

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 March 31, 2022

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: 001-40478

LifeStance Health Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
4800 N. Scottsdale Road Suite 6000
Scottsdale, Arizona
(Address of principal executive offices)

86-1832801
(I.R.S. Employer
Identification No.)

85251
(Zip Code)

Registrant's telephone number, including area code: (602) 767-2100

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 \$0.01 per share	LFST	The Nasdaq Stock Market LLC

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 May 4, 2022, the registrant had 374,323,422 shares of common stock, \$0.01 par value per share, outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “envision,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions, although not all forward-looking statements contain these identifying words. For example, all statements we make relating to: our ability to grow our business, expand access to our patients and our payors and invest in our platform; our plan to partner with additional hospital systems, large primary care groups and other specialist groups; our expectation that we will continue to open de novo center and acquire new centers; our growth rates and financial results; our plans and objectives for future operations, growth or initiatives; and strategies are forward-looking statements.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, factors and assumptions described in Part II, Item 1A, “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on March 17, 2022, including, among other things:

- 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 affiliated 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;
- our existing indebtedness could adversely affect our business and growth prospects; and
- the other factors set forth under “Risk Factors.”

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this report. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future developments or otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

LIFESTANCE HEALTH GROUP, INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the quarterly period ended March 31, 2022

LIFESTANCE HEALTH GROUP, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2022 AND DECEMBER 31, 2021
(unaudited)

(In thousands, except for par value)

	March 31, 2022	December 31, 2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 113,990	\$ 148,029
Patient accounts receivable, net	94,991	76,078
Prepaid expenses and other current assets	54,316	42,413
Total current assets	263,297	266,520
NONCURRENT ASSETS		
Property and equipment, net	170,927	152,242
Intangible assets, net	291,180	300,355
Goodwill	1,229,303	1,204,544
Deposits	3,679	3,448
Total noncurrent assets	1,695,089	1,660,589
Total assets	\$ 1,958,386	\$ 1,927,109
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 15,136	\$ 14,152
Accrued payroll expenses	73,207	60,002
Other accrued expenses	21,807	26,510
Current portion of contingent consideration	13,491	14,123
Other current liabilities	1,956	1,965
Total current liabilities	125,597	116,752
NONCURRENT LIABILITIES		
Long-term debt, net	177,380	157,416
Other noncurrent liabilities	57,487	50,325
Contingent consideration, net of current portion	1,123	3,307
Deferred tax liability, net	54,281	54,281
Total noncurrent liabilities	290,271	265,329
Total liabilities	\$ 415,868	\$ 382,081
COMMITMENT AND CONTINGENCIES (see Note 14)		
STOCKHOLDERS' EQUITY		
Preferred stock – par value \$0.01 per share; 25,000 shares authorized as of March 31, 2022 and December 31, 2021; 0 shares issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Common stock – par value \$0.01 per share; 800,000 shares authorized as of March 31, 2022 and December 31, 2021; 374,323 and 374,255 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	3,744	3,743
Additional paid-in capital	1,958,174	1,898,357
Accumulated deficit	(419,400)	(357,072)
Total stockholders' equity	1,542,518	1,545,028
Total liabilities and stockholders' equity	\$ 1,958,386	\$ 1,927,109

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements.

LIFESTANCE HEALTH GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(unaudited)

(In thousands, except for Net Loss per Share)

	Three Months Ended March 31,	
	2022	2021
TOTAL REVENUE	\$ 203,095	\$ 143,132
OPERATING EXPENSES		
Center costs, excluding depreciation and amortization shown separately below	148,893	99,134
General and administrative expenses	103,369	32,651
Depreciation and amortization	15,684	12,228
Total operating expenses	\$ 267,946	\$ 144,013
LOSS FROM OPERATIONS	\$ (64,851)	\$ (881)
OTHER INCOME (EXPENSE)		
Loss on remeasurement of contingent consideration	(434)	(307)
Transaction costs	(278)	(1,534)
Interest expense	(3,441)	(8,632)
Other expense	—	(89)
Total other expense	\$ (4,153)	\$ (10,562)
LOSS BEFORE INCOME TAXES	(69,004)	(11,443)
INCOME TAX BENEFIT	6,676	2,761
NET LOSS	\$ (62,328)	\$ (8,682)
Accretion of Redeemable Class A units	—	(36,750)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS/MEMBERS	\$ (62,328)	\$ (45,432)
NET LOSS PER SHARE, BASIC AND DILUTED	(0.18)	(0.15)
Weighted-average shares used to compute basic and diluted net loss per share	350,849	305,538

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements.

LIFESTANCE HEALTH GROUP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2022
AND CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE UNITS AND MEMBERS' EQUITY FOR THE THREE MONTHS
ENDED MARCH 31, 2021

(unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulate d Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2021	374,255	\$ 3,743	\$ 1,898,357	\$ (357,072)	\$ 1,545,028
Net loss	—	—	—	(62,328)	(62,328)
Issuance of common stock upon vesting of restricted stock units	96	1	(38)	—	(37)
Forfeitures	(28)	—	(185)	—	(185)
Stock-based compensation expense	—	—	60,040	—	60,040
Balances at March 31, 2022	<u>374,323</u>	<u>\$ 3,744</u>	<u>\$ 1,958,174</u>	<u>\$ (419,400)</u>	<u>\$ 1,542,518</u>

	Class A Redeemable Units		Class A-1 Common Units		Class A-2 Common Units		Class B Common Units		Additional Paid-in Capital	Accumulate d Deficit	Total Members' Equity
	Units	Amount	Units	Amount	Units	Amount	Units	Amount			
Balances at December 31, 2020	35,000	\$ 35,000	959,563	\$ 959,563	49,946	\$ 49,946	—	\$ —	\$ 1,452	\$ (13,125)	\$ 997,836
Net loss	—	—	—	—	—	—	—	—	—	(8,682)	(8,682)
Issuance of common units	—	—	—	—	962	1,000	—	—	—	—	1,000
Accretion of Redeemable Class A Units	—	36,750	—	—	—	—	—	—	—	(36,750)	(36,750)
Unit-based compensation expense	—	—	—	—	—	—	—	—	605	—	605
Balances at March 31, 2021	<u>35,000</u>	<u>\$ 71,750</u>	<u>959,563</u>	<u>\$ 959,563</u>	<u>50,908</u>	<u>\$ 50,946</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 2,057</u>	<u>\$ (58,557)</u>	<u>\$ 954,009</u>

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements.

LIFESTANCE HEALTH GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(unaudited)
(In thousands)

	Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (62,328)	\$ (8,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	15,684	12,228
Stock and unit-based compensation	59,855	605
Amortization of debt issue costs	295	403
Loss on remeasurement of contingent consideration	434	307
Change in operating assets and liabilities, net of businesses acquired:		
Patient accounts receivable, net	(18,121)	(3,116)
Prepaid expenses and other current assets	(12,065)	(8,042)
Accounts payable	1,852	3,014
Accrued payroll expenses	12,759	7,314
Other accrued expenses	4,943	5,878
Net cash provided by operating activities	<u>3,308</u>	<u>9,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(27,910)	(11,081)
Acquisitions of businesses, net of cash acquired	(22,945)	(754)
Net cash used in investing activities	<u>(50,855)</u>	<u>(11,835)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of deferred offering costs	—	(323)
Proceeds from long-term debt	20,000	26,200
Payments of debt issue costs	—	(955)
Payments of long-term debt	(331)	(785)
Payments of contingent consideration	(5,720)	(1,546)
Taxes related to net share settlement of equity awards	(441)	—
Net cash provided by financing activities	<u>13,508</u>	<u>22,591</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(34,039)</u>	<u>20,665</u>
Cash and Cash Equivalents - Beginning of period	148,029	18,829
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 113,990</u>	<u>\$ 39,494</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 3,091	\$ 6,806
Cash paid for taxes, net of refunds	\$ (60)	\$ 3
SUPPLEMENTAL DISCLOSURES OF NON CASH INVESTING AND FINANCING ACTIVITIES		
Unpaid deferred offering costs included in accounts payable and other accrued expenses	\$ —	\$ 1,871
Equipment financed through capital leases	\$ 57	\$ 14
Contingent consideration incurred in acquisitions of businesses	\$ 2,470	\$ 808
Acquisition of property and equipment included in liabilities	\$ 12,320	\$ 7,498

The accompanying Notes are an integral part of these Unaudited Consolidated Financial Statements.

LIFESTANCE HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(In thousands, except per share/unit amounts)

NOTE 1 NATURE OF THE BUSINESS

Description of Business

LifeStance Health Group, Inc. ("LifeStance Health Group") was formed as a Delaware corporation on January 28, 2021 for the purpose of completing an initial public offering ("IPO") and related transactions in order to carry on the business of LifeStance TopCo, L.P. ("LifeStance TopCo") and subsidiaries. LifeStance Health Group is the sole equity holder of LifeStance TopCo and operates and controls all of the business and affairs. As a result, LifeStance Health Group consolidates the financial results of LifeStance TopCo, its wholly-owned subsidiaries and variable interest entities. LifeStance Health Group and LifeStance TopCo are collectively referred to herein as the "Company", "LifeStance" or "LifeStance Health".

The Company operates as a provider of outpatient mental health services, spanning psychiatric evaluations and treatment, psychological and neuropsychological testing, and individual, family and group therapy.

Initial Public Offering

On June 14, 2021, the Company completed its IPO in which it issued and sold 32,800 shares of common stock and affiliates of TPG Inc. ("TPG"), affiliates of Silversmith Capital Partners ("Silversmith"), and affiliates of Summit Partners ("Summit") (collectively, the "Selling Shareholders") sold 7,200 shares of common stock at an offering price of \$18.00 per share. The Selling Shareholders granted the underwriters an option to purchase an additional 6,000 shares of common stock. The underwriters exercised in full their option to purchase additional shares, and the sale of the option shares was completed on June 25, 2021. The Company received net proceeds of \$548,905, after deducting underwriting discounts and commissions of \$32,472 and deferred offering costs of \$9,023. The Company did not receive any proceeds from the sale of shares by the Selling Stockholders, including the option shares. Deferred, direct offering costs were capitalized and consisted of fees and expenses incurred in connection with the sale of the Company's common stock in the IPO, including legal, accounting, printing and other offering related costs. Upon completion of the IPO, these deferred offering costs were reclassified from current assets to stockholders' equity and recorded against the net proceeds from the offering.

