LifeStance Reports First Quarter 2024 Results

May 9, 2024

SCOTTSDALE, Ariz., May 09, 2024 (GLOBE NEWSWIRE) -- LifeStance Health Group, Inc. (Nasdaq: LFST), one of the nation's largest providers of outpatient mental healthcare, today announced financial results for the first quarter ended March 31, 2024.

(All results compared to prior-year comparative period, unless otherwise noted)
Q1 2024 Highlights and FY 2024 Outlook

- Revenue of $300.4 million increased 19% compared to revenue of $252.6 million
- Clinician base increased 15% to 6,866 clinicians, a sequential net increase of 221 in the first quarter
- First quarter visit volumes increased 15% to 1.9 million
- Net loss of $21.1 million, primarily driven by stock-based compensation, compared to net loss of $34.2 million
- Adjusted EBITDA of positive $27.7 million compared to Adjusted EBITDA of $10.1 million
- For full year 2024, reiterating expectations for revenue of $1.19 billion to $1.24 billion; raising Center Margin expectations to $353 to $373 million; raising Adjusted EBITDA expectations to $88 to $98 million; and reiterating expectations for positive Free Cash Flow

"I'm proud of the results achieved by our clinicians and team members this quarter. We met or exceeded expectations for the sixth consecutive quarter while delivering organic revenue growth of 19% and driving margin expansion," said Ken Burdick, Chairman and CEO of LifeStance. "We also successfully navigated cash collection challenges that affected many healthcare providers, reinforcing LifeStance's differentiation and resilience."

Financial Highlights

	Q1 2024	Q1 2023	Y/Y
(in millions)			
Total revenue	$ 300.4	$ 252.6	19 %
Loss from operations	(16.8)	(34.1)	(51 %)
Center Margin	94.7	69.6	36 %
Net loss	(21.1)	(34.2)	(38 %)
Adjusted EBITDA	27.7	10.1	174 %
As % of Total revenue:			
Loss from operations	*(5.6 %)*	*(13.5 %)*	
Center Margin	*31.5 %*	*27.6 %*	
Net loss	*(7.0 %)*	*(13.5 %)*	
Adjusted EBITDA	*9.2 %*	*4.0 %*	

(All results compared to prior-year period, unless otherwise noted)

- Revenue grew 19% to $300.4 million. Strong revenue growth in the first quarter was driven primarily by higher visit volumes from net clinician growth and improvements in total revenue per visit.
- Loss from operations was $16.8 million, primarily driven by stock-based compensation. Net loss was $21.1 million.
- Center Margin grew 36% to $94.7 million, or 31.5% of total revenue.
- Adjusted EBITDA increased 174% to $27.7 million, or 9.2% of total revenue. Adjusted EBITDA as a percentage of revenue increased in the first quarter as a result of higher total revenue per visit, lower center costs as a percentage of revenue, and improved operating leverage from revenue growing faster than general and administrative expenses.

Balance Sheet, Cash Flow and Capital Allocation

For the three months ended March 31, 2024, LifeStance used $21.8 million cash flow from operations. The Company ended the first quarter with cash of $49.5 million and net long-term debt of $279.9 million.

2024 Guidance

LifeStance is providing the following outlook for 2024:

- The Company is reiterating full year revenue of $1.19 billion to $1.24 billion; raising Center Margin to $353 to $373 million; and raising Adjusted EBITDA to $88 to $98 million. Additionally, the Company continues to expect to generate positive Free Cash Flow for the full year.
- For the second quarter of 2024, the Company expects total revenue of $297 to $315 million, Center Margin of $85 to $97 million, and Adjusted EBITDA of $20 to $26 million.

Conference Call, Webcast Information, and Presentations

LifeStance will hold a conference call today, May 9, 2024 at 8:30 a.m. Eastern Time to discuss the first quarter 2024 results. Investors who wish to participate in the call should dial 1-800-715-9871, domestically, or 1-646-307-1963, internationally, approximately 10 minutes before the call begins and provide conference ID number 3005519 or ask to be joined into the LifeStance call. A real-time audio webcast can be accessed via the Events and Presentations section of the LifeStance Investor Relations website (https://investor.lifestance.com), where related materials will be posted prior to the conference call.

About LifeStance Health Group, Inc.

Founded in 2017, LifeStance (Nasdaq: LFST) is reimagining mental health. We are one of the nation's largest providers of virtual and in-person outpatient mental health care for children, adolescents and adults experiencing a variety of mental health conditions. Our mission is to help people lead healthier, more fulfilling lives by improving access to trusted, affordable, and personalized mental healthcare. LifeStance and its supported practices employ approximately 6,800 psychiatrists, advanced practice nurses, psychologists and therapists and operates across 33 states and more than 550 centers. To learn more, please visit www.LifeStance.com.

