LifeStance Third Quarter 2025 Earnings Script

Monica Prokocki, VP of Finance & Investor Relations

Thank you, Operator.

Good morning, everyone, and welcome to LifeStance Health's third 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.

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'm incredibly proud of the LifeStance team for the exceptional results we delivered in the third quarter. For the past three years, we have met or exceeded our guided metrics, a testament to our consistency, execution, and the resilience of our commercial-pay, hybrid model.

Offering both in-person and virtual care continues to be a key differentiator, especially in a fluid landscape that favors providers like LifeStance who can deliver high-quality care in both settings. Additionally, given our focus on commercial insurance, we have minimal exposure to government pay, largely insulating us from legislative shifts and "stroke of the pen" risks. Our business model positions us well in a dynamic healthcare environment.

Now, turning to our quarterly results. This was a quarter of records for LifeStance.

First, the team delivered remarkable organic visit growth of 17%, providing increased access for patients. This was driven by both record organic clinician net adds and clinician productivity improvement. This growth reflects the strong demand for our services and the effectiveness of our model.

Additionally, we achieved Adjusted EBITDA of $40 million and margins of 11% in the quarter. Both are the highest since we went public in 2021. Given the outperformance in the third quarter, we are once again raising full-year guidance for Adjusted EBITDA.

From an operational perspective, our record organic net clinician growth in the quarter has resulted in a team of now roughly 8,000 clinicians, validating that our value proposition continues to resonate strongly in the market.

At the same time, we are continuously looking to improve that value proposition as our clinicians' unwavering commitment to delivering high-quality patient care remains the cornerstone of our success.

Earlier this year, we outlined several initiatives designed to better fill the time clinicians give us to see patients. I'm pleased to report that these efforts are paying off. In the third quarter, we achieved the largest improvement of quarterly organic productivity in our company's history.

For example, one of the initiatives is our cash incentive program, launched in May, which has been highly effective in rewarding clinicians for improving access and quality. We also saw strong patient acquisition and improved retention which was partially driven by the new engagement platform which fosters deeper connections with patients.

Additionally, we have implemented a tech platform to assist our phone scheduling team. This has delivered a meaningful improvement in conversion of phone calls to booked appointments which also results in a higher number of new patients. By providing live guidance and summary AI, our team members are able to automate documentation, capture critical insights, and focus on more meaningful patient interactions. The result is stronger conversion rates, higher patient satisfaction, and greater workforce efficiency.

Through multiple initiatives we've implemented this year, we have been responsive to clinician feedback to better optimize their schedules while at the same time expanding access to high-quality mental healthcare for our patients. This milestone of meaningfully improved productivity underscores the strength of our operational strategy and our commitment to operational and clinical excellence.

We also recently announced our partnership with Calm, a leading evidence-based mental health company. This collaboration allows Calm Health members to be seamlessly referred to LifeStance when higher-acuity care is needed, and is an example of new referral partners giving us access to patients we may not see through our existing channels. For patients, this will streamline access to trusted, personalized support through both virtual and in-person care. Together, we're expanding access to mental health care and empowering individuals to take proactive steps towards wellness.

As we look ahead to 2026 and beyond, we will continue to advance operational and clinical excellence to further differentiate ourselves in the marketplace. In addition, we remain focused on deepening strategic partnerships with payors, health systems, and partners from other channels, like Calm, while also building on our position to be the employer of choice for clinicians. By combining disciplined execution with innovation in care delivery, we aim to strengthen our leadership in outpatient mental health and create lasting value for patients, providers, and shareholders.

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 third quarter. We delivered strong growth across revenue, visit volume and clinician count.

Revenue grew 16% year-over-year to $364 million. This outperformance was driven by visit volumes.

Visit volumes of 2.3 million increased 17% year-over-year. This outperformance was primarily driven by better-than-expected clinician productivity as well as net clinician adds. Our visits per average clinician increased 5% year-over-year. This was achieved while at the same time adding a record 288 organic clinicians, an 11% increase year-over-year, bringing our total to 7,996 clinicians.