Prior to the IPO, each of the holders of partnership interests in LifeStance TopCo contributed its partnership interests to LifeStance Health Group in exchange for shares of common stock (including shares of common stock issued as restricted stock subject to vesting) of LifeStance Health Group (the "Organizational Transactions"). Following the contribution of partnership interests, LifeStance TopCo became wholly-owned by LifeStance Health Group. The number of shares of common stock that each such holder of partnership interests in LifeStance TopCo received was determined based on the value that such holder would have received under the distribution provisions of the limited partnership agreement of LifeStance TopCo, with shares of common stock valued by reference to the IPO price. All 1,046,196 of LifeStance TopCo's outstanding redeemable and common Class A units and 152,620 Class B units (the "Class B Common Units", "Profits Interests Units" or "Profits Interests") were contributed in exchange for 310,083 shares of common stock of LifeStance Health Group plus 30,766 shares of common stock issued as restricted stock ("RSAs") subject to vesting.

In connection with the IPO, the Company established the LifeStance Health Foundation, a non-profit organization that focuses on youth mental health, and the mental health of underrepresented minority communities, the underemployed and the uninsured. Concurrently with the closing of the IPO, the Company endowed the LifeStance Health Foundation through a combination of \$1,000 in cash and 500 shares of its common stock, representing aggregate cash and equity value of \$10,000.

Following the effective date of the IPO, LifeStance Health Group consolidates the financial results of LifeStance TopCo, its wholly-owned subsidiaries and variable interest entities ("VIEs") and the financial statements for the periods prior to the IPO have been adjusted to combine the previously separate entities for presentation purposes. Prior to the IPO restructuring transactions, LifeStance Health Group had no operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are discussed in Note 2 "Summary of Significant Accounting Policies" in Item 15 of its Annual Report on Form 10-K for the year ended December 31, 2021. During the three months ended March 31, 2022, there have been no significant changes to these policies other than the additions to the stock and unit-based compensation policy further described below.

Basis of Presentation and Principles of Consolidation

The Company has prepared the accompanying unaudited consolidated financial statements pursuant to the rules and regulations of the SEC regarding interim financial reporting, which include the accounts of LifeStance Health Group, LifeStance TopCo, its wholly-owned subsidiaries and VIEs in which LifeStance TopCo has an interest and is the primary beneficiary. Pursuant to these rules and

LIFESTANCE HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(In thousands, except per share/unit amounts)

regulations, the Company has omitted certain information and footnote disclosures it normally includes in its annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All intercompany balances and transactions have been eliminated in consolidation. In management’s opinion, the Company has made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly state its consolidated financial condition, results of operations and cash flows. The Company’s interim period operating results do not necessarily indicate the results that may be expected for any other interim period or the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s audited financial statements for the year ended December 31, 2021 in the Company’s Annual Report on Form 10-K.

On May 14, 2020, affiliates of TPG acquired the majority of the equity interests of LifeStance Health Holdings, Inc. through certain newly formed subsidiaries (“TPG Acquisition”). Periods subsequent to the acquisition and prior to the IPO and restructuring transactions reflect the financial statements of LifeStance TopCo. Periods subsequent to the IPO and restructuring transactions reflect the financial statements of LifeStance Health Group. All periods subsequent to the TPG Acquisition have been presented as the financial statements of LifeStance Health Group.

Use of Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Variable Interest Entities

The Company evaluates its ownership, contractual and other interests in entities to determine if it has any variable interest in a VIE. These evaluations are complex, involve judgment, and the use of estimates and assumptions based on available information. If the Company determines that an entity in which it holds a contractual or ownership interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. The Company performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company’s involvement with a VIE will cause the consolidation conclusion to change.

The Company acquires and operates certain care centers which are deemed to be Friendly-Physician Entities (“FPEs”). As part of an FPE acquisition, the Company acquires 100% of the non-medical assets, however due to legal requirements the physician-owners must retain 100% of the equity interest. The Company’s agreements with FPEs generally consist of both a Management Service Agreement, which provides for various administrative and management services to be provided by the Company to the FPE, and Stock Transfer Restriction (“STR”) agreements with the physician-owners of the FPEs, which provide for the transition of ownership interests of the FPEs under certain conditions. The outstanding voting equity instruments of the FPEs are owned by the nominee shareholders appointed by the Company under the terms of the STR agreements. The Company has the right to receive income as an ongoing management fee, which effectively absorbs all of the residual interests and has also provided financial support through loans to the FPEs. The Company has exclusive responsibility for the provision of all nonmedical services including facilities, technology and intellectual property required for the day-to-day operation and management of each of the FPEs, and makes recommendations to the FPEs in establishing the guidelines for the employment and compensation of the physicians and other employees of the FPEs. In addition, the STR agreements provide that the Company has the right to designate a person(s) to purchase the equity interest of the FPE for a nominal amount in the event of a succession event at the Company’s discretion. Based on the provisions of these agreements, the Company determined that the FPEs are VIEs due to the equity holder having insufficient capital at risk, and the Company has a variable interest in the FPEs.

The contractual arrangements described above allow the Company to direct the activities that most significantly affect the economic performance of the FPEs. Accordingly, the Company is the primary beneficiary of the FPEs and consolidates the FPEs under the VIE model. Furthermore, as a direct result of nominal initial equity contributions by the physicians, the financial support the Company provides to the FPEs (e.g., loans) and the provisions of the contractual arrangements and nominee shareholder succession arrangements described above, the interests held by noncontrolling interest holders lack economic substance and do not provide them with the ability to participate in the residual profits or losses generated by the FPEs. Therefore, all income and expenses recognized by the FPEs are allocated to the Company members. The Company does not hold interests in any VIEs for which the Company is not deemed to be the primary beneficiary.

LIFESTANCE HEALTH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(In thousands, except per share/unit amounts)

As noted previously, the Company acquires 100% of the non-medical assets of the VIEs. The aggregate carrying values of the VIEs total assets and total liabilities not purchased by the Company but included on the consolidated balance sheets were not material at March 31, 2022 and December 31, 2021.

Stock and Unit-Based Compensation

Beginning in the first quarter of 2022, the Company's clinician restricted stock units ("RSUs") are granted subject to certain performance and service-based vesting conditions. The clinician RSUs are measured at fair value on their grant date. The related compensation expense is recognized on a straight line basis over the requisite service period for each separately vesting tranche of the award if and when the Company concludes that it is probable that the performance conditions will be achieved. At the end of each reporting period, the Company reevaluates the probability that the performance conditions will be achieved.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's unaudited consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and also issued subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10, ASU 2018-11, ASU 2018-20, ASU 2019-01, ASU 2020-02, and ASU 2020-05 (collectively, "ASC 842"). ASC 842 outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. ASC 842 is effective for private entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, inclusive of a one year deferral provided by ASU 2020-05. ASC 842 must be adopted using a modified retrospective method and early adoption is permitted. The Company is in the process of determining the impact of the adoption of ASC 842 on the Company's consolidated financial statements and disclosures. The Company has organized an implementation group to ensure the completeness of its lease information, analyze the appropriate classification of leases under the new standard, and develop new processes to execute, approve and classify leases on an ongoing basis. However, given the Company's current operating lease portfolio (see Note 13 and Note 14) the Company expects the recognition of the right-of-use assets and lease liabilities to have a material impact on the Company's consolidated balance sheets.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326)-Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 is effective for private entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. ASU 2016-03 will apply as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact of the adoption of ASU 2016-13 on the Company's consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for private entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued and all other entities for periods for which financial statements have not yet been made available for issuance. The Company is in the process of evaluating the impact of the adoption of ASU 2019-12 on the Company's consolidated financial statements and disclosures.

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In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). This guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions, subject to meeting certain criteria, that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. The amendments issued in March 2020 provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020, through December 31, 2022. The Company is still evaluating the impact of adopting ASU 2020-04 on its consolidated financial statements and disclosures.

NOTE 3 ACQUISITIONS

During the three months ended March 31, 2022 and 2021, the Company completed the acquisitions of 2 and 1 outpatient mental health practices, respectively. The Company accounted for the acquisitions as business combinations using the acquisition method of accounting. The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the respective acquisition dates.

Total consideration transferred for these acquisitions consisted of the following:

	Three Months Ended March 31,	
	2022	2021
Cash consideration	\$ 23,325	\$ 700
Contingent consideration, at initial fair value	2,470	808
Total consideration transferred	\$ 25,795	\$ 1,508

The results of the acquired businesses have been included in the Company’s consolidated financial statements beginning as of their acquisition dates. It is impracticable to provide historical supplemental pro forma financial information along with revenue and earnings subsequent to the acquisition dates for acquisitions during the period due to a variety of factors, including access to historical information and the operations of acquirees being integrated within the Company shortly after closing and not operating as discrete entities within the Company’s organizational structure.

Fair Values of Assets Acquired and Liabilities Assumed

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the dates of acquisition:

Allocation of Purchase Price	Three Months Ended March 31,	
	2022	2021
Cash	\$ 421	\$ 40
Patient accounts receivable	486	284
Property and equipment	34	18
Prepaid expenses and other current assets	64	6
Deposits	3	5
Intangible assets	782	125
Goodwill	24,701	1,117
Total assets acquired	26,491	1,595
Total liabilities assumed	696	87
Fair value of net assets	\$ 25,795	\$ 1,508

The fair value of assets and liabilities other than intangible assets approximate the carrying amounts as of acquisition dates.

The following table summarizes the fair values of acquired intangible assets as of the dates of acquisition:

	Three Months Ended March 31,	
	2022	2021
Regional trade names ⁽¹⁾	\$ 342	\$ 77
Non-competition agreements ⁽²⁾	440	48
Total	\$ 782	\$ 125

(1) Useful lives for regional trade names are 5 years.

(2) Useful lives for non-competition agreements are 5 years.

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Contingent Consideration

Under the provisions of the acquisition agreements, the Company may pay additional cash consideration in the form of earnouts, contingent upon the acquirees achieving certain performance and operational targets (see Note 6).

The following table summarizes the maximum contingent consideration based on the acquisition agreements:

Contingent consideration	Three Months Ended March 31,	
	2022	2021
Maximum contingent consideration based on acquisition agreements	\$ 3,000	\$ 1,000

Goodwill

Goodwill represents the excess of the purchase price over the net identifiable assets acquired and liabilities assumed. Goodwill is primarily attributable to the assembled workforce, customer and payor relationships and anticipated synergies and economies of scale expected from the integration of the businesses. The synergies include certain cost savings, operating efficiencies, and other strategic benefits projected to be achieved as a result of the acquisition. All goodwill is deductible for tax purposes.