We routinely post information that may be important to investors on the "Investor Relations" section of our website at investor.lifestance.com. We encourage investors and potential investors to consult our website regularly for important information about us.

Forward-Looking Statements

Statements in this press release and on the related teleconference that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements. These statements include, but are not limited to, statements with respect to: full year and second quarter guidance and management's related assumptions; the Company's financial position; business plans and objectives; operating results; working capital and liquidity; and other statements contained in this press release that are not historical facts. When used in this press release and on the related teleconference, words such as "may," "will," "should," "could," "intend," "potential," "continue," "anticipate," "believe," "estimate," "expect," "plan," "target," "predict," "project," "seek" and similar expressions as they relate to us are intended to identify forward-looking statements. They involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to: we may not grow at the rates we historically have achieved or at all, even if our key metrics may imply future growth, including if we are unable to successfully execute on our growth initiatives and business strategies; if we fail to manage our growth effectively, our expenses could increase more than expected, our revenue may not increase proportionally or at all, and we may be unable to execute on our business strategy; our ability to recruit new clinicians and retain existing clinicians; if reimbursement rates paid by third-party payors are reduced or if third-party payors otherwise restrain our ability to obtain or deliver care to patients, our business could be harmed; we conduct business in a heavily regulated industry and if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations or experience adverse publicity, which could have a material adverse effect on our business, results of operations and financial condition; we are dependent on our relationships with supported practices, which we do not own, to provide health care services, and our business would be harmed if those relationships were disrupted or if our arrangements with these entities became subject to legal challenges; we operate in a competitive industry, and if we are not able to compete effectively, our business, results of operations and financial condition would be harmed; the impact of health care reform legislation and other changes in the healthcare industry and in health care spending on us is currently unknown, but may harm our business; if our or our vendors' security measures fail or are breached and unauthorized access to our employees', patients' or partners' data is obtained, our systems may be perceived as insecure, we may incur significant liabilities, including through private litigation or regulatory action, our reputation may be harmed, and we could lose patients and partners; our business depends on our ability to effectively invest in, implement improvements to and properly maintain the uninterrupted operation and data integrity of our information technology and other business systems; actual or anticipated changes or fluctuations in our results of operations; our existing indebtedness could adversely affect our business and growth prospects; and other risks and uncertainties set forth under "Risk Factors" included in the reports we have filed or will file with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2023 and subsequent filings made with the Securities and Exchange Commission. LifeStance does not undertake to update any forward-looking statements made in this press release to reflect any change in management's expectations or any change in the assumptions or circumstances on which such statements are based, except as otherwise required by law.

Non-GAAP Financial Information

This press release contains certain non-GAAP financial measures, including Center Margin, Adjusted EBITDA, and Adjusted EBITDA margin. Tables showing the reconciliation of these non-GAAP financial measures to the comparable GAAP measures are included at the end of this release. Management believes these non-GAAP financial measures are useful in evaluating the Company's operating performance, and may be helpful to securities analysts, institutional investors and other interested parties in understanding the Company's operating performance and prospects. This press release also refers to Free Cash Flow, which is calculated as net cash used in operating activities less purchases of property and equipment. Management believes Free Cash Flow is a useful indicator of liquidity that provides information to management and investors about the amount of cash generated from our operations that, after investments in property and equipment, can be used for future growth. These non-GAAP financial measures, as calculated, may not be comparable to companies in other industries or within the same industry with similarly titled measures of performance. Therefore, the Company's non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP, such as net loss or loss from operations.

Center Margin and Adjusted EBITDA anticipated for the second quarter of 2024 and full year 2024 are calculated in a manner consistent with the historical presentation of these measures at the end of this release. Reconciliation for the forward-looking second quarter of 2024 and full year 2024 Center Margin, Adjusted EBITDA guidance and Free Cash Flow is not being provided, as LifeStance does not currently have sufficient data to accurately estimate the variables and individual adjustments for such reconciliation. As such, LifeStance management cannot estimate on a forward-looking basis without unreasonable effort the impact these variables and individual adjustments will have on its reported results.

Management acknowledges that there are many items that impact a company's reported results and the adjustments reflected in these non-GAAP measures are not intended to present all items that may have impacted these results.

