LifeStance Fourth Quarter 2025 Earnings Script

Monica Prokocki, VP of Finance & Investor Relations

Thank you, Operator.

Good morning, everyone, and welcome to LifeStance Health's fourth 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. In addition, 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.

2025 was an exceptional year for LifeStance. We delivered robust organic revenue and visit growth, driven by continued expansion of our clinician base, as well as noteworthy improvements in productivity, all of which translated to delivering on our mission of expanding much needed access to outpatient mental health services. As a result, our team of 8,000 clinicians delivered care to over one million patients and conducted nearly nine million visits during 2025.

It starts and ends with the quality care delivered by our LifeStance clinicians. Patients continue to provide great feedback on their experience. In 2025, LifeStance achieved a patient Net Promoter Score of 84, and our over 570 centers maintained consistently high Google ratings averaging 4.7 stars.

In terms of financial results, this was a year of outperformance, milestones, and records for LifeStance:

- For both the fourth quarter and the full year, we once again exceeded each of our guided metrics, capping a year of consistent outperformance.
- We generated mid-teens revenue growth for the full year through clinician growth of 9% as well as a remarkable 7% improvement in clinician productivity in the second half of the year.
- We achieved double-digit adjusted EBITDA margins for the full year for the first time as a public company, a milestone that reflects both the operating leverage in our model and the consistency of our execution over the past three years.
- We delivered positive net income and earnings per share for the full year, reaching this key milestone as a public company one year ahead of our expectations.
- Finally, 2025 was a record year for free cash flow generation, demonstrating the strength of our operating model and our ability to invest in the business while creating long-term value.

Ryan will provide more color on our financial performance. Our results in 2025 bolster the confidence we have as we carry strong momentum into 2026.

Turning to operational execution, we made great strides in 2025 to drive improvements in the performance of the business.

Earlier in the year, we outlined several initiatives designed to better fill the time clinicians make available to see patients, and as these initiatives were implemented, their impact became increasingly evident in the back half of the year.

For example, we implemented process improvements around clinician scheduling to better utilize available capacity. We also launched a cash incentive program that rewards clinicians for improving quality and productivity.

In addition, we expanded patient access through shortened booking lead times, which improved show rates, and made enhancements to conversion of phone calls to booked appointments by new patients. We also strengthened patient engagement with a new platform that enhances patient acquisition and retention.

Importantly, these initiatives have now delivered consistently improved results since implementation in the back half of the year, reinforcing the durability of the improvements.

Turning to technology, 2025 marked an important year of progress in how we use digital tools to support patient access, clinician experience, and operational efficiency. Throughout the year, we applied digital and AI solutions in targeted, practical ways to improve the experience for both patients and clinicians.

From a new patient phone booking perspective, we implemented a new AI technology solution to support our scheduling team which facilitated stronger appointment conversion and operational efficiency.

We are improving the clinician experience and enhancing the care our patients receive. An example of this is we piloted AI-assisted documentation for clinicians. The early results show reduced administrative burden and cognitive load, enabling clinicians to work more efficiently and spend more time on patient care, while also supporting improved satisfaction and retention.

We are also using digital and AI tools that are benefiting operational excellence, including revenue cycle management. Examples of this are the digital patient check-in tool, AI, and robotic process automation that were instrumental in delivering strong cash collections.

Overall, our approach to technology in 2025 was intentional and disciplined – using digital and AI for business enablement and decision-support to drive engagement, productivity and scale while improving the satisfaction for patients, clinicians, and our non-clinician teammates.

Turning to 2026 and beyond, we will continue building on our progress in advancing our operational and clinical excellence by focusing on several initiatives that support our long-term growth and scalability.

First, we completed our EHR discovery process and made a decision to transition to a best-in-class vendor. This is an important step in advancing our long-term operating model and positioning the business for continued scale. The new EHR will be instrumental in supporting clinicians and patients to improve both their experience and clinical outcomes. In addition, we expect the new EHR to improve interoperability, which will benefit growing health system partnerships. We will begin working through the implementation in 2026 and expect to transition to the new EHR during 2027.