NOTE 4 INTANGIBLE ASSETS

Intangible assets consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
March 31, 2022				
Regional trade names	\$ 34,759	\$ (11,359)	\$ 23,400	5.0
LifeStance trade names	235,500	(19,707)	215,793	22.5
Non-competition agreements	93,190	(41,203)	51,987	4.2
Total intangible assets	\$ 363,449	\$ (72,269)	\$ 291,180	
December 31, 2021				
Regional trade names	\$ 34,417	\$ (9,633)	\$ 24,784	5.0
LifeStance trade names	235,500	(17,090)	218,410	22.5
Non-competition agreements	92,750	(35,589)	57,161	4.2
Total intangible assets	\$ 362,667	\$ (62,312)	\$ 300,355	

Gross carrying amount is based on the fair value of the intangible assets determined at acquisitions. Total intangible asset amortization expense consists of the following:

	Three Months Ended March 31,	
	2022	2021
Amortization expense	\$ 9,957	\$ 9,619

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NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following:

	March 31, 2022	December 31, 2021
Leasehold improvements	\$ 109,524	\$ 87,807
Computers and peripherals	24,142	22,038
Furniture, fixtures and equipment	25,814	20,286
Medical equipment	1,018	1,018
Construction in process	35,682	40,619
Total	\$ 196,180	\$ 171,768
Less: Accumulated depreciation	(25,253)	(19,526)
Total property and equipment, net	\$ 170,927	\$ 152,242

Depreciation expense consists of the following:

	Three Months Ended March 31,	
	2022	2021
Depreciation expense	\$ 5,727	\$ 2,609

NOTE 6 FAIR VALUE MEASUREMENTS

The Company measures its contingent consideration liability at fair value on a recurring basis using Level 3 inputs. The Company estimates the fair value of the contingent consideration liability based on the likelihood and timing of the contingent earn-out payments. The valuation methodology differs depending on the type of earn-out target. The following is the summary of the significant assumptions used for the fair value measurement of the contingent consideration liability as of March 31, 2022 and December 31, 2021.

Valuation Technique	Range of Significant Assumptions		
		March 31, 2022	December 31, 2021
Probability-weighted analysis based earn-outs	Probability	50% - 100%	50% - 100%
	Discount rate	8.60%	8.60%

As of March 31, 2022 and December 31, 2021, the Company adjusted the fair value of the contingent consideration liability due to remeasurement at the reporting date. See Note 14 for discussion of payment of contingent consideration made related to acquisitions, fair value adjustments, and a roll-forward of the contingent consideration balance from the prior year.

The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis:

March 31, 2022	Level 1	Level 2	Level 3	Total
Financial Instrument				
Contingent consideration liability	\$ —	\$ —	\$ 14,614	\$ 14,614
December 31, 2021				
Financial Instrument				
Contingent consideration liability	\$ —	\$ —	\$ 17,430	\$ 17,430

As disclosed in Note 3, the Company acquired 2 and 1 outpatient mental health practices during the three months ended March 31, 2022 and 2021, respectively. The values of net tangible assets acquired, and the resulting goodwill and other intangible assets, were recorded at fair value. The majority of the tangible assets acquired and liabilities assumed were recorded at their carrying values as of the respective dates of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and other intangible assets acquired in these acquisitions were estimated by management or with the assistance of a third-party valuation expert primarily based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets are expected to generate in the future. The Company developed estimates for the expected future cash flows and discount rates used in the present value calculations. Other than assets acquired and liabilities assumed in these acquisitions, there were no material assets or liabilities measured at fair value on a nonrecurring basis during the periods presented.

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NOTE 7 GOODWILL

Goodwill consists of the following:

	Amount
Balance as of December 31, 2021	\$ 1,204,544
Business acquisitions (Note 3)	24,701
Measurement period adjustments	58
Balance as of March 31, 2022	\$ 1,229,303

NOTE 8 LONG-TERM DEBT

On May 14, 2020, in connection with the TPG Acquisition, the Company entered into the Credit Agreement among LifeStance Health Holdings, Inc., Lynnwood Intermediate Holdings, Inc., Capital One, National Association, and each lender party thereto (the "May 2020 Credit Agreement"). The term loans and delayed draw loans are payable in quarterly principal and interest payments, with a maturity date of May 14, 2026. The interest rate is a variable interest rate determined at LIBOR plus 3.00% to 7.09%. The May 2020 Credit Agreement provides for an alternative rate structure to LIBOR. The term loans and delayed draw loans are collateralized by the tangible assets and stock pledge of the Company.

The May 2020 Credit Agreement requires the Company to maintain compliance with certain restrictive financial covenants related to earnings, leverage ratios, and other financial metrics. The Company was in compliance with all debt covenants at March 31, 2022 and December 31, 2021.

Long-term debt consists of the following:

	March 31, 2022	December 31, 2021
Term loans	\$ 70,427	\$ 70,665
Delayed Draw loans	90,472	90,565
Revolving loan	20,000	—
Total long-term debt	180,899	161,230
Less: Current portion of long-term debt	(1,323)	(1,323)
Less: Unamortized debt issue costs	(2,196)	(2,491)
Total Long-Term Debt, Net of Current Portion and Unamortized Debt Issue Costs	\$ 177,380	\$ 157,416

The current portion of long-term debt is included within other current liabilities on the consolidated balance sheets.

Interest expense consists of the following:

	Three Months Ended March 31,	
	2022	2021
Interest expense	\$ 3,441	\$ 8,632

Future principal payments on long-term debt are as follows:

Year Ended December 31,	Amount
Remainder of 2022	\$ 992
2023	1,323
2024	1,323
2025	21,323
2026	155,938
Total	\$ 180,899

The fair value of long-term debt is based on the present value of future payments discounted by the market interest rates or the fixed rates based on current rates offered to the Company for debt with similar terms and maturities, which is a Level 2 fair value measurement. Long-term debt is presented at carrying value on the unaudited consolidated balance sheets. The fair value of long-term debt at March 31, 2022 and December 31, 2021 was \$196,950 and \$186,497, respectively.

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Revolving Loan

Under the May 2020 Credit Agreement, the Company has a revolving loan commitment from Capital One in the amount of \$20,000. Any borrowing on the revolving loan is due in full on May 14, 2025. The revolving loan can be drawn upon at an interest rate equal to LIBOR plus 4.50% to 4.75%, depending on certain financial ratios. The unused revolving loan incurs a commitment fee of 0.5% per annum.

In March 2022, the Company drew \$20,000 from the aforementioned revolving loan.

NOTE 9 TOTAL REVENUES

The Company's total revenues are dependent on a series of contracts with third-party payors, which is typical for providers in the health care industry. The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payor mix with third-party payors, which have different reimbursement rates.

The payor mix of fee-for-service revenue from patients and third-party payors consists of the following:

	Three Months Ended March 31,			
	2022		2021	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Commercial	\$ 183,609	91 %	\$ 128,258	90 %
Government	8,833	4 %	5,723	4 %
Self-pay	8,375	4 %	7,764	5 %
Total patient service revenue	200,817	99 %	141,745	99 %
Nonpatient service revenue	2,278	1 %	1,387	1 %
Total	\$ 203,095	100 %	\$ 143,132	100 %

Among the commercial payors, five insurance companies comprise the following percentage of revenue:

	Three Months Ended March 31,	
	2022	2021
Top five commercial payors	54 %	65 %
Top one payor	19 %	20 %
Top two payor	14 %	17 %

NOTE 10 INCOME TAXES

The benefit for income taxes is as follows:

	Three Months Ended March 31,	
	2022	2021
Benefit for income taxes	\$ 6,676	\$ 2,761

The effective tax rates are as follows:

	Three Months Ended March 31,	
	2022	2021
Effective tax rate	9.7 %	24.1 %

The difference between the Company's effective tax rate and the U.S. statutory tax rate of 21% was primarily the result of permanent book/tax differences between transaction costs, stock and unit-based compensation and state income taxes. The Company regularly evaluates the realizability of its deferred tax assets and establishes a valuation allowance if it is more likely than not that some or all the deferred tax assets will not be realized. No valuation allowance was recognized as of March 31, 2022 or December 31, 2021.

NOTE 11 STOCK AND UNIT-BASED COMPENSATION

2021 Equity Incentive Plan

Effective June 9, 2021, the Company's Board of Directors (the "Board") and its stockholders as of that date adopted and approved the LifeStance Health Group, Inc. 2021 Equity Incentive Plan (the "2021 Equity Incentive Plan"). All equity-based awards subsequent to

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June 9, 2021 will be granted under the 2021 Plan. The 2021 Equity Incentive Plan permits the grant of awards or restricted or unrestricted common stock, stock options, stock appreciation rights, restricted stock units, performance awards, and other stock-based awards to employees and directors of, and consultants and advisors to, the Company and its affiliates.

The maximum number of shares of the Company's common stock that may be delivered in satisfaction of awards under the 2021 Equity Incentive Plan was initially reserved at 47,037 shares. The share pool will automatically increase on January 1 of each year beginning in 2022 and continuing through and including 2031 by the lesser of (i) five percent of the number of shares of the Company's common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the Board on or prior to such date for such year. On January 1, 2022, the number of shares of common stock reserved and available for issuance under the 2021 Equity Incentive Plan increased by 18,713 shares.

Restricted Stock

The RSAs were issued as part of the Organizational Transactions (see Note 1).

The following is a summary of RSA transactions as of and for the three months ended March 31, 2022:

	Unvested Shares		Weighted-Average Grant Date Fair Value
Unvested, December 31, 2021	23,501	\$	11.98
Vested	(203)		11.98
Forfeited	(28)		11.98
Unvested, March 31, 2022	23,270	\$	11.98

Restricted Stock Units

The RSUs were granted in connection with the IPO and subsequent to the IPO. RSUs are accounted for as equity using the fair value method, which requires measurement and recognition of compensation expense for all awards granted to employees, directors and consultants based upon the grant-date fair value.