Consolidated Financial Information and Reconciliations

CONSOLIDATED BALANCE SHEETS
(unaudited)
(In thousands, except for par value)

	March 31, 2024	December 31, 2023
CURRENT ASSETS		
Cash and cash equivalents	$ 49,451	$ 78,824
Patient accounts receivable, net	175,937	125,405
Prepaid expenses and other current assets	18,729	21,502
Total current assets	244,117	225,731
NONCURRENT ASSETS		
Property and equipment, net	182,428	188,222
Right-of-use assets	165,845	170,703
Intangible assets, net	208,529	221,072
Goodwill	1,293,346	1,293,346
Other noncurrent assets	12,051	10,895
Total noncurrent assets	1,862,199	1,884,238
Total assets	$ 2,106,316	$ 2,109,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 11,938	$ 7,051
Accrued payroll expenses	100,432	102,478
Other accrued expenses	37,272	35,012
Contingent consideration	4,454	8,169
Operating lease liabilities, current	49,729	46,475
Other current liabilities	3,639	3,688
Total current liabilities	207,464	202,873
NONCURRENT LIABILITIES		
Long-term debt, net	279,870	280,285
Operating lease liabilities, noncurrent	173,255	181,357
Deferred tax liability, net	15,970	15,572
Other noncurrent liabilities	760	952
Total noncurrent liabilities	469,855	478,166
Total liabilities	$ 677,319	$ 681,039
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock – par value $0.01 per share; 25,000 shares authorized as of March 31, 2024 and December 31, 2023; 0 shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Common stock – par value $0.01 per share; 800,000 shares authorized as of March 31, 2024 and December 31, 2023; 382,105 and 378,725 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	3,821	3,789
Additional paid-in capital	2,204,233	2,183,684
Accumulated other comprehensive income	2,886	2,303
Accumulated deficit	(781,943)	(760,846)
Total stockholders' equity	1,428,997	1,428,930
Total liabilities and stockholders' equity	$ 2,106,316	$ 2,109,969

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(In thousands, except for Net Loss per Share)

	Three Months Ended March 31,	
	2024	2023
TOTAL REVENUE	$ 300,437	$ 252,589
OPERATING EXPENSES		
Center costs, excluding depreciation and amortization shown separately below	205,711	182,987
General and administrative expenses	88,934	84,626
Depreciation and amortization	22,564	19,069
Total operating expenses	$ 317,209	$ 286,682

LOSS FROM OPERATIONS	$	(16,772)	$	(34,093)
OTHER EXPENSE				
Gain on remeasurement of contingent consideration		2,015		1,037
Transaction costs		—		(86)
Interest expense, net		(5,903)		(5,092)
Other expense		(74)		(45)
Total other expense	$	(3,962)	$	(4,186)
LOSS BEFORE INCOME TAXES		(20,734)		(38,279)
INCOME TAX (PROVISION) BENEFIT		(363)		4,037
NET LOSS	$	(21,097)	$	(34,242)
NET LOSS PER SHARE, BASIC AND DILUTED		(0.06)		(0.09)
Weighted-average shares used to compute basic and diluted net loss per share		376,331		360,902
NET LOSS	$	(21,097)	$	(34,242)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on cash flow hedge, net of tax		583		(1,270)
COMPREHENSIVE LOSS	$	(20,514)	$	(35,512)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(In thousands)

	Three Months Ended March 31,			
	2024		2023	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(21,097)	$	(34,242)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		22,564		19,069
Non-cash operating lease costs		9,687		10,113
Stock-based compensation		20,581		23,866
Amortization of discount and debt issue costs		424		549
Gain on remeasurement of contingent consideration		(2,015)		(1,037)
Other, net		(47)		45
Change in operating assets and liabilities, net of businesses acquired:				
Patient accounts receivable, net		(50,532)		(17,138)
Prepaid expenses and other current assets		2,491		(4,543)
Accounts payable		4,981		(5,466)
Accrued payroll expenses		(2,045)		7,663
Operating lease liabilities		(9,608)		(8,736)
Other accrued expenses		2,778		1,967
Net cash used in operating activities	$	(21,838)	$	(7,890)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment		(5,104)		(7,729)
Acquisitions of businesses, net of cash acquired		—		(19,820)
Net cash used in investing activities	$	(5,104)	$	(27,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of long-term debt		(731)		(586)
Payments of contingent consideration		(1,700)		(4,302)
Net cash used in financing activities	$	(2,431)	$	(4,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(29,373)		(40,327)
Cash and Cash Equivalents - Beginning of period		78,824		108,621
CASH AND CASH EQUIVALENTS – END OF PERIOD	$	49,451	$	68,294
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest, net	$	6,270	$	5,059
Cash paid for taxes, net of refunds	$	(252)	$	(13)
SUPPLEMENTAL DISCLOSURES OF NON CASH INVESTING AND FINANCING ACTIVITIES				
Contingent consideration incurred in acquisitions of businesses	$	—	$	1,985
Acquisition of property and equipment included in liabilities	$	3,104	$	8,297

