$0.9 million and \$8.2 million, respectively, of transaction-related costs, including financial advisory, legal, and accounting fees which are included within general and administrative expenses in the condensed consolidated statement of operations. Transaction-related costs are expensed as incurred.

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, 2025, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2025, have been applied consistently in these unaudited condensed consolidated financial statements, unless otherwise stated.

The Company consolidates all subsidiaries in which it has a controlling financial interest, as well as any VIEs where the Company is deemed to be the primary beneficiary. 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 of revenue, stock-based compensation awards and internal-use software costs.

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.

Operating Segments

Talkspace provides virtual behavioral healthcare services through its online platform for one-on-one therapy delivered via messaging, audio and video. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who manages the Company by reviewing consolidated results. Accordingly, the Company operates as one operating and reportable segment.

The CODM uses the Company's consolidated net income or loss to assess the financial performance of the Company and allocate resources. Since the Company operates in one operating segment, financial information, including consolidated net loss information evaluated by the CODM, can be found in the condensed consolidated statements of operations.

The Company's assets are managed on a consolidated basis. For total asset information please refer to the condensed consolidated balance sheets included within the condensed consolidated financial statements. Most of the Company's long-lived tangible assets, as well as the Company's operating lease right-of-use asset, are located in the United States. Other financial information regarding the Company's operating segment is presented elsewhere in the condensed consolidated financial statements.

For the three and six months ended June 30, 2026 and 2025, all of the Company's revenue was generated from customers located in the United States. For the types of services from which the reportable segment derives its revenue refer to Note 3, "Revenue Recognition."

Recently Issued Accounting Pronouncements

The following ASUs issued by the FASB have not yet been adopted by the Company:

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*, which requires additional disclosures of specified information about certain costs and expenses. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2027, and interim periods beginning January 1, 2028, with early adoption permitted and can be applied either on either a prospective or retroactive basis. The Company is currently evaluating the impact of adopting this ASU.

In September 2025, the FASB issued ASU 2025-06, *Intangibles-Goodwill and Other (Topic 350): Targeted Improvements to the Accounting for Internal-Use Software*, which provides updates on the criteria for capitalizing internal-use software costs and related disclosure requirements. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied using either a prospective transition approach, a modified transition approach or a retrospective transition approach. The Company is currently evaluating the impact of adopting this ASU.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies interim disclosure requirements and the applicability of Topic 270. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied prospectively or retrospectively. The Company is currently evaluating the impact of adopting this ASU.

NOTE 3. REVENUE RECOGNITION

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

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	Unaudited	Unaudited	Unaudited	Unaudited
Payor	\$ 51,497	\$ 40,501	\$ 100,059	\$ 78,343
DTE	6,886	9,403	16,499	18,986
Consumer	3,289	4,406	6,793	9,163
Total revenue	<u>\$ 61,672</u>	<u>\$ 54,310</u>	<u>\$ 123,351</u>	<u>\$ 106,492</u>

Accounts Receivable and Allowance for Credit Losses

The Company had accounts receivable related to revenue from Direct-to-Enterprise ("DTE") customers of \$7.1 million and \$8.8 million at June 30, 2026 and December 31, 2025, respectively. As of June 30, 2026 and December 31, 2025, the balance of accounts receivable related to revenue from Health insurance plans (commercial and government) and employee assistance programs ("Payor") customers was \$8.3 million and \$7.3 million, respectively.

Accounts receivable is stated net of credit loss allowance. The Company measures expected credit losses on current accounts receivable and current contract assets under ASC Topic 326. As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, the Company utilizes the current-conditions practical expedient permitted by ASU 2025-05. Under this expedient, the Company assumes that the economic conditions existing at the balance sheet date will persist over the remaining short-term life of the assets, eliminating the requirement to forecast future changes in macroeconomic conditions. Historical loss rates are adjusted only for current conditions existing at the reporting date. 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 of collection have been exhausted. The allowance for credit losses and the related credit loss expense recognized in earnings were not material for the three and six months ended June 30, 2026 and 2025, and the year ended December 31, 2025.

Deferred Revenue

The Company records deferred revenue when cash payments from customers are received in advance of the Company's performance obligation to provide services. As of June 30, 2026 and December 31, 2025, deferred revenue related mainly to the Company's Consumer subscription business. The Company expects to satisfy the majority of its performance obligations associated with deferred revenue within one year or less. Revenue recognized in the six months ended June 30, 2026 and 2025 that was included in the deferred revenue balance at the beginning of each reporting period was \$1.0 million and \$2.2 million, respectively.

NOTE 4. FAIR VALUE MEASUREMENTS

The following tables show the Company's cash, cash equivalents and marketable securities measured at fair value on a recurring basis as of June 30, 2026 and December 31, 2025:

Fair Value Measurements as of June 30, 2026						
(in thousands)	Unaudited					
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 1,532	\$ —	\$ —	\$ 1,532	\$ 1,532	\$ —
Level 1:						
Money market funds	37,627	—	—	37,627	37,627	—
Commercial paper	3,698	—	(6)	3,692	—	3,692
Total Level 1:	41,325	—	(6)	41,319	37,627	3,692
Level 2:						
U.S. Treasury securities	5,807	—	(10)	5,797	—	5,797
U.S. Government securities	10,106	1	(23)	10,084	—	10,084
Certificates of deposit	2,052	—	(3)	2,049	—	2,049
Corporate debt securities	30,270	—	(53)	30,217	—	30,217
Total Level 2:	48,235	1	(89)	48,147	—	48,147
	<u>\$ 91,092</u>	<u>\$ 1</u>	<u>\$ (95)</u>	<u>\$ 90,998</u>	<u>\$ 39,159</u>	<u>\$ 51,839</u>

