

LifeStance Second Quarter 2025 Earnings Script

Monica Prokocki, VP of Finance & Investor Relations

Thank you, Operator.

Good morning, everyone, and welcome to LifeStance Health's second quarter 2025 earnings conference call.

I'm Monica Prokocki, Vice President of Finance and Investor Relations. Joining me today are Dave Bourdon, Chief Executive Officer and Ryan McGroarty, Chief Financial Officer. Ken Burdick, our Executive Chairman, is also with us.

We issued the earnings release and presentation before the market opened this morning. Both are available on the Investor Relations section of our website, investor.lifestance.com. In addition, a replay will be available following the call.

Before turning over to management for their prepared remarks, please direct your attention to the disclaimers about forward-looking statements included in the earnings press release and SEC filings.

Today's remarks contain forward-looking statements, including statements about our financial performance outlook, business model and strategy. Those statements involve risks, uncertainties, and other factors, as noted in our periodic filings with the SEC that could cause actual results to differ materially.

Please note that we report results using non-GAAP financial measures, which we believe provide additional information for investors to help facilitate comparison of current and past performance. A reconciliation to the most directly comparable GAAP measures is included in the earnings press release tables and presentation appendix.

Unless otherwise noted, all results are compared to the comparable period in the prior year.

At this time, I'll turn the call over to Dave Bourdon, CEO of LifeStance. Dave?

Dave Bourdon, Chief Executive Officer

Thanks, Monica, and thank you all for joining us today.

I am incredibly proud of the LifeStance team for the strong results achieved in the second quarter. We met or exceeded each of our guided metrics. We grew our clinician base by over 170 clinicians while at the same time improving productivity. We delivered double-digit organic revenue growth along with 10% adjusted EBITDA margins.

Given the outperformance in the first half of the year, we are raising full-year guidance for adjusted EBITDA. We now expect to achieve double-digit margins for the full year.

We also delivered exceptionally strong free cash flow of \$57 million, our highest in LifeStance's history, which provides additional capacity to further invest in the business.

Our model, with the ability to deliver both in-person and virtual care, along with a focus on patients covered by commercial payors, continues to demonstrate its resilience and differentiation. We remain well-positioned to navigate a dynamic healthcare environment as we focus on expanding access to high-quality and affordable mental healthcare.

This quarter, we made meaningful progress to drive improvements in the performance of the business.

From an operational perspective, our clinicians' commitment to delivering high-quality patient care continues to be the driving force behind our success. We're proud to have a team of over 7,700 clinicians—an increase of 173 just this quarter, which is further validation that our value proposition is continuing to resonate.

We previously shared that this year, in addition to continuing to grow our clinician base, we have a number of initiatives to better fill clinicians' calendars to drive improved productivity. For example, in May we launched our clinician cash incentive program to reward clinicians for improving access and quality. We have recently implemented a patient engagement platform that improves acquisition and retention by fostering a stronger connection with the patient. Additionally, we are enhancing our care matching capabilities to support an even better clinical fit between patients and providers. This is another important step toward delivering the right care, with the right match, from the very beginning. When the clinical match is strong, we see better patient engagement, fewer cancellations and no-shows, and a more satisfying experience for both clinicians and patients. These are just a few examples of the concerted

effort within the organization to ensure that we effectively utilize the capacity of our talented and dedicated clinicians.

In the second quarter, we saw improvement in productivity and believe there will be further improvement in the back half of the year as a result of these and other initiatives.

From a technology perspective, we're entering a new chapter of our tech enablement, including a greater emphasis on AI and digital solutions. For example, as part of our continued focus on operational efficiency and effectiveness, we have begun to leverage AI tools to improve accuracy and automate tasks in our revenue cycle processes, and to improve the quality and responsiveness of our patient scheduling team.

We are also investing in AI solutions to help our clinicians be more effective with documentation. While we are still evaluating options, this will ultimately enhance clinician satisfaction and allow clinicians to focus on what they love—providing excellent, compassionate care to our patients.

We are confident that these investments in technology will unlock value by improving the patient and clinician experience while also driving operating leverage.

Also on the technology front, I would like to highlight the recent appointment of Vaughn Paunovich as our new Chief Technology Officer. Vaughn has extensive expertise in leading digital transformation initiatives, enabling AI-powered insights and streamlining digital tools to enhance healthcare delivery. His experience and commitment to innovation make him the right individual to lead our technology organization, ensuring that LifeStance delivers a best-in-class experience for our patients and clinicians.

In closing, this was a strong quarter, and we feel good about the momentum heading into the second half of the year.

As we look ahead to 2026, we remain confident in our ability to deliver on mid-teens revenue growth while expanding margins. We expect a low-to-mid single digit rate improvement, continued organic growth of our clinician base, and strong visit volumes as the demand for mental health services continues to increase. In addition, with the efficiencies we're driving, we expect to generate further operating leverage.