RECONCILIATION OF LOSS FROM OPERATIONS TO CENTER MARGIN

	Three Months Ended March 31,	
	2024	**2023**
(in thousands)		
Loss from operations	$ (16,772)	$ (34,093)
Adjusted for:		
Depreciation and amortization	22,564	19,069
General and administrative expenses [1]	88,934	84,626
Center Margin	**$ 94,726**	**$ 69,602**

(1) Represents salaries, wages and employee benefits for our executive leadership, finance, human resources, marketing, billing and credentialing support and technology infrastructure and stock-based compensation for all employees.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three Months Ended March 31,	
	2024	**2023**
(in thousands)		
Net loss	$ (21,097)	$ (34,242)
Adjusted for:		
Interest expense, net	5,903	5,092
Depreciation and amortization	22,564	19,069
Income tax provision (benefit)	363	(4,037)
Gain on remeasurement of contingent consideration	(2,015)	(1,037)
Stock-based compensation expense	20,581	23,866
Loss on disposal of assets	74	45
Transaction costs [1]	—	86
Executive transition costs	31	160
Litigation costs [2]	537	403
Strategic initiatives [3]	751	407
Real estate optimization and restructuring charges [4]	(147)	—
Amortization of cloud-based software implementation costs [5]	11	—
Other expenses [6]	95	292
Adjusted EBITDA	**$ 27,651**	**$ 10,104**

(1) Primarily includes capital markets advisory, consulting, accounting and legal expenses related to our acquisitions.
(2) Litigation costs include only those costs which are considered non-recurring and outside of the ordinary course of business based on the following considerations, which we assess regularly: (i) the frequency of similar cases that have been brought to date, or are expected to be brought within two years, (ii) the complexity of the case (e.g., complex class action litigation), (iii) the nature of the remedy(ies) sought, including the size of any monetary damages sought, (iv) the counterparty involved, and (v) our overall litigation strategy. During the three months ended March 31, 2024 and 2023, litigation costs included cash expenses related to three distinct litigation matters, including (x) a securities class action litigation, (y) a privacy class action litigation and (z) a compensation model class action litigation.
(3) Strategic initiatives consist of expenses directly related to a multi-phase system upgrade in connection with our recent and significant expansion. During each of the three months ended March 31, 2024 and 2023, we continued a process of evaluating and adopting critical enterprise-wide systems for (i) human resources management, (ii) clinician credentialing and onboarding process, and for the three months ended March 31, 2023, (iii) a scalable electronic health resources system. Strategic initiatives represents costs, such as third-party consulting costs and one-time costs, that are not part of our ongoing operations related to these enterprise-wide systems. We considered the frequency and scale of this multi-part enterprise upgrade when determining that the expenses were not normal, recurring operating expenses.
(4) Real estate optimization and restructuring charges consist of cash expenses and non-cash charges related to our real estate optimization initiative, which include certain asset impairment and disposal costs, certain gains and losses related to early lease terminations, and exit and disposal costs related to our real estate optimization initiative to consolidate our physical footprint. As the decision to close these centers was part of a significant strategic project driven by a historic shift in behavior, the magnitude of center closures has been and is expected to be greater than what would be expected as part of ordinary business operations and do not constitute normal recurring operating activities. During the three months ended March 31, 2024, real estate optimization and restructuring charges consisted of certain gains and losses related to early lease terminations of previously abandoned real estate leases in 2023.
(5) Represents amortization of capitalized implementation costs related to cloud-based software arrangements that are included within general and administrative expenses included in our unaudited consolidated statements of operations and comprehensive loss.
(6) Primarily includes costs incurred to consummate or integrate acquired centers, certain of which are wholly-owned and certain of which are supported practices, in addition to the compensation paid to former owners of acquired centers and related expenses that are not reflective of the ongoing operating expenses of our centers. Acquired center integration and other are components of general and administrative expenses included in our unaudited consolidated statements of operations and comprehensive loss. Former owner fees is a component of center costs, excluding depreciation and amortization included in our unaudited consolidated statements of operations and comprehensive loss.

Investor Relations Contact Monica Prokocki VP of Finance & Investor Relations 602-767-2100 investor.relations@lifestance.com