Fair Value Measurements as of December 31, 2025						
(in thousands)						
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 1,059	\$ —	\$ —	\$ 1,059	\$ 1,059	\$ —
Level 1:						
Money market funds	36,293	—	—	36,293	36,293	—
Commercial paper	986	—	—	986	—	986
Total Level 1:	37,279	—	—	37,279	36,293	986
Level 2:						
U.S. Treasury securities	3,783	2	—	3,785	—	3,785
U.S. Government securities	14,988	28	—	15,016	—	15,016
Certificates of deposit	1,201	1	—	1,202	—	1,202
Corporate debt securities	34,219	28	(2)	34,245	—	34,245
Total Level 2:	54,191	59	(2)	54,248	—	54,248
	<u>\$ 92,529</u>	<u>\$ 59</u>	<u>\$ (2)</u>	<u>\$ 92,586</u>	<u>\$ 37,352</u>	<u>\$ 55,234</u>

The carrying value of the Company's cash, cash equivalents, accounts receivable, other current assets, accounts payable, and accrued expenses and other current liabilities approximate fair value because of the relatively short-term nature of the underlying assets or liabilities. The Company's marketable securities are managed by an external investment advisor. These securities are recorded at fair value and are generally classified within Level 1 or Level 2 of the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers. Marketable securities classified within Level 1 are valued based on quoted market prices in active markets and consist of commercial paper. Level 2 marketable securities primarily consist of investment grade and high-yield corporate debt, U.S. Treasury securities, U.S. Government securities and certificates of deposit. Financial instruments classified as Level 2 are valued based on quoted market prices for similar assets or liabilities or quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company periodically validates the prices provided by the investment advisor by comparing them to other independent pricing sources or through an internal review of the advisor's valuation methodology.

Contractual Maturities

The following table summarizes the remaining contractual maturities of the Company's marketable securities as of June 30, 2026:

(in thousands)	As of June 30, 2026	
	Fair Value	
Due within one year	\$	41,812
Due after one year to two years		10,027
Total	<u>\$</u>	<u>51,839</u>

Public and Private Placement Warrants

During the three months ended June 30, 2026, all outstanding warrants (20,722,500 Public Warrants and 12,757,500 Private Placement Warrants) to purchase shares of Common Stock expired unexercised pursuant to the terms of the Warrant Agreement dated June 8, 2020. Up to the date of expiration, the Private Placement Warrants were classified as liabilities on the Condensed Consolidated Balance Sheets and measured at fair value each reporting period. Upon expiration, the liability was derecognized; accordingly the warrant liability was remeasured to zero and the resulting change in fair value was included within Financial income, net in the Condensed Consolidated Statements of Operations. As of June 30, 2026 the Company had no warrant liabilities outstanding. No cash was exchanged or equity issued upon the warrants expiration.

The following table presents the Company's Private Placement Warrants measured at fair value on a recurring basis for the three and six months ended June 30, 2026 and 2025:

		Level 3 Liabilities		
		Unaudited		
		For the Three Months Ended June 30, 2026		
(in thousands)		Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	\$	34	\$ (34)	\$ —
		For the Six Months Ended June 30, 2026		
(in thousands)		Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	\$	199	\$ (199)	\$ —
		Level 3 Liabilities		
		Unaudited		
		For the Three Months Ended June 30, 2025		
(in thousands)		Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	\$	1,206	\$ (344)	\$ 862
		For the Six Months Ended June 30, 2025		
(in thousands)		Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	\$	1,690	\$ (828)	\$ 862

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

The following inputs were utilized in determining the fair value of the Private Placement Warrants as of June 30, 2025:

Unaudited	June 30, 2025
Dividend yield ⁽¹⁾	0%
Expected volatility ⁽²⁾	80.1%
Risk-free interest rate ⁽³⁾	3.98%
Term to warrant expiration (years)	0.98

(1) No dividends were paid during the three and six months ended June 30, 2025.

(2) The expected volatility is based on the back-solved implied volatility of the Company's public warrants 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.

NOTE 5. FIXED ASSETS, NET

Fixed assets, net, as of June 30, 2026 and December 31, 2025 consisted of the following:

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
	<i>(Unaudited)</i>	
Capitalized internal-use software costs	\$ 24,667	\$ 17,945
Computer and equipment	787	802
Other	144	144
Property and equipment, gross	25,598	18,891
Less: accumulated depreciation	(5,545)	(3,097)
Fixed assets, net	\$ 20,053	\$ 15,794

During the six months ended June 30, 2026, the Company capitalized \$6.7 million of qualifying internal-use software development costs primarily related to the Company's existing technology platform as well as the Company's investment in proprietary Artificial Intelligence ("AI") development.

Amortization expense related to capitalized internal-use software costs for the three and six months ended June 30, 2026 was \$1.3 million and \$2.4 million, respectively (\$0.5 million and \$1.0 million for the three and six months ended June 30, 2025, respectively).

NOTE 6. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

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. There were no material pending legal proceedings, claims or litigation as of June 30, 2026.

Warranties and Indemnification

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if there is a breach of a customer'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 7. CAPITAL STOCK

Cancellation of Special Purpose Acquisition Company (SPAC) sponsor shares

On June 22, 2026, 2,288,899 shares of common stock were cancelled pursuant to Section 1.9(c) of that certain Sponsor Support Agreement, dated as of January 12, 2021. As a result, the total shares of common stock issued and outstanding decreased by 2,288,899 shares.