The following is a summary of RSU transactions as of and for the three months ended March 31, 2022:

	Unvested Shares		Weighted-Average Grant Date Fair Value
Outstanding, December 31, 2021	6,031	\$	17.95
Granted	10,021		8.45
Vested	(96)		17.22
Canceled and forfeited	(197)		8.61
Outstanding, March 31, 2022	15,759	\$	12.01

Stock and Unit-Based Compensation Expense

The Company recognized stock and unit-based compensation expense related to RSAs, RSUs and the Class B Profits Interests within general and administrative expenses in the unaudited consolidated statements of operations as follows:

	Three Months Ended March 31,			
	2022		2021	
Stock and unit-based compensation expense	\$	59,855	\$	605

As of March 31, 2022, the Company had \$244,356 in unrecognized compensation expense related to all non-vested awards (RSAs and RSUs) that will be recognized over the weighted-average remaining service period of 1.6 years.

2021 Employee Stock Purchase Plan

Effective June 9, 2021, the Board and its stockholders as of that date adopted and approved the LifeStance Health Group, Inc. 2021 Employee Stock Purchase Plan (the "ESPP"). The ESPP permits the grant to eligible employees of the Company and its participating subsidiaries of options to purchase shares of the Company's common stock.

The aggregate number of shares of the Company common stock initially available for purchase pursuant to the exercise of options under the ESPP is 6,817 shares, plus an automatic annual increase, as of January 1 of each year beginning in 2022 and continuing through and including 2031, equal to the lesser of (i) one percent of the number of shares of the Company's common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the

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Board on or prior to such date for such year, up to a maximum of 42,500 shares of the Company’s common stock in the aggregate. On January 1, 2022, the number of shares of common stock reserved and available for issuance under the ESPP increased by 3,743 shares. The ESPP allows participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation. The purchase price of the shares will be 85% of the lower of the fair market value of the Company’s common stock on the grant date or the exercise date.

The ESPP will generally be implemented by a series of separate offerings referred to as “Option Periods”. Unless otherwise determined by the administrator, the Option Periods will be successive periods of approximately six months commencing on the first business day in January and July of each year, anticipated to be on or around January 1 and July 1, and ending approximately six months later on the last business day in June or December, as applicable, of each year, anticipated to be on or around June 30 and December 31. The last business day of each Option Period will be an “Exercise Date”. The administrator may change the Exercise Date, the commencement date, the ending date and the duration of each Option Period, in each case, to the extent permitted by Section 423 of the Internal Revenue Code; provided, however, that no option may be exercised after 27 months from its grant date.

As of March 31, 2022, no shares of common stock have been purchased under the Company’s ESPP.

NOTE 12 STOCKHOLDERS’/MEMBERS’ EQUITY

Common Stock – Post-IPO

As discussed in Note 1, upon completion of the Company’s IPO in June 2021, the Company sold 32,800 shares of common stock at an offering price of \$18.00 per share.

In connection with the IPO, the Company increased its authorized shares from 1 to 800,000 shares of common stock, par value \$0.01 per share.

Common Units - Pre-IPO

The chief executive officer (“CEO”) had 35,000 redeemable Class A units outstanding prior to the completion of the IPO. The CEO had the right, upon termination for any reason other than proper cause, to put his redeemable Class A units back to the partnership at fair value (“Put Right”). The CEO (or permitted transferee) shall have this Put Right also upon death or disability. As this was both outside of the Company’s control and probable to eventually occur, the redeemable Class A units subject to this Put Right were classified as mezzanine equity and carried at fair value (i.e., redemption price). There was a change to the fair value during the three months ended March 31, 2021 of \$36,750, respectively, resulting from a change in the probability assumption of an IPO. On June 9, 2021, the redeemable Class A units were converted into 10,234 shares of the Company’s common stock.

Class A-1 Common Units had equal voting rights. Class A-2 and Class B Common Units were nonvoting units.

Preferred Stock

In connection with the Company’s IPO, the Company authorized the issuance of 25,000 shares of its preferred stock, par value \$0.01 per share. There are no shares of preferred stock outstanding as of March 31, 2022 and December 31, 2021.

NOTE 13 RELATED PARTY TRANSACTIONS

The Company leases 19 office facilities under operating leases with related parties expiring through 2030. The leases provide for monthly minimum rent payments, and some include renewal options for additional terms. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Total related-party rent expense included in center costs, excluding depreciation and amortization in the unaudited consolidated statements of operations amounted to:

	Three Months Ended March 31,			
	2022		2021	
Rent expense	\$	387	\$	537

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A summary of non-cancelable future minimum operating lease payments under these leases as of March 31, 2022 is as follows:

Year Ended December 31,	Amount
Remainder of 2022	\$ 1,119
2023	1,198
2024	1,012
2025	1,023
2026	144
Thereafter	257
Total	\$ 4,753

In addition, management fees to TPG and certain executives of the Company were identified as related party transactions. For the three months ended March 31, 2021, the Company incurred related-party management fees of \$89. As a result of the Company's IPO, the Company terminated its management services agreement in the second quarter of 2021, and no management fees were recognized subsequent to the IPO.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Contingent Consideration relating to Acquisitions

For the three months ended March 31, 2022, there were post-closing payments contingent upon the future performance of the Company's recently acquired targets achieving certain agreed-upon performance metrics. Contingent consideration is recorded at fair value and was recognized in the purchase price allocation (see Note 3) of the acquired company.

The following table presents changes to the Company's contingent consideration balance:

	March 31, 2022	December 31, 2021
Beginning balance	\$ 17,430	\$ 16,414
Additions related to acquisitions	2,470	10,685
Payments of contingent consideration	(5,720)	(12,279)
Loss on remeasurement	434	2,610
Ending balance	\$ 14,614	\$ 17,430

Leases with Third Parties

The Company leases its office facilities under operating leases expiring through 2032. The leases provide for monthly minimum rent payments, and some include renewal options for additional terms. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Total third-party rent expense amounted to as follows in the unaudited consolidated statements of operations:

	Three Months Ended March 31,	
	2022	2021
Center costs, excluding depreciation and amortization	\$ 11,020	\$ 6,403
General and administrative expenses	139	175
Total rent expense	\$ 11,159	\$ 6,578

A summary of non-cancellable future minimum third-party operating lease payments under these leases as of March 31, 2022 is as follows:

Year Ended December 31,	Amount
Remainder of 2022	\$ 37,230
2023	50,462
2024	46,855
2025	43,110
2026	38,263
Thereafter	54,601
Total	\$ 270,521

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Professional Liability Insurance

The medical malpractice insurance coverage is subject to a \$3,000 per claim limit and an annual aggregate shared limit of \$8,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Company is not aware of any unasserted claims, unreported incidents, or claims outstanding that are expected to exceed malpractice insurance coverage limits as of March 31, 2022 and December 31, 2021.

Health Care Industry

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services billed.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care companies have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in companies entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Management believes that the Company is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

General Contingencies

The Company is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Company's policies.

Litigation

The Company may be involved from time-to-time in legal actions relating to the ownership and operations of its business. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

In March 2020, the Company received a Civil Investigative Demand from the U.S. Attorney's Office of the Northern District of Georgia involving an investigation of a laboratory arrangement. The Company does not believe that it is a target of the investigation or that there is any material exposure based on its internal review. The Company does not know how the investigation will be resolved, to what extent it may be expanded, or whether the Company or its employees will be subject to further investigation, enforcement action or related penalties that could have an adverse impact on its business, results of operations and financial condition.

NOTE 15 NET LOSS PER SHARE

Prior to the IPO, as discussed in Note 1, the partnership interests of LifeStance TopCo included Redeemable Class A, Class A common and Class B units. The Class B Units were intended to be "profits interests" for U.S. federal income tax purposes. Prior to the IPO, each of the holders of partnership interests in LifeStance TopCo contributed its partnership interest to LifeStance Health Group in exchange for shares of common stock (including shares of common stock issued as RSAs subject to vesting) of LifeStance Health Group, with no changes in relative equity holder rights, rank or value before or after this exchange. As a result, the LifeStance TopCo equity exchange of common units was considered equivalent to a stock split and requires retrospective treatment for net loss per share purposes. All share and per share information has been retroactively adjusted to reflect the equity exchange for all periods presented. Vested Class B Profits Interests Units outstanding prior to the equity exchange were considered compensatory arrangements that were settled with shares of common stock at the time of the exchange and have been included as outstanding shares subsequent to that date.

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The following table presents the calculation of basic and diluted net loss per share ("EPS") for the Company's common shares (on an as-converted basis):

	Three Months Ended March 31,	
	2022	2021
Net loss available to common stockholders'/members'	\$ (62,328)	\$ (45,432)
Weighted-average shares used to compute basic and diluted net loss per share	350,849	305,538
Net loss per share, basic and diluted	\$ (0.18)	\$ (0.15)

The Company has issued potentially dilutive instruments in the form of RSAs and the RSUs. The Company did not include any of these instruments in its calculation of diluted loss per share (on an as-converted basis) for the three months ended March 31, 2022 and 2021 because to include them would be anti-dilutive due to the Company's net loss during the period. See Note 11 for the issued, vested and unvested RSAs and RSUs. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share:

	Three Months Ended March 31, 2022
RSAs	23,270
RSUs	15,759
	39,029

NOTE 16 SUBSEQUENT EVENTS

Long-Term Debt

On May 4, 2022, the Company entered into an agreement (the "2022 Credit Agreement") for senior secured credit facilities in the form of (i) up to a \$100,000 delayed draw loan, (ii) a \$200,000 term loan and (iii) a \$50,000 revolving loan. The interest rate is a variable interest rate determined at Secured Overnight Financing Rate ("SOFR") plus 3.25% on the revolving loan and SOFR plus 4.50% on the term loans and any delayed draw term loans. The 2022 Credit Agreement is expected to close on or prior to May 23, 2022, subject to certain conditions. In connection with the closing of the 2022 Credit Agreement, the Company will repay all outstanding amounts of the existing May 2020 Credit Agreement (see Note 8).

Acquisitions

Subsequent to March 31, 2022, the Company completed an acquisition of an outpatient mental health practice. The allocation of purchase price, including any fair value of contingent consideration, to the assets acquired and liabilities assumed as of the acquisition dates have not been completed.