Total revenue per visit of $158 was flat year-over-year, as expected.

Turning to profitability, Center Margin of $117 million increased 16% year-over-year, and was 32.0% as a percentage of revenue. The outperformance in the quarter was driven by the revenue beat.

Adjusted EBITDA of $40 million in the quarter exceeded our expectations. This 31% year-over-year increase resulted in our Adjusted EBITDA as a percentage of revenue of 11.1%. As Dave mentioned, the Adjusted EBITDA margins we achieved this quarter were the highest in our history as a public company. The outperformance in the quarter was primarily attributable to favorable Center Margin.

Additionally, we delivered meaningful operating leverage on the G&A line for the second consecutive quarter, with our adjusted general and administrative expenses increasing only 10% in the quarter versus 16% revenue growth. After making strategic investments in 2023 and 2024, we said we would drive operating leverage on the G&A line and that's exactly what we're delivering. These results validate our disciplined approach and position us well to continue expanding margins while achieving sustainable growth.

We also finished with positive net income of $1.1 million in the quarter. This is the second quarter this year, and in our history as a public company, that we achieved positive net income. We view this as a key profitability metric for our business, and our progress this year increases our confidence in delivering positive net income and earnings per share for the full year in 2026.

Turning to liquidity – in the third quarter, free cash flow remained solid at positive $17 million. We exited the quarter with a strong cash position of $204 million and net long-term debt of $269 million. This cash balance, which is roughly double our position from last year, is the result of the strength of our operating cash flows this quarter and year-to-date. We have additional capacity from an undrawn revolver of $100 million. DSO for the quarter improved once again and is now down to 31 days, an improvement of 3 days sequentially and 16 days year-over-year. This DSO is the lowest since we went public, and we remain confident in our ability to deliver strong, positive free cash flow for the full year.

We are pleased with our leverage ratios and continue to de-lever with net and gross leverage of 0.6 and 2.0 times, respectively. 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 the midpoint of our revenue range of $1.41 to $1.43 billion. We are raising our Center Margin range by $2 million at the midpoint to $448 to $462 million and raising our Adjusted EBITDA guidance range by $4 million at the midpoint to $146 to $152 million. This puts us on track for approximately 1 point of margin expansion year-over-year and double-digit margins for the full year.

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 fourth quarter, we expect revenue of $368 to $388 million, Center Margin of $113 to $127 million, and Adjusted EBITDA of $37 to $43 million.

We expect the step up in revenue quarter-over-quarter to be driven primarily by continued growth in our clinician base and modest sequential rate improvement. We are pleased with the productivity gains delivered in the third quarter, and we expect to maintain those elevated productivity levels in the fourth quarter. These factors position us to deliver another strong quarter of revenue growth to close out the year. Based on the Adjusted EBITDA outperformance so far this year, we have flexibility through the remainder of the year to make additional investments to better position us to achieve our 2026 growth objectives.

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

We now expect to open 20 to 25 new centers in 2025, modestly lower than our previous range of 25 to 30, due to shifts in timing.

Looking ahead to 2026, we continue to anticipate mid-teens revenue growth. We expect this to be driven by low double-digit visit volume increases and low-to-mid single digit rate improvements. We plan to drive volume growth with continued clinician expansion balanced with year-over-year productivity improvements, supported by strong demand for mental health care.

At the same time, while our full year guidance implies exceeding our initial expectations for 2025 margin expansion, we expect continued expansion in 2026 and beyond. This will be driven by the operational efficiencies we have been introducing as we enter a new chapter of tech enablement, such as leveraging AI and digital solutions to automate processes, improve accuracy, and support our clinicians. These initiatives, combined with disciplined execution and technology-driven operating leverage, will strengthen our financial profile and support sustainable, profitable growth.

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

Dave Bourdon, Chief Executive Officer

Thanks, Ryan.

In closing, this was another outstanding quarter for LifeStance. While we are pleased with what we've accomplished, we feel the best is yet to come. Our progress this year 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.