Second, technology will continue to be an important enabler to delivering on our commitments this year, with an emphasis on applying AI and digital tools. We expect to build on the progress we made in 2025 by expanding technology solutions that improve access, clinician productivity, and operating efficiency. We are starting the year with additional use cases in customer service and revenue cycle management along with expansion of initiatives like AI clinical documentation and workflow management.

Third, we remain focused on attracting new patients and better converting those inquiries to visits. An example of this is provider and partner referrals, a core differentiator of our growth model. We are making additional investments in this channel in 2026 through increased talent resources to support that opportunity with a new operating model that improves local market support. In addition, we have seen improved online conversion of new patients with our care matching pilot and expect to implement it across all of our state practices this year.

In closing – I am very proud of the progress we have made as a company this year. As we enter 2026, we do so from a position of momentum and confidence. Looking ahead, we are well positioned to meet the increasing demand for high-quality mental health services and patients moving to insurance from cash pay for affordability. We will continue to extend our leadership in outpatient mental healthcare by pairing continued innovation with disciplined execution.

Before turning it over to Ryan, I want to take a moment to acknowledge Ken Burdick. Ken has been and will remain an integral part of LifeStance's journey. In addition, I appreciate and value his continued mentorship. I'd like to turn it over to him to share a few words regarding a change in his role at LifeStance.

Ken?

Ken Burdick, Executive Chairman

Thanks, Dave.

I transitioned to the Executive Chair role in March of 2025. During the past year, I have been incredibly impressed with the way in which Dave has stepped into the CEO role and Ryan has taken the reins as CFO. The performance of the business in 2025 speaks volumes of their leadership and the quality and cohesion of the entire leadership team.

In light of the confidence that I and the entire LifeStance Board have in the leadership and direction of the business, I will be transitioning to the role of non-Executive Chair of the LifeStance Board next month. I could not be more proud of Dave and his team nor could I be more confident about the future for LifeStance. The financial and operational discipline that has been incorporated into the culture of purpose and passion that has always existed at LifeStance is a powerful combination that will drive sustained success for years to come.

With that, I'll turn it back to the team. Ryan will now walk you through the financial results. Ryan?

Ryan McGroarty, Chief Financial Officer

Thanks, Ken.

I am pleased with the team's operational and financial performance in the fourth quarter, which exceeded our expectations. We delivered solid growth across revenue and visit volumes, as well as a record adjusted EBITDA margin driven by operational discipline.

For the fourth quarter, revenue grew 17% year-over-year to $382 million. Revenue exceeded our expectations primarily due to better-than-expected total revenue per visit and, to a lesser extent, visit volumes.

Visit volumes of 2.4 million increased 18% year-over-year. The outperformance was primarily driven by better-than-expected clinician productivity. Our visits per average clinician increased 7% year-over-year.

We grew our net clinicians by 44 in the fourth quarter and 657 for the full year, bringing our total clinician base to 8,040, representing growth of 9% year-over-year.

The level of net clinician adds in the fourth quarter was based on our intentional efforts to balance the existing capacity of our clinician base and new clinician hires. This strategy was effective as demonstrated by the strong visit and revenue performance in the quarter, and increases our confidence in this approach going forward.

Total revenue per visit of $160 was roughly flat year-over-year and modestly ahead of our expectations.

For the full year, we delivered revenue of $1.424 billion, up 14% year-over-year driven entirely by visit volumes.

Turning to profitability, Center Margin of $126 million in the quarter increased 15% year-over-year and was 33.0% as a percentage of revenue. This exceeded our expectations primarily due to the revenue beat as well as slightly lower spend. Full year Center Margin of $461 million grew 15%.

Adjusted EBITDA of $49 million in the quarter was very strong and exceeded our expectations. This 49% year-over-year increase resulted in our Adjusted EBITDA as a percentage of revenue of 12.8%, the highest in our history as a public company. The outperformance in the quarter was primarily attributable to favorable Center Margin and slightly lower G&A spending than expected.