For the acquisition completed subsequent to March 31, 2022, total contractual consideration included cash consideration of \$2,600, funded through credit facility financing, and contingent consideration with a maximum value of \$1,050.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and the accompanying notes as well as "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2021. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth under "Risk Factors" Part II, Item 1A in this Quarterly Report on Form 10-Q as well as those discussed in the Annual Report on Form 10-K for the year ended December 31, 2021, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

LifeStance Health Group, Inc. was formed as a Delaware corporation on January 28, 2021 for the purpose of completing an initial public offering ("IPO") and related transactions in order to carry on the business of LifeStance TopCo, L.P. ("LifeStance TopCo") and its consolidated subsidiaries and affiliated practices. LifeStance Health Group, Inc. wholly-owns the equity interest of LifeStance TopCo and operates and controls all of the business and affairs and consolidates the financial results of LifeStance TopCo and its wholly owned subsidiaries and affiliated practices. Unless the context otherwise indicates or requires, the terms "LifeStance Health Group", "LifeStance Health", "LifeStance", "we", and "our" as used herein refer to LifeStance Health Group and its consolidated subsidiaries and affiliated practices.

Our Business

We are dedicated to improving the lives of our patients by reimagining mental health through a disruptive, tech-enabled in-person and virtual care delivery model built to expand access and affordability, improve outcomes and lower overall health care costs. We are one of the nation’s largest outpatient mental health platforms based on the number of clinicians we employ through our subsidiaries and our affiliated practices and our geographic scale, employing 4,989 licensed mental health clinicians as of March 31, 2022. We combine a personalized, digitally-powered patient experience with differentiated clinical capabilities and in-network insurance relationships to fundamentally transform patient access to mental health treatment. By revolutionizing the way mental health care is delivered, we believe we have an opportunity to improve the lives and health of millions of individuals.

Our model is built to empower each of the healthcare ecosystem’s key stakeholders—patients, clinicians, payors and primary care and specialist physicians—by aligning around our shared goal of delivering better outcomes for patients and providing high-quality mental health care.

- *Patients* - We are the front-door to comprehensive outpatient mental health care. Our clinicians offer patients comprehensive services to treat mental health conditions across the clinical spectrum. Our in-network payor relationships improve patient access by allowing patients to access care without significant out-of-pocket cost or delays in receiving treatment. Our personalized, data-driven comprehensive care meets patients where they are, through convenient virtual and in-person settings. We support our patients throughout their care continuum with purpose-built technological capabilities, including online assessments, digital provider communication, and seamless internal referral and follow-up capabilities.
- *Clinicians* - We empower clinicians to focus on patient care and relationships by providing what we believe is a superior workplace environment, as well as clinical and technology capabilities to deliver high-quality care. We offer a unique employment model for clinicians in a collaborative clinical environment, employing our clinicians through our subsidiaries and affiliated practices. Our integrated platform and national infrastructure reduce administrative burdens for clinicians while increasing engagement and satisfaction.
- *Payors* - We partner with payors to deliver access to high-quality outpatient mental health care to their members at scale. Long-term analyses demonstrate that \$1 spent on collaborative mental health care saves \$6.50 in total medical costs, representing a compelling opportunity for us to drive improved health outcomes and significant cost savings. Through our validated patient outcomes and extensive scale, we offer payors a pathway to achieving these savings in the broader healthcare system.
- *Primary care and specialist physicians* - We collaborate with primary care and specialist physicians to enhance patient care. Primary care is an important setting for the treatment of mental health conditions—primary care physicians are often the sole contact for over 50% of patients with a mental illness. We partner with primary care physicians and specialist physician groups across the country to provide a mental healthcare network for referrals and, in certain instances, through co-location to improve the diagnosis and treatment of their patients. Our measurable patient outcomes also provide primary care and specialist physicians with a valuable, validated treatment path to improve the overall health of our mutual patients.

COVID-19 Impact

With the COVID-19 pandemic placing an unprecedented strain on daily life, existing trends in mental health care have worsened dramatically since the beginning of the pandemic—41% of adults reported at least one adverse mental health condition, including symptoms of mental illness or substance abuse related to the pandemic. Quarantining and lockdown measures have resulted in furloughs and layoffs, dramatically increasing stressors and leading to poorer overall mental and physical health.

In response to the COVID-19 pandemic, we took the following actions to ensure the safety of our employees and their families and to address the physical, mental and social health of our patients:

- Implemented safety protocols including all Center of Disease Control directives in addition to state and local directives. This included distributing COVID-19 guidelines to all clinicians and employees as well as regular global communication from our Chief Medical Officer.
- Provided support to clinicians and administrative employees in the event they were unable to work due to a quarantine.
- Trained all of our clinicians to meet patients virtually.
- Upgraded acquired center websites to allow patients to readily access digital services.
- Proactively communicated with patients about the availability of clinicians and treatment and appointment reminders.

While the impact of the COVID-19 pandemic has increased stressors associated with mental health, we believe that a combination of factors contribute to our total patient visits and related revenue, including, among others, long-term trends in reduced stigmatization of mental health. Even before the pandemic, we saw the need to have a platform supported by leading technology to give us the ability to treat patients virtually or in-person. Our prior investment in our technology platform, most notably in our digital capabilities, became an essential component for continuing to deliver care to our patients during the pandemic. We observed an impact on appointments in mid-March 2020 as patients moved to shelter-at-home and increased cancellations. By the end of March 2020, appointments and visits had returned to normal levels. Since then, as the pandemic has surged and waned, we believe there has been some impact due to patient and clinician illness, resulting in cancellations of appointments, deferrals and fewer appointments initially scheduled. However, as we are unable to quantify deferred or appointments that were not scheduled, we are unable to specifically measure the impact. Our clinician recruitment opportunities have also increased as a result of the pandemic, driven by an increase in clinician supply from those seeking more stable employment models. While we continue to take advantage of clinician recruitment opportunities, recent changes in the labor market dynamics driven by pandemic-related burnout have also impacted retention. With independent clinicians facing higher technology costs, shifting consumer behavior and challenges from the uncertain economic environment, our pipeline of acquisition targets grew and assisted in our 2020 footprint expansion.

Prior to the COVID-19 pandemic, our payor contracts or payor policies typically provided for rate parity for our care services regardless of whether visits are conducted in-person or virtually. As a result, even if temporary rate parity provisions that were enacted in response to the COVID-19 pandemic are not permanently extended, we do not expect such actions to have a meaningful impact on our business.

We believe COVID-19 represents a paradigm shift in the importance of and focus on mental health care. We have seen significant increase in patient demand as well as payor and employer adoption of mental health coverage options during the pandemic and it is now integrated into health care offerings more than ever before. We feel the spotlight the pandemic has put on the need for mental health care will have a positive impact on our industry and business for years to come.

Key Factors Affecting Our Results

Expanding Center Capacity and Visits Within Existing Centers

We have built a powerful organic growth engine that enables us to drive growth within our existing footprint.

Our Clinicians

As of March 31, 2022, we employed 4,989 psychiatrists, advanced practice nurses, psychologists and therapists through our subsidiaries and affiliated practices. We generate revenue on a per visit basis as clinical services are rendered by our clinicians. As our existing centers mature, we grow capacity through investments in office expansion to increase our average clinicians per center and enhance overall utilization. Recruiting new clinicians and retaining existing clinicians in our existing centers enables us to see more patients per center by expanding our patient visit capacity. We believe our dedicated employment model offers a superior value proposition compared to independent practice. Our network relationships provide clinicians with ready access to patients. We also enable clinicians to manage their own patient volumes. Our platform promotes a clinically-driven professional culture and streamlines patient access and care delivery, while optimizing practice administration processes through technology. We believe we are an employer of choice in mental health, allowing us to employ highly qualified clinicians.

We believe we have significant opportunity to grow our employed clinician base—we estimate there are approximately 650,000 mental health clinicians in the United States, providing us with a meaningful runway to grow from our current base of 4,989 clinicians

employed through our subsidiaries and affiliated practices, as of March 31, 2022. To capitalize on this opportunity, we have developed a rigorous and exclusive in-house national clinician recruiting model that works closely with our regional clinical teams to select the best candidates and fulfill capacity in a timely manner. As we grow our clinician base, we can grow our business, expand access to our patients and our payors and invest in our platform to further reinforce our differentiated offering to clinicians. We have available physical capacity to add clinicians to our existing centers, as well as an opportunity to add new clinicians with the roll-out of de novo centers and acquire additional clinicians through our acquisition strategy. Our virtual care offering also allows clinicians to see more patients without investments in incremental physical space, expanding our patient visit capacity beyond in-person only levels.

Our Patients

We believe our ability to attract and retain patients to drive growth in our visits and meet the availability of our clinician base will enable us to grow our revenue. We believe we have a significant opportunity to increase the number of patients we serve in our existing markets. In 2021, our clinicians treated more than 570,000 unique patients through 4.6 million visits. We believe our ability to deliver more accessible, flexible, affordable and effective mental health care is a key driver of our patient growth. We believe we provide a superior and differentiated mental health care experience that integrates virtual and in-person care to deliver care in a convenient way for our patients, meeting our patients where they are. Our in-network payor relationships allow our patients to access care without significant out-of-pocket cost or delays in receiving treatment. We treat mental health conditions across the clinical spectrum through a clinical approach that delivers improved patient outcomes. We support our patients throughout their care continuum with purpose-built technological capabilities, including online assessments, digital provider communication, and seamless internal referral and follow-up capabilities.

We utilize multiple strategies to add new patients to our platform, including our primary care and specialist physician relationships, internal referrals from our clinicians, our payor relationships and our dedicated marketing efforts. We have established a large network of national, regional and local payors that enables their members to be referred to us as patients. Payors refer patients to our platform to drive improvement in health outcomes for their members, reduction in total medical costs and increased member satisfaction and retention. Within our markets, we partner with primary care practice groups, specialists, health systems and academic institutions to refer patients to our centers and clinicians. Our local marketing teams build and maintain relationships with our referring partner networks to create awareness of our platform and services, including the opening of new centers and the introduction of newly hired clinicians with appointment availability. We also use online marketing to develop our national brand to increase brand awareness and promote additional channels of patient recruitment.