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to \$15.0 million of the currently outstanding shares of the Company's common stock over a period of twenty-four months beginning on March 1, 2024 (the "Share Repurchase Program"). On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional \$25.0 million of its common stock for a total of \$40.0 million. The Share Repurchase Program will remain in effect until the earliest: 1) the total authorized dollar amount of shares is repurchased or 2) August 1, 2026.

There were no stock repurchases during the three and six months ended June 30, 2026. During the three and six months ended June 30, 2025, the Company repurchased and retired an aggregate of 541,268 and 3,060,438 shares, respectively, of its common stock for a total consideration of \$1.4 million (\$2.62 per share) and \$8.4 million (\$2.73 per share), respectively.

As of June 30, 2026, \$11.8 million remained available under the Share Repurchase Program.

The Share Repurchase Program does not obligate the Company to repurchase any dollar amount or number of shares, and may be modified, suspended, or discontinued at any time at the Company's discretion without prior notice. All shares repurchased will be retired.

NOTE 8. STOCK-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 talent. The 2021 Plan replaced the Company's previous stock compensation plan.

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 income statements over the requisite service period (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 income statements:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	Unaudited	Unaudited	Unaudited	Unaudited
Research and development	\$ 231	\$ 429	\$ 655	\$ 1,113
Clinical operations	64	204	190	297
Sales and marketing	454	467	1,111	918
General and administrative	1,323	1,255	3,075	2,360
Total stock-based compensation expense	<u>\$ 2,072</u>	<u>\$ 2,355</u>	<u>\$ 5,031</u>	<u>\$ 4,688</u>

NOTE 9. NET LOSS PER SHARE

The Company's basic net loss per share is calculated by dividing net loss attributable to ordinary shareholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. The diluted net loss per share is calculated by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. Diluted net loss per share is the same as basic net loss per share in periods when the effects of potentially dilutive shares of common stock are anti-dilutive.

(in thousands, except number of shares and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	Unaudited	Unaudited	Unaudited	Unaudited
Net loss	\$(1,516)	\$(541)	\$(7,822)	\$(223)
Weighted average shares used to compute net loss per share:				
Basic and Diluted	167,486,050	167,532,721	167,281,977	168,098,647
Net loss per share:				
Basic and Diluted	\$(0.01)	\$(0.00)	\$(0.05)	\$(0.00)

For the three and six months ended June 30, 2026, the shares underlying the following were excluded from the calculation of diluted net loss per share since each would have had an anti-dilutive effect: 8,226,371 vested and non-vested stock options outstanding, 5,264,416 non-vested restricted stock units outstanding.

For the three and six months ended June 30, 2025, the shares underlying the following were excluded from the calculation of diluted net loss per share since each would have had an anti-dilutive effect: 8,988,145 vested and non-vested stock options outstanding, 6,875,148 non-vested restricted stock units outstanding, 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company's common stock.

NOTE 10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The following table presents the amounts included within accrued expenses and other current liabilities as of June 30, 2026 and December 31, 2025:

(in thousands)	June 30, 2026	December 31, 2025
	Unaudited	
Employee compensation	\$ 4,227	\$ 4,655
Professional fees	4,661	417
Other	1,580	1,600
Accrued expenses and other current liabilities	\$ 10,468	\$ 6,672

NOTE 11. VARIABLE INTEREST ENTITIES ("VIEs")

The Company, through its subsidiary Talkspace LLC, is party to various agreements including Management Services Agreements ("MSAs") with a Texas professional association entity (Talkspace Provider Network, PA or "TPN"), which in turn contracts with the Company's other affiliated professional entities ("PC entities"), physicians, therapists, and other licensed professionals to provide clinical and professional services to the Company's members.

Pursuant to the MSAs, Talkspace LLC is the managing entity (the "Manager") and provides management and administrative resources and services essential to the operations of TPN and the PC entities and receives a management fee for these services and reimbursement of expenses incurred. TPN and the PC entities in turn have the obligation under the MSAs to engage all licensed physicians and other health professionals to provide behavioral healthcare services to the Company's members. In addition, to the extent that TPN or the PC entities lack sufficient funds to meet their obligations, the Manager may, at its sole discretion, advance funds to TPN or the PC entities to cover these obligations. Such advances would be considered loans made by the Manager and should be repaid as per the terms of the management agreement. No such advances have been made by the Manager to TPN or the PC entities as of June 30, 2026.

The Company evaluates its ownership, contractual and other interests in entities that are not wholly-owned to determine if these entities are Variable Interest Entities ("VIEs"), and, if so, whether the Company is the primary beneficiary of the VIE. The Company's policy is to consolidate any VIEs where the Company is deemed to be the primary beneficiary. The Company determined that it holds a variable interest in TPN and the PC entities. The Company evaluates whether an entity in which it has a variable interest is considered a VIE as defined under ASC 810, "Consolidation." VIEs are generally entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The Company determined that TPN and the PC entities are VIEs and that it is the primary beneficiary of these VIEs as it is able to direct the activities of TPN and the PC entities that most significantly impact their economic performance and fund and absorb all their losses; therefore, the Company consolidates these VIEs.

The assets of the Company's consolidated VIEs are subject to legal, contractual, and regulatory restrictions that limit their use to specified purposes such as funding clinical operations, paying salaries to employees and providers, servicing practice-related debt, and meeting regulatory or Payor obligations. The liabilities of these VIEs may be subject to contractual limitations on settlement. Creditors and beneficial interest holders of the VIEs generally have recourse only to the assets of the VIEs and not to the general credit of the Company. The Company's maximum exposure to loss from these VIEs is limited to its interests in the VIEs and any specific contractual requirements, including guarantees or other commitments, if any.