For the full year, Adjusted EBITDA was $158 million, increasing 32% year-over-year, with margins increasing 150 basis points to 11.1%. We have continued to deliver on our commitment to drive operating leverage in G&A as we maintain a disciplined approach to expanding margins while supporting sustainable growth.

As Dave mentioned earlier, we finished the full year with positive net income and earnings per share. This achievement was delivered a year earlier than we expected and is a key milestone in our journey as a public company.

Turning to liquidity – we generated robust free cash flow of $47 million in the fourth quarter and $110 million for the full year, exceeding our expectations due to better-than-expected earnings and the dedicated efforts of our collections team.

We exited the quarter with a strong balance sheet, including a cash position of $249 million and net long-term debt of $266 million. We have additional capacity from an undrawn revolver of $100 million.

We are pleased with our leverage ratios, with net and gross leverage of 0.2 and 1.8 times, respectively. We have significant financial flexibility to run the business and fully execute on our strategy.

Additionally, this morning we announced that our board of directors has authorized a share repurchase program, allowing us to repurchase up to $100 million worth of our outstanding shares. We will fund this program with cash on hand. With a strong balance sheet, meaningful free cash flow generation, and leverage levels that provide ample financial flexibility, we believe this share repurchase program is an attractive and highly efficient way to deploy capital and create long-term shareholder value. At the same time, M&A continues to be a priority, and we have resources dedicated to exploring opportunities in a disciplined manner.

In terms of our outlook for 2026, we expect full year revenue of $1.615 to $1.655 billion, Center Margin of $526 to $550 million, and Adjusted EBITDA of $185 to $205 million, with the midpoint representing 11.9% margin, or almost a point of margin expansion.

Our annual guidance assumes year-over-year revenue growth driven primarily by higher visit volumes combined with low-to-mid single digit increases to our total revenue per visit.

As for phasing, our guidance contemplates a revenue split of roughly 50/50 in the first and second half of the year, with the second half slightly higher.

For the first quarter, we expect revenue of $380 to $400 million, Center Margin of $118 to $132 million, and Adjusted EBITDA of $39 to $45 million. In terms of earnings, the first quarter is seasonally impacted by higher payroll taxes.

Additionally, we expect stock-based compensation of approximately $60 to $70 million in 2026. As a reminder, we announced in May that we would be sunsetting our stock-based incentive program for clinicians and replacing it with a cash bonus incentive program. The impact of this change was expected to result in a decrease in stock-based compensation of roughly $10 million per year. We are seeing this benefit for the first time beginning in 2026 and will continue to see a reduction over the next four years as the existing tranches of clinician stock vest.

Regarding free cash flow, we expect to once again generate meaningful positive free cash flow for the full year 2026. Additionally, we expect to open 20 to 30 new centers this year.

As Dave mentioned, we recently completed our EHR discovery process and are moving ahead with implementation this year. During 2026 and 2027, we expect this implementation to represent a use of cash of roughly $20 to $30 million. Much of this spend will be capitalized or adjusted in EBITDA as it is non-recurring. Any P&L impact associated with these activities has already been reflected in our 2026 guidance assumptions.

As we look beyond 2026, we continue to expect revenue growth in the mid-teens based on low-to-mid single-digit annual rate growth, combined with low double-digit volume growth. We expect to continue to expand operating leverage through the G&A line and now expect to reach mid-teens adjusted EBITDA margins by fiscal year 2028.

We believe this trajectory underscores the strength of our platform combined with favorable macro mental health trends and gives us confidence in our ability to consistently deliver growth and expanding margins over the coming years.

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

Dave Bourdon, Chief Executive Officer

Thanks, Ryan.

In closing, 2025 was an exceptional year for LifeStance. Our results demonstrate the dedication of each of our clinicians and team members and the resilience of our model. We enter 2026 with strong momentum to continue expanding access to high-quality, affordable mental healthcare.

Operator, we will now take questions.