Our Primary Care and Specialist Physician Referral Relationships

We have built a powerful patient referral network through partnerships with primary care physicians and specialist physician groups across the country. We deliver value to our provider partners by offering a more efficient referral base, delivering improved outcomes for our mutual patients, and enabling more integrated care and lower total health care costs. As we continue to scale nationally, we plan to partner with additional hospital systems, large primary care groups and other specialist groups to help streamline their mental health network needs and drive continued patient growth across our platform. Our vision over time is to further integrate our mental health care services with those of our medical provider partners. By co-locating and driving towards integration with primary care providers, we can enhance our clinician's access to patients. We anticipate that we will continue to grow these relationships while evolving our offering toward a fully-integrated care model in which primary care and our mental health clinicians work together to develop and provide personalized treatment plans for shared patients. We believe these efforts will help to further align our model with that of other health care providers increasing our value to them and driving new opportunities to partner to grow our patient base.

Our Payors

Our payor relationships, including national contracts with multiple payors, allow payors access to our services through in-network coverage for their members. We believe the alignment of our model with our payor partners' population health objectives encourages third-party payors to partner with us. We believe we deliver value to our payor partners in several ways, including access to a national clinician employee base, lower total medical costs, measurable outcomes, and stronger member and client value proposition through the offering of in-network mental health services. The strength of our payor relationships and our value proposition allowed us to secure rate parity between in-person and virtual visits, either by contract or payor policy. To expand this network and grow access to covered patients, we continue to establish new payor relationships and national contracts while also seeking to drive regional rate improvement for our patients and clinicians. We believe our payor relationships differentiate us from our competitors and are a critical factor in our ability to expand our market footprint in new regions by leveraging our existing national payor relationships. As we continue to grow, we believe our scale, breadth and access will continue to be enhanced, further strengthening the value of our platform to payors.

Expand our Center Base Within Existing and New Markets

We believe we have developed a highly replicable playbook that allows us to enter new markets and pursue growth through multiple vectors. We typically identify new markets based on the core characteristics of patient population demographics, substantial clinician recruiting opportunities, untreated patient communities and a diverse group of payors. To enter new markets, we seek to open

de novo centers or acquire high-quality practices with a track record of clinical excellence and in-network payor relationships. Once we enter a new market, our powerful organic growth engine drives our growth through de novo openings, center expansions, clinician recruiting and tuck-in acquisitions. We anticipate focusing on continued expansion, both in our existing markets and in new geographies, where mental health care remains a large unmet need.

De Novo Builds

Our de novo center strategy is a central component of our organic growth engine to build our capacity and increase density in our existing MSAs. From our inception in 2017 through March 31, 2022, we have successfully opened 267 de novo centers, including 41 de novo centers in 2022, 106 de novo centers in 2021 and 78 de novo centers in 2020. We believe there is a significant opportunity to use de novo center openings to unlock potential patient need in our existing markets and new markets that we have determined are attractive to enter. We systematically locate our centers within a given market to ensure convenient coverage for in-person access to care. We believe our successful de novo program and national clinician recruiting team can support additions of new centers and clinicians.

In 2021, we transitioned to a more sustainable design for all new de novo centers going forward that reimagines the mental healthcare experience for both patients and clinicians while reinforcing our commitment to sustainability.

Acquisitions

We have built a proprietary pipeline of acquisition targets, providing us with significant opportunities to scale through potential acquisitions. We believe the highly fragmented nature of the mental health market provides us with a meaningful opportunity to execute on our acquisition playbook. We seek to acquire select practices that meet our standards of high-quality clinical care and align with our mission. We believe our guiding principle of creating a national platform built with a patient and clinician focus makes us a partner of choice for smaller, independent practices. Our acquisition strategy is deployed both to enter new markets and in our existing markets. In new markets, acquisitions allow us to establish a presence with high-quality practices with a track record of clinical excellence and in-network payor relationships that can be integrated into our national platform. In existing markets, acquisitions allow us to grow our geographic reach and clinician base to expand patient access. For newly acquired centers, we typically fully integrate them into our operational and technology infrastructure within four to six months following an acquisition.

Center Margin

As we grow our platform, we seek to generate consistent returns on our investments. See “—Key Metrics and Non-GAAP Financial Measures—Center Margin” for our definition of Center Margin and reconciliation to loss from operations. We believe this metric best reflects the economics of our model as it includes all direct expenses associated with our patients’ care. We seek to grow our Center Margin through a combination of (i) growing revenue through clinician hiring and retention, patient growth and engagement, hybrid virtual and in-person care, existing office expansion, and in-network reimbursement levels, and (ii) leveraging on our fixed cost base at each center. For acquired centers, we also seek to realize operational, technology and reimbursement synergies to drive Center Margin growth.

Investments in Growth

We will continue to focus on long-term growth through investments in our centers and technology. In addition, we expect our general and administrative expenses to increase in the foreseeable future due to our planned investments in growth initiatives and public company infrastructure.

Key Metrics and Non-GAAP Financial Measures

We evaluate the growth of our footprint through a variety of metrics and indicators. The following table sets forth a summary of the key financial metrics we review to evaluate our business, measure our performance, identify trends affecting our business, formulate our business plan and make strategic decisions:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
Total revenue	\$ 203,095	\$ 143,132
Revenue growth	42%	96%
Loss from operations	(64,851)	(881)
Center Margin	54,202	43,998
Net loss	(62,328)	(8,682)
Adjusted EBITDA	12,482	12,584

Center Margin and Adjusted EBITDA are not measures of financial performance under GAAP and are not intended to be substitutes for any GAAP financial measures, including revenue, loss from operations or net loss, and, as calculated, may not be comparable to companies in other industries or within the same industry with similarly titled measures of performance. Therefore,

non-GAAP measures should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP.

Center Margin

We define Center Margin as loss from operations excluding depreciation and amortization and general and administrative expenses. Therefore, Center Margin is computed by removing from loss from operations the costs that do not directly relate to the delivery of care and only including center costs, excluding depreciation and amortization. We consider Center Margin to be an important measure to monitor our performance relative to the direct costs of delivering care. We believe Center Margin is useful to investors to measure whether we are sufficiently controlling the direct costs of delivering care.

Center Margin is not a financial measure of, nor does it imply, profitability. The relationship of loss from operations to center costs, excluding depreciation and amortization is not necessarily indicative of future profitability from operations. Center Margin excludes certain expenses, such as general and administrative expenses, and depreciation and amortization, which are considered normal, recurring operating expenses and are essential to support the operation and development of our centers. Therefore, this measure may not provide a complete understanding of the operating results of our Company as a whole, and Center Margin should be reviewed in conjunction with our GAAP financial results. Other companies that present Center Margin may calculate it differently and, therefore, similarly titled measures presented by other companies may not be directly comparable to ours. In addition, Center Margin has limitations as an analytical tool, including that it does not reflect depreciation and amortization or other overhead allocations.

The following table provides a reconciliation of loss from operations, the most closely comparable GAAP financial measure, to Center Margin:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
Loss from operations	\$ (64,851)	\$ (881)
Adjusted for:		
Depreciation and amortization	15,684	12,228
General and administrative expenses ⁽¹⁾	103,369	32,651
Center Margin	\$ 54,202	\$ 43,998

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

Adjusted EBITDA

We present Adjusted EBITDA, a non-GAAP performance measure, to supplement our results of operations presented in accordance with GAAP. We believe Adjusted EBITDA is useful in evaluating our operating performance, and may be helpful to securities analysts, institutional investors and other interested parties in understanding our operating performance and prospects. Adjusted EBITDA is not intended to be a substitute for any GAAP financial measure and, as calculated, may not be comparable to companies in other industries or within the same industry with similarly titled measures of performance. Therefore, our Adjusted EBITDA should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP, such as net income or loss.

We define Adjusted EBITDA as net loss excluding interest expense, depreciation and amortization, income tax benefit, loss on remeasurement of contingent consideration, stock and unit-based compensation, management fees, transaction costs and other expenses. We include Adjusted EBITDA in this Quarterly Report because it is an important measure upon which our management assesses, and believes investors should assess, our operating performance. We consider Adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

However, Adjusted EBITDA has limitations as an analytical tool, including:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash used for capital expenditures for such replacements or for new capital expenditures;
- Adjusted EBITDA does not include the dilution that results from equity-based compensation or any cash outflows included in equity-based compensation, including from our repurchases of shares of outstanding common stock; and
- Adjusted EBITDA does not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments.

A reconciliation of net loss to Adjusted EBITDA is presented below for the three months ended March 31, 2022 and 2021. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Adjusted EBITDA in conjunction with net loss.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (62,328)	\$ (8,682)
Adjusted for:		
Interest expense	3,441	8,632
Depreciation and amortization	15,684	12,228
Income tax benefit	(6,676)	(2,761)
Loss on remeasurement of contingent consideration	434	307
Stock and unit-based compensation expense	59,855	605
Management fees ⁽¹⁾	—	89
Transaction costs ⁽²⁾	278	1,534
Other expenses ⁽³⁾	1,794	632
Adjusted EBITDA	\$ 12,482	\$ 12,584

- (1) Represents management fees paid to certain of our executive officers and affiliates of our Principal Stockholders pursuant to the management services agreement entered into in connection with the TPG Acquisition. The management services agreement terminated in connection with the IPO.
- (2) Primarily includes capital markets advisory, consulting, accounting and legal expenses related to our acquisitions.
- (3) Primarily includes costs incurred to consummate or integrate acquired centers, certain of which are wholly-owned and certain of which are affiliated practices, in addition to the fees 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. Former owner fees is a component of center costs, excluding depreciation and amortization included in our unaudited consolidated statements of operations. These costs are summarized for each period in the table below:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2022	2021
Acquired center integration ⁽¹⁾	\$ 598	\$ 501
Former owner fees ⁽²⁾	227	84
Other ⁽³⁾	969	47
Total	\$ 1,794	\$ 632

- (1) Represents costs incurred pre- and post-center acquisition to integrate operations, including expenses related to conversion of compensation model, legacy system costs and data migration, consulting and legal services, and overtime and temporary labor costs.
- (2) Represents short-term agreements, generally with terms of three to six months, with former owners of acquired centers, to provide transition and integration services.
- (3) Primarily includes severance expense unrelated to integration services.