The following table details the assets and liabilities of the VIEs as of June 30, 2026 and December 31, 2025. 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.

<i>(in thousands)</i>	June 30, 2026	December 31, 2025
	<i>Unaudited</i>	
ASSETS		
Cash and cash equivalents	\$ 439	\$ 229
Accounts receivable	12,838	13,333
Other assets	43,434	32,695
Total Assets	\$ 56,711	\$ 46,257
LIABILITIES		
Accrued expenses and other current liabilities	4,835	3,755
Total Liabilities	\$ 4,835	\$ 3,755

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, 2025. 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, 2025 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 six months ended June 30, 2026 and 2025.

Overview

Talkspace is a leading virtual behavioral healthcare company offering its members convenient and affordable access to a fully-credentialed network of highly qualified providers across a wide and growing spectrum of care through virtual psychotherapy and psychiatry. All care offered at Talkspace is delivered through an easy-to-use, fully-encrypted web and mobile platform that meets HIPAA, federal, and state regulatory requirements.

Our customers are comprised of the following:

- Health insurance plans from commercial and government institutions, and employee assistance programs (“Payor”), who offer their members access to our platform at in-network reimbursement rates,
- Direct-to-Enterprise (“DTE”), who offer their enterprise members access to our platform while their enterprise is under an active contract with Talkspace, and
- Individual subscribers (“Consumer”), who subscribe directly to our platform.

For the three and six months ended June 30, 2026 our revenues were \$61.7 million and \$123.4 million, respectively, compared to \$54.3 million and \$106.5 million, respectively, for the three and six months ended June 30, 2025. For the three and six months ended June 30, 2026, our clinicians completed approximately 473,600 and 933,000 sessions, respectively related to members covered under our Payor customers, compared to 385,100 and 735,100 completed sessions for the three and six months ended June 30, 2025. As of June 30, 2026, we had approximately 5,000 Consumer active members compared to 6,650 Consumer active members as of June 30, 2025. Please refer to the “Key Business Metrics” section below for a description of Consumer active members.

Pending Merger with Universal Health Services, Inc.

On March 9, 2026, we entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with Universal Health Services, Inc., a Delaware corporation (“UHS”), and UHS Merger Subsidiary, Inc., a Delaware corporation and an indirect wholly owned subsidiary of UHS (“Merger Subsidiary”), pursuant to which, among other things, Merger Subsidiary will merge with and into us (the “Merger”), with us continuing as the surviving corporation and a wholly-owned subsidiary of UHS.

Under the terms of the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (subject to certain exceptions set forth in the Merger Agreement) will be cancelled and converted into the right to receive \$5.25 per share in cash, without interest and subject to any applicable withholding taxes. The Company’s board of directors unanimously approved and declared advisable the Merger Agreement on March 6, 2026 and the Company’s stockholders voted to adopt the Merger Agreement during a special meeting of stockholders on May 29, 2026.

Following completion of the Merger, we will be delisted from the NASDAQ Global Select Market and deregistered under the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable following the effective time, and the Company expects to file a Form 15 to suspend its reporting obligations under the Exchange Act as soon as practicable thereafter. We have made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of our business prior to the consummation of the Merger.

Consummation of the Merger is subject to customary closing conditions, including termination or expiration of any waiting periods required under the Hart-Scott-Rodino (“HSR”) Act and certain specified state healthcare laws, approval by our stockholders and other customary closing conditions. The transaction is expected to close in the third quarter of 2026.

We have incurred, and expect to continue to incur, significant transaction-related costs, including financial advisory, legal, and accounting fees, which will be recognized as expense in the periods incurred during fiscal year 2026.

The foregoing description of the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which is attached as Annex A to the Company’s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 20, 2026. For additional information related to the Merger Agreement, please also refer to the other relevant materials in connection with the transaction that we will file with the SEC and that will contain important information about us and the Merger.

Clinical Automation and Artificial Intelligence

Sentia AI, LLC is Talkspace’s wholly-owned subsidiary dedicated to proprietary Artificial Intelligence (“AI”) development. “Sentia” refers to Talkspace’s behavioral-health-focused large language model (“LLM”). Through Talkspace we recently launched “Tee,” our first purpose-built AI guide for mental wellness. Built on our proprietary behavioral health LLM and trained on clinical data from millions of patient journeys, Tee provides a private, interactive environment for member conversations regarding mental well-being. Tee utilizes Sentia’s multi-agent orchestrator paired with a rigorous, human-in-the-loop Quality Management System (“QMS”) to ensure clinical safety and oversight.

Tee is designed to augment—not replace—human clinicians by extending access and identifying members who may require elevated clinical intervention. While we are currently scaling Tee’s commercial rollout and marketing efforts across our direct-to-consumer and partner channels, the ongoing costs of compute resources and model development may impact our technology and development expenses. Furthermore, while Tee embeds clinical guardrails and oversight, any failure of AI-driven tools to meet clinical, safety, or regulatory standards could expose us to increased liability, regulatory scrutiny, reputational harm, or reduced demand for our platform.

Inflation Risk and Economic Conditions

The demand for our solution is dependent on the general economy, which is in turn affected by geopolitical conditions, the stability of the global credit markets, inflationary pressures, higher interest rates, the industries in which our Payor and DTE customers operate or serve, and other factors. Downturns in the general economy could disproportionately affect the demand for our solution and cause it to decrease.