With that, I'll turn it over to Ryan to provide additional commentary on our financial performance and outlook. Ryan?

Ryan McGroarty, Chief Financial Officer

Thanks, Dave.

I am pleased with the team's operational and financial performance in the second quarter. We delivered strong growth across revenue, visit volume and clinician count.

Revenue grew 11% year-over-year to \$345 million. This outperformance was driven by slightly better-than-expected clinician productivity and total revenue per visit.

Visit volumes of 2.2 million increased 12% year-over-year, driven primarily by clinician growth.

We added 173 clinicians this quarter, an 11% increase year-over-year, bringing our total to 7,708 clinicians.

With regard to clinician productivity, it was slightly ahead of our expectations in the second quarter. While it is still early, we're encouraged by the initial progress from our productivity initiatives.

Total revenue per visit decreased year-over-year, as expected. It was \$157, which was down 1%, driven by the impact from the single outlier payor dynamic that we've previously disclosed, partially offset by rate increases with other payors.

Turning to profitability, Center Margin of \$108 million increased 11% year-over-year, and was 31.4% as a percentage of revenue. The outperformance in the quarter was driven by the modest revenue beat. The expense for our new cash-based clinician incentive program, which launched in May, is reflected in these results.

Adjusted EBITDA of \$34 million in the quarter exceeded our expectations. This 19% year-over-year increase brings our Adjusted EBITDA as a percentage of revenue to 9.8%. The outperformance in the quarter was primarily attributable to favorable Center Margin and slightly lower G&A spending than expected.

Turning to liquidity – in the second quarter, free cash flow was exceptionally strong at \$57 million, the highest we've delivered in any quarter to date. We exited the quarter with a solid cash position of \$189 million and net long-term debt of \$273 million. We have additional capacity from an undrawn revolver of \$100 million. DSO for the quarter improved significantly to 34 days, a sequential improvement of 4 days. We remain confident in our ability to generate meaningful positive free cash flow for the full year.

Our leverage ratios are strong and continue to improve, with net and gross leverage of 0.7 and 2.2 times, respectively. This represents meaningful progress from the 2.2 net and 3.2 times gross leverage in Q2 of last year. We have significant financial flexibility to run the business and fully execute on our strategy, including potential acquisitions.

In terms of our outlook for the full year, we are maintaining our guidance range of \$1.4 to \$1.44 billion for revenue. We are raising our guidance range for Center Margin to \$441 to \$465 million. Given the outperformance in the first half, we are raising our Adjusted EBITDA guidance range by \$5 million at the midpoint to \$140 to \$150 million. This puts us on track for 60 basis points of margin expansion year-over-year and double-digit margins for the full year.

In addition, we continue to expect stock-based compensation of approximately \$70 to \$85 million.

For the third quarter, we expect revenue of \$345 to \$365 million, Center Margin of \$105 to \$119 million, and Adjusted EBITDA of \$33 to \$39 million.

As previously communicated, our annual guidance assumes year-over-year revenue growth driven primarily by higher visit volumes, with total revenue per visit being roughly flat.

For the second half, we expect modest rate improvement and continued growth in clinicians. Additionally, as noted, we are also focused on better filling existing clinician calendars. Our guidance contemplates a step-up in productivity in the third quarter with further improvements in the fourth quarter, driven by the ongoing initiatives Dave mentioned earlier. The combination of these drivers will lead to higher revenue in the back half of the year.

As we shared last quarter, and as implied in our guidance, we expect earnings to build in the back half of the year, driven by modest rate improvement, increased visit volumes, and growth in specialty revenue. We expect to see a step-up in Adjusted EBITDA margins in the second half over the first half. We previously guided to exiting the year with double-digit margins, and are now pleased to expect to achieve double-digit margins for the full year.

Looking ahead, we feel confident in 2026 and the coming years. We expect to benefit from industry tailwinds including increasing demand for mental health services and patient trends from cash pay toward commercial insurance. At LifeStance, we are well positioned to take advantage of the macro trends and anticipate growing revenue in the mid-teens through increased visit volumes, rates, and specialty services. We remain confident that 15-20%

margins are achievable in the long term as we drive center margin expansion and operating leverage in the business.

With that, I'll turn it back to Dave for his closing comments.

Dave Bourdon, Chief Executive Officer

Thanks, Ryan.

In closing, this was a great quarter for LifeStance. We met or exceeded each of our guided financial metrics, delivered strong organic revenue growth and adjusted EBITDA margins, and generated our highest quarter of free cash flow ever. Our progress to date and the incredible dedication of each of our clinicians and team members serve to reinforce our confidence in the future as we focus on expanding access to high-quality, affordable mental healthcare.

Operator, we will now take questions.