Results of Operations

The following table sets forth a summary of our financial results for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
TOTAL REVENUE	\$ 203,095	\$ 143,132
OPERATING EXPENSES		
Center costs, excluding depreciation and amortization shown separately below		
General and administrative expenses	148,893	99,134
Depreciation and amortization	103,369	32,651
Total operating expenses	\$ 267,946	\$ 144,013
LOSS FROM OPERATIONS	\$ (64,851)	\$ (881)
OTHER INCOME (EXPENSE)		
Loss on remeasurement of contingent consideration	(434)	(307)
Transaction costs	(278)	(1,534)
Interest expense	(3,441)	(8,632)
Other expense	—	(89)
Total other expense	\$ (4,153)	\$ (10,562)
LOSS BEFORE INCOME TAXES	(69,004)	(11,443)
INCOME TAX BENEFIT	6,676	2,761
NET LOSS	\$ (62,328)	\$ (8,682)

Total Revenue

Total revenue increased \$60.0 million, or 42%, to \$203.1 million for the three months ended March 31, 2022 from \$143.1 million for the three months ended March 31, 2021. This was primarily due to an increase composed of \$59.1 million of patient service revenue due to the increase in visits and \$0.9 million of nonpatient revenue.

Operating Expenses

Center costs, excluding depreciation and amortization

Center costs, excluding depreciation and amortization increased \$49.8 million, or 50%, to \$148.9 million for the three months ended March 31, 2022 from \$99.1 million for the three months ended March 31, 2021. This was primarily due to a \$41.2 million increase in center-based compensation due to the increase in clinicians and visits and a \$8.5 million increase in occupancy costs consisting of center rent and utilities and other operating expenses consisting of office supplies and insurance due to the increase in centers.

General and administrative

General and administrative expenses increased \$70.7 million, or 217%, to \$103.4 million for the three months ended March 31, 2022 from \$32.7 million for the three months ended March 31, 2021. This was primarily due to increases of \$68.3 million in salaries, wages and employee benefits, which included an increase of \$59.2 million in stock and unit-based compensation expense primarily relating to RSAs and the RSUs granted at the time of IPO, \$2.1 million in occupancy costs and \$0.3 million in other operating expenses, including professional services and insurance.

Depreciation and amortization

Depreciation and amortization expense increased \$3.5 million to \$15.7 million for the three months ended March 31, 2022 from \$12.2 million for the three months ended March 31, 2021. This was primarily due to the amortization of intangibles and depreciation during the periods.

Other Income (Expense)

Loss on remeasurement of contingent consideration

Loss on remeasurement of contingent consideration increased \$0.1 million to a \$0.4 million loss for the three months ended March 31, 2022 from a \$0.3 million loss for the three months ended March 31, 2021. This was primarily due to changes in the weighted probability of achieving the performance and operational targets.

Transaction costs

Transaction costs decreased \$1.2 million to \$0.3 million for the three months ended March 31, 2022 from \$1.5 million for the three months ended March 31, 2021. Transaction costs decreased primarily due to fewer incremental fees related to corporate transactions.

Interest Expense

Interest expense decreased \$5.2 million to \$3.4 million for the three months ended March 31, 2022 from \$8.6 million for the three months ended March 31, 2021. This decrease was primarily due to lower borrowings outstanding during the period.

Other Income (Expense)

Other income (expense) decreased \$0.1 million to \$0 for the three months ended March 31, 2022 from \$0.1 million for the three months ended March 31, 2021 primarily due to the termination of the management services as a result of our IPO during the second quarter of 2021.

Income Tax Benefit

Income tax benefit increased \$3.9 million to \$6.7 million for the three months ended March 31, 2022 from \$2.8 million for the three months ended March 31, 2021 primarily due to the increase in taxable loss for the three months ended March 31, 2022.

Liquidity and Capital Resources

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including working capital needs, capital expenditures, including to execute on our de novo strategy, contractual obligations, debt service, acquisitions, settlement of contingent considerations obligations, and other commitments with cash flows from operations and other sources of funding. Our principal sources of liquidity to date have included cash from operating activities, cash on hand and amounts available under the May 2020 Credit Agreement executed simultaneously with the TPG Acquisition on May 14, 2020. We had cash and cash equivalents of \$114.0 million and \$148.0 million as of March 31, 2022 and December 31, 2021.

We believe that our existing cash and cash equivalents will be sufficient to fund our operating and capital needs for at least the next 12 months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary because of, and our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to acquire new centers and expand into new markets and the expansion of marketing activities. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations and financial condition would be adversely affected.

Our future obligations primarily consist of our debt and lease obligations. We expect our cash generation from operations and future ability to refinance or secure additional financing facilities to be sufficient to repay our outstanding debt obligations and lease payment obligations. As of December 31, 2021 and March 31, 2022, there was an aggregate principal amount of \$161.2 million and \$180.9 million outstanding under the May 2020 Credit Agreement, respectively. As of March 31, 2022, our non-cancellable future minimum operating third-party lease payments totaled \$270.5 million, and our non-cancellable future minimum operating related-party lease payments totaled \$4.8 million.

Debt

May 2020 Credit Agreement

On May 14, 2020 and in connection with the TPG Acquisition, LifeStance Health Holdings, Inc., one of our subsidiaries, entered into the May 2020 Credit Agreement. The May 2020 Credit Agreement provides for senior secured credit facilities (the "Credit Facilities") in the form of (i) \$37.5 million original and delayed draw principal amount of Closing Date Term B-1 Loans and \$222.5 million original and delayed draw principal amount of Closing Date Term B-2 Loans ("Closing Date Term Loans"), and (ii) \$20.0 million of Revolving Commitments. On November 4, 2020, we entered into the First Amendment to the May 2020 Credit Agreement which, among other things, provided for incremental Credit Facilities in the form of \$16.6 million original principal amount of First Amendment Term B-1 Loans and \$98.4 million original principal amount of First Amendment Term B-2 Loans ("First Amendment Term Loans"). On February 1, 2021, we entered into the Second Amendment to the Credit Agreement ("Second Amendment"). The Second Amendment provides for incremental delayed draw term loans in the aggregate principal amount of \$50.0 million. The Second Amendment delayed draw term loans are subject to the same terms and conditions set forth in the May 2020 Credit Agreement. On April 30, 2021, we entered into the Third Amendment to the Credit Agreement (the "Third Amendment"). The Third Amendment provides for incremental delayed draw term loans in the aggregate principal amount of \$70.0 million. The Third

Amendment delayed draw term loans are subject to the substantially same terms and conditions as those set forth in the May 2020 Credit Agreement. In connection with our IPO, we made a voluntary prepayment of \$294.0 million related to borrowings outstanding as of June 15, 2021.

The Closing Date Term Loans and First Amendment Term Loans are scheduled to mature on May 14, 2026, and the Revolving Commitments are scheduled to mature on May 14, 2025. The loans under the Credit Facilities bear interest at a rate per annum equal to adjusted LIBOR plus an applicable margin (i) in the case of Closing Date Term B-1 Loans, ranging from 3.25% to 3.75% per annum (depending on our first lien net leverage), (ii) in the case of Closing Date Term B-2 Loans, ranging from 8.22% to 8.72% per annum (depending on our first lien net leverage), (iii) in the case of loans under the Revolving Commitments, ranging from 4.50% to 4.75% per annum (depending on our first lien net leverage), (iv) in the case of the First and Third Amendments Term B-1 Loans, of 3.00% per annum and (v) in the case of the First and Third Amendments Term B-2 Loans, of 7.09% per annum. In addition, we are required to pay a quarterly undrawn commitment fee of 2.0% per annum on the undrawn delayed draw term loan commitments under the Closing Date Term B-1 Loans and Closing Date Term B-2 Loans (increasing to 3.0% per annum following May 14, 2021), and we are required to pay a quarterly undrawn commitment fee of 1.0% per annum on the undrawn delayed draw term loan commitments under the First Amendment Term B-1 Loans and First Amendment Term B-2 Loans (increasing to 2.0% per annum following the first anniversary of the First Amendment Date).

Our obligations under the Credit Facilities are guaranteed by Lynnwood Intermediate Holdings, Inc. and certain of our direct and indirect subsidiaries. We are subject to certain affirmative and negative covenants until maturity, including limitations on our ability to incur additional debt or make capital expenditures and to pay dividends. The Credit Facilities also contain a maximum Total Net Leverage Ratio (as defined in the May 2020 Credit Agreement) financial maintenance covenant that requires our consolidated Total Net Leverage Ratio as of the last day of each fiscal quarter to not exceed 8.00:1.00, which maximum level steps down to 7.25:1.00 beginning with the fiscal quarter ending June 30, 2022 and to 7.00:1.00 beginning with the fiscal quarter ending June 30, 2023. Total Net Leverage Ratio means the ratio of (a) Consolidated Total Debt (as defined in the May 2020 Credit Agreement) outstanding as of the last day of the test period, minus the Unrestricted Cash Amount (as defined in the May 2020 Credit Agreement) on such last day, to (b) Consolidated EBITDA (as defined in the May 2020 Credit Agreement) for such Test Period, in each case on a pro forma basis ("Credit Agreement Consolidated EBITDA"). These restrictive covenants utilize Credit Agreement Consolidated EBITDA, which reflects further adjustments beyond those included in Adjusted EBITDA.

Credit Agreement Consolidated EBITDA includes a cap for de novo start up costs of \$1.5 million for each such new de novo facility, not to exceed 10% of Credit Agreement Consolidated EBITDA, in the aggregate, and allows for the adjustment of retention, relocation, recruiting or completion bonuses or recruiting costs, severance costs, transition costs, curtailments or modifications to pension and post-employment employee benefit plans costs in connection with the establishment or acquisition of a new practice, as well as certain pro forma acquisition run rate adjustments. As of March 31, 2022 and December 31, 2021, we were in compliance with all financial covenants under the Credit Facilities.

2022 Credit Agreement

On May 4, 2022, the Company entered into an agreement (the "2022 Credit Agreement") for senior secured credit facilities in the form of (i) up to a \$100,000 delayed draw loan, (ii) a \$200,000 term loan and (iii) a \$50,000 revolving loan. The interest rate is a variable interest rate determined at Secured Overnight Financing Rate ("SOFR") plus 3.25% on the revolving loan and SOFR plus 4.50% on the term loans and any delayed draw term loans. The 2022 Credit Agreement is expected to close on or prior to May 23, 2022, subject to certain conditions. In connection with the closing of the 2022 Credit Agreement, the Company will repay all outstanding amounts of the existing May 2020 Credit Agreement.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
Net cash provided by operating activities	\$ 3,308	\$ 9,909
Net cash used in investing activities	(50,855)	(11,835)
Net cash provided by financing activities	13,508	22,591
Net (decrease) increase in cash and cash equivalents	\$ (34,039)	\$ 20,665
Cash and cash equivalents, beginning of period	148,029	18,829
Cash and cash equivalents, end of period	<u>\$ 113,990</u>	<u>\$ 39,494</u>

Cash Flows Provided by Operating Activities

During the three months ended March 31, 2022, operating activities provided \$3.3 million of cash, primarily impacted by our \$62.3 million net loss and \$76.2 million in non-cash charges. This was partially offset by changes in our operating assets and liabilities

of \$10.6 million. During the three months ended March 31, 2021, operating activities provided \$9.9 million of cash, primarily due to non-cash charges of \$13.5 million, changes in our operating assets and liabilities of \$5.1 million and our net loss of \$8.7 million.