Our operations could also be impacted by inflation and higher interest rates. Inflation did not have a material effect on our business, financial condition or results of operations for the six months ended June 30, 2026 and 2025. However, if our costs were to become subject to significant inflationary pressures (such as Provider cost), we may not be able to fully offset such higher costs through price increases or cost savings. Our inability or failure to do so could harm our business, financial condition or results of operations.

One Big Beautiful Bill Act

In July 2025, the One Big Beautiful Act (“OBBBA”) was enacted, introducing amendments to the U.S. federal income tax code. The OBBBA permanently restores 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025, and allows immediate expensing of domestic research and experimental expenditures for tax years beginning after December 31, 2024. Although we continue to maintain a full valuation allowance against our U.S. deferred tax assets as of June 30, 2026, we expect these provisions to increase available deductions and extend the period during which future taxable income may be sheltered, improving liquidity to the extent we generate taxable income.

Quarterly Fluctuations

Our financial results may fluctuate from period-to-period as a result of a variety of factors, many of which are outside of our control, including, without limitation, the factors described in this section. Most of our revenue in any given quarter is derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed contracts in any one quarter may not be fully reflected in our revenue for that quarter. Such declines, however, would negatively affect our revenue in future periods and the effect of significant downturns in sales of and market demand for our solution, and potential changes in our renewals or renewal terms, may not be fully reflected in our results of operations until future periods.

Our subscription model also makes it difficult for us to rapidly increase our total revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable term of the contract. Accordingly, the effect of changes in the industry impacting our business or changes we experience in our new sales may not be reflected in our short-term results of operations. Any fluctuation in our quarterly results may not accurately reflect the underlying performance of our business and could cause a decline in the trading price of our securities.

Operating Segments

The Company operates as a single segment, which is how the chief operating decision maker (“CODM”), 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:

	Six Months Ended June 30,	
	2026	2025
	Unaudited	Unaudited
<i>(in thousands except number of health plan and enterprise customers or otherwise indicated)</i>		
Number of completed Payor sessions during the period	933.0	735.1
Number of health plan customers at period end	39	31
Number of enterprise customers at period end	151	165
Number of Consumer active members at period end	5.0	6.6
	Three Months Ended June 30,	
	2026	2025
	Unaudited	Unaudited
<i>(in thousands)</i>		
Unique active Payor members during the period	131.6	111.2

Consumer Active Members: We consider consumer members “active” 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.

Unique Payor Active Members: Represents unique users who had a session completed during the period.

Components of Results of Operations

Revenue

We generate revenue from services provided to individuals who are qualified to receive access to the Company's services through our commercial arrangements with health insurance plans, employee assistance organizations and enterprises. We also generate revenue 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. See Note 3, “Revenue Recognition” in the notes to the condensed consolidated financial statements for further details.

Costs and Operating Expenses

Cost of Revenue, excluding depreciation and amortization

Cost of revenue is comprised primarily of therapist payments. Cost of revenue is largely driven by the number of sessions and the size of our provider network that is required to service the growth of our Payor and DTE customers, 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. Our employee providers receive a fixed-salary and discretionary bonuses, where applicable, all of which is included in cost of revenue.

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

Operating 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. Research and development expenses exclude amounts reflected as capitalized internal-use software development 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, participation in trade shows, brand messaging and costs of communications materials that are produced for our customers to generate greater awareness and utilization of our platform among our Payor and DTE customers.

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. For the three and six months ended June 30, 2026 general and administrative expenses also include transaction-related costs, including financial advisory, legal, and accounting fees related to the merger with UHS which is expected to close in the third quarter of 2026.

Depreciation and amortization

Depreciation and amortization expense consist primarily of depreciation expense on capitalized internal use-software costs, computer and equipment and amortization of intangible asset.

Financial income, net

Financial income, net includes the impact from (i) interest earned on investments in marketable securities and other highly liquid investments, (ii) non-cash changes in the fair value of our warrant liabilities, and (iii) other financial expenses in connection with bank charges.

During the three months ended June 30, 2026, all outstanding warrants (20,722,500 Public Warrants and 12,757,500 Private Placement Warrants) to purchase shares of Common Stock expired unexercised pursuant to the terms of the Warrant Agreement dated June 8, 2020. Up to the date of expiration, the Private Placement Warrants were classified as liabilities on the Condensed Consolidated Balance Sheets and measured at fair value each reporting period. Upon expiration, the liability was derecognized, accordingly the warrant liability was remeasured to zero and the resulting change in fair value was included within Financial income, net in the Condensed Consolidated Statements of Operations. As of June 30, 2026 the Company had no warrant liabilities outstanding.

Income tax expense

Income tax expense consists of U.S. State income taxes related to income generated by our U.S. subsidiaries and 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 six months ended June 30, 2026 and 2025 and the dollar and percentage change between the respective periods:

(in thousands, except percentages)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2026	2025	\$	%	2026	2025	\$	%
Revenue:	Unaudited	Unaudited			Unaudited	Unaudited		
Payor revenue	\$ 51,497	\$ 40,501	\$ 10,996	27.1	\$ 100,059	\$ 78,343	\$ 21,716	27.7
DTE revenue	6,886	9,403	(2,517)	(26.8)	16,499	18,986	(2,487)	(13.1)
Consumer revenue	3,289	4,406	(1,117)	(25.4)	6,793	9,163	(2,370)	(25.9)
Total revenue	61,672	54,310	7,362	13.6	123,351	106,492	16,859	15.8
Costs and operating expenses:								
Cost of revenue, excluding depreciation and amortization	36,869	30,917	5,952	19.3	72,933	59,706	13,227	22.2
Research and development	2,343	2,563	(220)	(8.6)	5,007	5,403	(396)	(7.3)
Clinical operations	1,873	1,921	(48)	(2.5)	3,747	3,777	(30)	(0.8)
Sales and marketing	14,661	14,253	408	2.9	28,510	28,178	332	1.2
General and administrative	6,458	5,728	730	12.7	19,276	10,935	8,341	76.3
Depreciation and amortization	1,581	718	863	120.2	3,118	1,368	1,750	127.9
Total costs and operating expenses	63,785	56,100	7,685	13.7	132,591	109,367	23,224	21.2
Loss from operations	(2,113)	(1,790)	(323)	(18.0)	(9,240)	(2,875)	(6,365)	(221.4)
Financial income, net	(608)	(1,325)	(717)	(54.1)	(1,553)	(2,851)	(1,298)	(45.5)
Loss before income taxes	(1,505)	(465)	(1,040)	(223.7)	(7,687)	(24)	(7,663)	*
Income tax expense	11	76	(65)	(85.5)	135	199	(64)	(32.2)
Net loss	\$ (1,516)	\$ (541)	\$ (975)	(180.2)	\$ (7,822)	\$ (223)	\$ (7,599)	*

* Percentage not meaningful.

Revenue

Three months ended June 30, 2026 compared to the three months ended June 30, 2025

Total revenue increased by \$7.4 million, or 13.6% for the three months ended June 30, 2026 compared to the three months ended June 30, 2025, primarily due to a 27.1% increase in Payor revenue, partially offset by a 26.8% decrease in DTE revenue and a 25.4% decrease in Consumer revenue.

Payor revenue increased by \$11.0 million, or 27.1%, to \$51.5 million for the three months ended June 30, 2026, compared to the three months ended June 30, 2025. This growth was primarily driven by a 23.0% increase in completed Payor sessions, reflecting an expansion in our platform utilization resulting from an 18.3% increase in unique active Payor members and a 25.8% increase in health plan customers.

DTE revenue decreased by \$2.5 million, or 26.8%, to \$6.9 million for the three months ended June 30, 2026, compared to the three months ended June 30, 2025. This decrease was primarily driven by the timing of contract milestones, as certain annual billable maximums were reached earlier in fiscal year 2026, combined with a decrease in the enterprise customer base of 8.5%.

Consumer subscription revenue decreased by \$1.1 million, or 25.4%, to \$3.3 million for the three months ended June 30, 2026, compared to the three months ended June 30, 2025, primarily due to a 24.1% decrease in Consumer active members due to the Company's intentional and strategic decision to optimize and focus marketing efforts on attracting Payor members.

Six months ended June 30, 2026 compared to the six months ended June 30, 2025

Total revenue increased by \$16.9 million, or 15.8% for the six months ended June 30, 2026 compared to the six months ended June 30, 2025, primarily due to a 27.7% increase in Payor revenue, partially offset by a 13.1% decrease in DTE revenue and a 25.9% decrease in Consumer revenue.

Payor revenue increased by \$21.7 million, or 27.7%, to \$100.1 million for the six months ended June 30, 2026, compared to the six months ended June 30, 2025. This growth was primarily driven by a 26.9% increase in completed Payor sessions, reflecting an expansion in our platform utilization resulting from an 18.3% increase in unique active Payor members and a 25.8% increase in health plan customers.

DTE revenue decreased by \$2.5 million, or 13.1% for the six months ended June 30, 2026 compared to the six months ended June 30, 2025. This decrease was primarily driven by the timing of contract milestones, as certain annual billable maximums were reached earlier in fiscal year 2026, combined with a decrease in the enterprise customer base of 8.5%.

Consumer subscription revenue decreased by \$2.4 million, or 25.9%, to \$6.8 million for the six months ended June 30, 2026, compared to the six months ended June 30, 2025, primarily due to a 24.1% decrease in Consumer active members due to the Company's intentional and strategic decision to optimize and focus marketing efforts on attracting Payor members.

Overall, the increase in revenue for the three and six months ended June 30, 2026 compared to the three and six months ended June 30, 2025 was predominantly volume-driven reflecting a shift in revenue mix towards Payor.

Costs and Operating Expenses

Cost of revenue, excluding depreciation and amortization. Cost of revenue, excluding depreciation and amortization, increased by \$6.0 million, or 19.3%, to \$36.9 million for the three months ended June 30, 2026 from \$30.9 million for the three months ended June 30, 2025 and increased by \$13.2 million, or 22.2%, to \$72.9 million for the six months ended June 30, 2026 from \$59.7 million for the six months ended June 30, 2025. The increase in cost of revenue for the three and six months ended June 30, 2026, was primarily due to increased hours worked by therapists as a result of increased Payor sessions.

Research and development expenses. Research and development expenses decreased by \$0.2 million, or 8.6%, to \$2.3 million for the three months ended June 30, 2026 from \$2.6 million for the three months ended June 30, 2025. The decrease in research and development expenses for the three months ended June 30, 2026 was primarily due to a decrease in employee-related costs of \$0.3 million due to capitalization of internal-use software costs.

Research and development expenses decreased by \$0.4 million, or 7.3%, to \$5.0 million for the six months ended June 30, 2026 from \$5.4 million for the six months ended June 30, 2025. The decrease in research and development expenses for the six months ended June 30, 2026 was primarily due to a decrease in employee-related costs of \$0.5 million due to capitalization of internal-use software costs.

Clinical operations expenses. Clinical operations expenses remained relatively unchanged for the three and six months ended June 30, 2026, compared to the same periods in 2025.

Sales and marketing expenses. Sales and marketing expense increased by \$0.4 million, or 2.9%, to \$14.7 million for the three months ended June 30, 2026 from \$14.3 million for the three months ended June 30, 2025. The increase in sales and marketing expenses for the three months ended June 30, 2026 was primarily due to an increase in advertising costs of \$0.5 million.

Sales and marketing expense increased by approximately \$0.3 million, or 1.2%, to \$28.5 million for the six months ended June 30, 2026 from \$28.2 million for the six months ended June 30, 2025. The increase in sales and marketing expenses for the six months ended June 30, 2026 was primarily due to an increase in advertising costs of \$0.6 million, partially offset by a decrease in insurance costs of \$0.2 million.

General and administrative expenses. General and administrative expenses increased \$0.7 million, or 12.7%, to \$6.5 million for the three months ended June 30, 2026 from \$5.7 million for the three months ended June 30, 2025. The increase in general and administrative expenses for the three months ended June 30, 2026 was primarily due to \$0.9 million of transaction-related costs, including financial advisory, legal, and accounting fees related to the merger with UHS.

General and administrative expenses increased by \$8.3 million, or 76.3%, to \$19.3 million for the six months ended June 30, 2026 from \$10.9 million for the six months ended June 30, 2025. The increase in general and administrative expenses for the six months ended June 30, 2026 was primarily due to \$8.2 million of transaction-related costs, including financial advisory, legal, and accounting fees related to the merger with UHS.

Depreciation and amortization expenses. Depreciation and amortization expenses increased by \$0.9 million, or 120.2%, to \$1.6 million for the three months ended June 30, 2026 from \$0.7 million for the three months ended June 30, 2025. The increase in depreciation and amortization expenses for the three months ended June 30, 2026 was primarily due an increase in amortization expense related to capitalized internal-use software assets of \$0.7 million.

Depreciation and amortization expenses increased by \$1.8 million, or 127.9%, to \$3.1 million for the six months ended June 30, 2026 from \$1.4 million for the six months ended June 30, 2025. The increase in depreciation and amortization expenses for the six months ended June 30, 2026 was primarily due an increase in amortization expense related to capitalized internal-use software assets of \$1.5 million and an increase in amortization of intangible assets of \$0.3 million.

Financial income, net

Financial income, net decreased by \$0.7 million, or 54.1%, to \$0.6 million for the three months ended June 30, 2026 from \$1.3 million for the three months ended June 30, 2025. The decrease in financial income, net was primarily due to a decrease in interest income earned on marketable securities and other highly liquid investments of \$0.3 million due to a reduction in interest rates, and a decrease in non-cash gain in the remeasurement of warrant liabilities of \$0.3 million.

Financial income, net decreased by \$1.3 million, or 45.5%, to \$1.6 million for the six months ended June 30, 2026 from \$2.9 million for the six months ended June 30, 2025. The decrease in financial income, net was primarily due to a decrease in interest income earned on marketable securities and other highly liquid investments of \$0.7 million due to a reduction in interest rates, and a decrease in non-cash gain in the remeasurement of warrant liabilities of \$0.6 million.

Income tax expense

Income tax expense was immaterial and remained relatively unchanged for the three and six months ended June 30, 2026, compared to the same period in 2025.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with GAAP, we believe adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance, and our management uses it as a key performance measure to assess our operating performance. Because adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes and in evaluating acquisition opportunities.

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

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

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

We calculate adjusted EBITDA as net loss adjusted to exclude (i) depreciation and amortization, (ii) stock-based compensation expense, (iii) financial income, net, (iv) income tax expense, and (v) 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 six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	Unaudited	Unaudited	Unaudited	Unaudited
(in thousands)				
Net loss	\$ (1,516)	\$ (541)	\$ (7,822)	\$ (223)
Add:				
Depreciation and amortization	1,581	718	3,118	1,368
Stock-based compensation	2,072	2,355	5,031	4,688
Financial income, net	(608)	(1,325)	(1,553)	(2,851)
Income tax expense	11	76	135	199
Non-recurring expenses ⁽¹⁾	879	999	8,159	1,057
Adjusted EBITDA	<u>\$ 2,419</u>	<u>\$ 2,282</u>	<u>\$ 7,068</u>	<u>\$ 4,238</u>

- (1) For the three and six months ended June 30, 2026, non-recurring expenses consisted of transaction-related costs, including financial advisory, legal, and accounting fees related to the merger with UHS. For the three and six months ended June 30, 2025, non-recurring expenses primarily consisted of severance costs related to the departure of a key executive of the Company, one-time legal fees and other one-time expenses.

Liquidity and Capital Resources

As of June 30, 2026, we had \$91.0 million of cash, cash equivalents, and short-term marketable securities (\$92.6 million as of December 31, 2025), which we use to finance our operations and support a variety of growth initiatives and investments. We had no debt as of June 30, 2026 and as of December 31, 2025.

Our primary cash needs are to fund operating activities and invest in technology development. 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 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. 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.

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to \$15.0 million of the currently outstanding shares of the Company's common stock over a period of twenty-four months beginning on March 1, 2024 (the "Share Repurchase Program"). On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional \$25.0 million of its common stock for a total of \$40.0 million. The Share Repurchase Program will remain in effect until the earliest: 1) the total authorized dollar amount of shares is repurchased or 2) August 1, 2026.

There were no stock repurchases during the three and six months ended June 30, 2026. During the three and six months ended June 30, 2025, the Company repurchased and retired an aggregate of 541,268 and 3,060,438 shares, respectively, of its common stock for a total consideration of \$1.4 million (\$2.62 per share) and \$8.4 million (\$2.73 per share), respectively. As of June 30, 2026, \$11.8 million remained available under the Share Repurchase Program.