Cash Flows Used in Investing Activities

During the three months ended March 31, 2022, investing activities used \$50.9 million of cash, primarily resulting from our business acquisitions totaling \$23.0 million and purchases of property and equipment of \$27.9 million. During the three months ended March 31, 2021, investing activities used \$11.8 million of cash, primarily resulting from our business acquisitions of \$0.7 million and purchases of property and equipment of \$11.1 million.

Cash Flows Provided by Financing Activities

During the three months ended March 31, 2022, financing activities provided \$13.5 million of cash, resulting primarily from borrowings of \$20.0 million under the May 2020 Credit Agreement, partially offset by payments of loan obligations of \$0.3 million, and payments of contingent consideration of \$5.7 million. During the three months ended March 31, 2021, financing activities provided \$22.6 million of cash, resulting from borrowings of \$26.2 million under the May 2020 Credit Agreement, partially offset by payments of loan obligations of \$0.8 million, payments of costs related to our IPO of \$0.3 million, payments of debt issue costs of \$1.0 million and payments of contingent consideration of \$1.5 million.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with GAAP. The consolidated financial statements included elsewhere in this Quarterly Report include the results of (i) LifeStance TopCo, L.P., its wholly-owned subsidiaries and variable interest entities consolidated by LifeStance TopCo, L.P. in which LifeStance TopCo, L.P. has an interest and is the primary beneficiary for the period ended March 31, 2021 and (ii) LifeStance Health Group, Inc., its wholly-owned subsidiaries and variable interest entities consolidated by LifeStance Health Group, Inc. in which LifeStance Health Group, Inc. has an interest and is the primary beneficiary for the period ended March 31, 2022. Preparation of the consolidated financial statements requires our management to make judgments, estimates and assumptions that impact the reported amount of total revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical when (1) the estimate made in accordance with GAAP is complex in nature or involves a significant level of estimation uncertainty and (2) the use of different judgments, estimates and assumptions have had or are reasonably likely to have a material impact on the financial condition or results of operations in our consolidated financial statements. Actual results could differ materially from those estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected. For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes in our critical accounting estimates or methodologies to our consolidated financial statements.

Recently Adopted and Issued Accounting Pronouncements

Recently issued and adopted accounting pronouncements are described in Note 2 to our unaudited consolidated financial statements.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our unaudited consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earlier to occur of: (i) the last day of the fiscal year (a) following the fifth anniversary of the completion of the IPO, (b) in which we have total annual gross revenue of \$1.07 billion or more, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the prior June 30th; and (ii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact our financial condition due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Interest Rate Risk

Our primary market risk exposure is changing prime rate-based interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control.

The loans under the May 2020 Credit Agreement bear interest at a rate per annum equal to (but not less than 0%) LIBOR plus a range of 4.00% to 4.25% (depending on our first lien net leverage). The loans under the Credit Facilities bear interest at a rate per annum equal to (a) adjusted LIBOR (which adjusted LIBOR, (x) solely with respect to the Closing Date Term B-1 Loan, Closing Date Term B-2 Loans, and loans under the Revolving Commitments, is subject to a minimum of 1.25% per annum and (y) solely with respect to the First Amendment Term B-1 Loan and First Amendment Term B-2 Loans, is subject to a minimum of 0.75% per annum), plus an applicable margin (i) in the case of Closing Date Term B-1 Loans, ranging from 3.25% to 3.75% per annum (depending on our first lien net leverage), (ii) in the case of Closing Date Term B-2 Loans, ranging from 8.22% to 8.72% per annum (depending on our first lien net leverage), (iii) in the case of loans under the Revolving Commitments, ranging from 4.50% to 4.75% per annum (depending on our first lien net leverage), (iv) in the case of the First and Third Amendments Term B-1 Loans, of 3.00% per annum and (v) in the case of the First and Third Amendments Term B-2 Loans, of 7.09% per annum or (b) an alternate base rate (which will be the highest of (w) the prime rate, (x) 0.5% above the federal funds effective date and (y) one-month adjusted LIBOR (subject to the floors set forth above) plus 1.00% per annum), plus an applicable margin (i) in the case of Closing Date Term B-1 Loans, ranging from 2.25% to 2.75% per annum (depending on our first lien net leverage), (ii) in the case of Closing Date Term B-2 Loans, ranging from 7.22% to 7.72% per annum (depending on our first lien net leverage), (iii) in the case of loans under the Revolving Commitments, ranging from 3.50% to 3.75% per annum (depending on our first lien net leverage), (iv) in the case of the First and Third Amendments Term B-1 Loans, of 2.00% per annum and (v) in the case of the First and Third Amendments Term B-2 Loans, of 6.09% per annum.

As of March 31, 2022, we had an aggregate principal amount of \$180.9 million under our Credit Facilities. As of March 31, 2022, a 100 basis point increase or decrease in market interest rates over a twelve-month period would result in a change to interest expense of \$1.8 million.

Inflation Risk

Based on our analysis of the periods presented, we believe that inflation has not had a material effect on our operating results. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, as a result of the material weaknesses in internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2022 due to the material weaknesses described below.

Previously Reported Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As previously reported in the Annual Report on Form 10-K for the year ended December 31, 2021, in connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2019, we identified material weaknesses in our internal control over financial reporting, which continue to exist as of March 31, 2022. The material weaknesses we identified were as follows:

We did not design and maintain an effective control environment commensurate with our financial reporting requirements due to an insufficient complement of resources in the accounting/finance and IT functions, with an appropriate level of knowledge, experience and training. This material weakness contributed to the following additional material weaknesses:

- We did not maintain formal accounting policies and procedures, and did not design and maintain controls related to significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over account reconciliations, segregation of duties and the preparation and review of journal entries.

These material weaknesses resulted in material misstatements related to the identification and valuation of intangible assets acquired in business combinations that impacted the classification of intangible assets and goodwill, related impacts to amortization and income tax expense, and the restatement of our previously issued annual consolidated financial statements as of and for the years ended December 31, 2019 and 2018 with respect to such intangibles assets acquired in business combinations. Additionally, these material weaknesses could result in a misstatement of substantially all of the financial statement accounts and disclosures that would result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

- We did not design and maintain effective controls over IT general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain: (i) program change management controls for financial systems to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

These IT deficiencies did not result in a material misstatement to our consolidated financial statements; however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, we have determined these deficiencies in the aggregate constitute a material weakness.

Remediation Plan for Material Weaknesses

We are in the process of designing and implementing measures designed to improve our internal control over financial reporting and remediate the control deficiencies which led to the material weaknesses. As of March 31, 2022, our remediation measures are ongoing and include the following:

- hired additional accounting and IT personnel to enhance our technical reporting, transactional accounting, and IT capabilities. In the quarter ended March 31, 2022, we designed and implemented controls to support training, development, and technical research capabilities for those resources along with development and implementation of policies and procedures to support the external financial reporting functions. We continue to evaluate our staffing needs and plan to hire additional resources as necessary to support our operations;
- performed detailed risk assessments for significant financial processes to identify, design, and implement control activities related to internal control over financial reporting;
- developed and implemented controls related to the formalization of our accounting policies and procedures and financial reporting;
- development and implementation of controls related to significant accounts and disclosures to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over account reconciliations, segregation of duties and the preparation and review of journal entries;
- developed and implemented IT security and governance controls to address program change of internally and externally developed system and computer operations associated with information systems impacting the preparation of our consolidated financial statements; and
- developed and implemented controls related to the periodic monitoring and review of user access rights, the identification and risk ranking of segregation of duties conflicts, and, where it is determined there is a need for an individual to have conflicting access, a periodic review of the underlying activities is performed by an independent person who does not have such conflicting access.

We have made progress towards designing and implementing the plan to remediate the material weaknesses and will continue to review, revise, and improve the design and implementation of our internal controls as appropriate. Although we have made

enhancements to our control procedures, these material weaknesses will not be considered remediated until our controls are operational for a sufficient period of time, tested, and management concludes that these controls are operating effectively.

We intend to evaluate current and projected resource needs on a regular basis and hire additional qualified resources as needed. Our ability to maintain qualified and adequate resources to support our business and our projected growth will be a critical component of our internal control environment.

Changes in Internal Control over Financial Reporting

We are taking actions to remediate the material weaknesses relating to our internal control over financial reporting. Other than the changes to our internal control over financial reporting described in “Remediation Plan for Material Weaknesses” above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Disclosure Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any of these matters, individually or in the aggregate, will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

Item 1A. Risk Factors.

There have been no material changes to our risk factors as previously disclosed under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Use of Proceeds from Initial Public Offering of Common Stock

On June 14, 2021, we completed the initial public offering of our common stock pursuant to a Registration Statement (File No. 333-256202), which was declared effective on June 9, 2021.

There has been no material change in the use of proceeds as described in the final prospectus for our IPO filed pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, with the SEC, on June 11, 2021 and our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Description of Exhibit Incorporated Herein by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

* Filed 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.

Date: May 11, 2022

LifeStance Health Group, Inc.

By: _____
J. Michael Bruff
Chief Financial Officer and Treasurer
(principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Lester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LifeStance Health Group, 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)) 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) [omitted];
 - 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: May 11, 2022

By: _____
Michael K. Lester
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Bruff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LifeStance Health Group, 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)) 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) [omitted];
 - (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: May 11, 2022

By: _____
J. Michael Bruff
Chief Financial Officer and Treasurer

**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 of LifeStance Health Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael K. Lester, Chief Executive Officer of LifeStance Health Group, Inc., hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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: May 11, 2022

By: _____
/s/ Michael K. Lester
Michael K. Lester
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 of LifeStance Health Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Bruff, Chief Financial Officer of LifeStance Health Group, Inc., hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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: May 11, 2022

By: _____
J. Michael Bruff
Chief Financial Officer and Treasurer