Such repurchases may be completed periodically through various methods in compliance with applicable state and federal securities laws and will be at times and in amounts as the Company deems appropriate, based on factors such as price, market conditions, corporate and regulatory requirements, constraints specified in any Rule 10b5-1 trading plans, alternative investment opportunities and other business considerations. All shares repurchased will be retired. The program does not obligate the Company to repurchase any dollar amount or number of shares, and may be suspended or terminated at any time.

See Note 7, "Capital Stock" in the notes to the condensed consolidated financial statements for further details.

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

	Six Months Ended June 30,			
	2026		2025	
	<i>Unaudited</i>		<i>Unaudited</i>	
<i>(in thousands)</i>				
Net cash provided by (used in) operating activities	\$	6,967	\$	(1,590)
Net cash used in investing activities		(2,829)		(11,386)
Net cash used in financing activities		(2,331)		(9,374)
Net increase (decrease) in cash and cash equivalents	\$	1,807	\$	(22,350)

Operating Activities

Net cash provided by operating activities was \$7.0 million for the six months ended June 30, 2026, compared to net cash used in operating activities of \$1.6 million for the six months ended June 30, 2025. The increase in net cash provided by operating activities was primarily driven by favorable changes in working capital and higher non-cash add-backs, partially offset by an increased net loss for the period.

Investing Activities

Net cash used in investing activities was \$2.8 million for the six months ended June 30, 2026, compared to net cash used in investing activities of \$11.4 million for the six months ended June 30, 2025. The decrease in net cash used in investing activities was driven primarily by increased proceeds from maturities of marketable securities, partially offset by purchases of marketable securities and an increase in capitalized internal-use software development costs during the six months ended June 30, 2026, compared to the six months ended June 30, 2025.

Financing Activities

Net cash used in financing activities was \$2.3 million for the six months ended June 30, 2026, compared to net cash used in financing activities of \$9.4 million for the six months ended June 30, 2025. The decrease in net cash used in financing activities was driven primarily by a decline in the purchase of outstanding shares of the Company's common stock under the Share Repurchase Program. The Company repurchased and retired \$8.4 million of the Company's common stock during the six months ended June 30, 2025; there were no stock repurchases during the six months ended June 30, 2026.

Contractual Obligations, Commitments and Contingencies

As of June 30, 2026, we did not have any short-term or long-term debt, or significant long-term liabilities. As of June 30, 2026, we have a non-material long-term operating lease for our office space in New York, NY.

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. There were no material legal proceedings, claims or litigation as of June 30, 2026.

Our commercial contract arrangements generally include certain provisions requiring us to indemnify customers against liabilities if there is a breach of a customer'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.

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, 2025.

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 condensed consolidated financial statements are summarized in Note 2 to the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. 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 six months ended June 30, 2026, 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, 2025.

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, 2025 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 and uncertainties. Many important factors could cause actual future events to differ materially from the forward-looking statements in this Quarterly Report, including but not limited to: (i) rapid technological change in our industry; (ii) our ability to secure customers' contract renewals; (iii) our ability to maintain and expand our network of therapists, psychiatrists and other providers; (iv) a decline in the prevalence of enterprise-sponsored healthcare or the emergence of new technologies may adversely impact our DTE business; (v) if our or our vendors' security measures fail or are breached; (vi) changes in healthcare laws, regulations or trends and our ability to operate in the heavily regulated healthcare industry; (vii) risks related to the proposed merger with Universal Health Services, Inc., including the risk that the transaction may not be completed on the anticipated timeline or at all; and (viii) the other factors, risks and uncertainties 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, 2025 and subsequent quarterly reports on Form 10-Q, including this report. The forward-looking statements in this Quarterly Report are based upon information available to us as of the date of this Quarterly Report, 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, 2025 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 six months ended June 30, 2026, 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, 2025.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2026 to provide reasonable assurance that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's ("SEC") rules and forms and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the second quarter of 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company has no material pending legal proceedings as of June 30, 2026. For more details see Note 6, “Commitments and Contingent Liabilities” in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

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, 2025. 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 six months ended June 30, 2026, 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, 2025.

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

Below is a summary of share repurchases for the three months ended June 30, 2026. See Note 7, “Capital Stock” in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the section entitled “Liquidity Capital Resources-Share Repurchase Program” in Part I, Item 2 of this Quarterly Report on Form 10-Q for information regarding our share repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In Thousands) (1)
April 1 - 30	—	\$ —	—	\$ 11,797
May 1 - 31	—	—	—	11,797
June 1 - 30	—	—	—	11,797
Total	—	—	—	

(1) \$11.8 million remained available for share repurchases under the Share Repurchase Program as of June 30, 2026.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

No directors or officers, as defined in Securities Exchange Act Rule 16a-1(f), adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K, during the three months ended June 30, 2026.

Item 6. Exhibits.

EXHIBIT INDEX

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 with Embedded Linkbase Documents.	*
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: August 6, 2026

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

Date: August 6, 2026

By: /s/ Ian Harris
Ian Harris
Chief Financial Officer

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: August 6, 2026

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

CERTIFICATION

I, Ian Harris, 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: August 6, 2026

By: /s/ Ian Harris
Ian Harris
Chief Financial Officer

**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 June 30, 2026 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: August 6, 2026

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

**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 June 30, 2026 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: August 6, 2026

By: /s/ Ian Harris
Ian Harris
Chief Financial Officer
