LifeStance Third Quarter 2026 Earnings Script

Monica Prokocki, VP of Finance & Investor Relations

Thank you, Operator.

Good morning, everyone, and welcome to LifeStance Health's third quarter 2026 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.

This was a tremendous quarter for LifeStance, with momentum across all areas of the business. For the second consecutive quarter, we had revenue growth of 25% or more and Adjusted EBITDA margins of 15%.

We are once again raising our full-year guidance across all metrics, reflecting our confidence in the trajectory of the business. Ryan will provide additional detail on our updated outlook shortly.

We continue to make great progress in increasing access to high-quality affordable mental healthcare, growing our clinician base to more than 8,800, as the value proposition continues to resonate. Clinician productivity also remains very strong, building on last year's improvements and underscoring the strength and the scalability of LifeStance's model.

Turning to technology, we continue to deploy digital tools, AI capabilities, and workflow automation to improve patient access, enhance the clinician experience, and drive greater efficiency across the organization.

Regarding the EHR, we are making progress in preparing for the transition to the new vendor which will occur throughout next year. We are advancing readiness efforts through workflow improvement and change management planning, positioning us for a successful phased rollout while minimizing disruption to clinicians and patients.

In regards to geographic expansion, we remain excited about the significant opportunity to increase density in existing markets while also expanding into new geographies.

Tuck-in acquisitions remain our preferred approach for entering new geographies, supported by a strong pipeline of opportunities. During the third quarter, we completed one tuck-in acquisition which expanded our physical footprint into the state of Iowa. In addition, we are leveraging our proven de novo model to enter new markets and increase density in existing markets with the opening of eight new centers in the quarter and 20 year-to-date.

I'd also like to provide an update on our clinical excellence journey. Delivering high-quality care and improving patient outcomes remains central to our mission and is a key differentiator for LifeStance.

We recently published new outcomes data highlighting the positive impact of our growing specialty services offering for patients with treatment-resistant depression. As a reminder, these are some of the highest acuity patients we serve, as they have not responded successfully to other treatments before receiving TMS or Spravato. For Spravato, 74% of the patients experienced a clinically meaningful reduction in depression severity after 12 weeks of treatment, and for TMS, 61% experienced a clinically meaningful reduction after completing at least 30 treatment sessions. We also saw improvements in suicidal ideation across both services.

These results reinforce our excitement around specialty services and the opportunity we see to broaden their reach across our platform, as they can be truly life-changing for our highest acuity patients. During the quarter, we added TMS at five additional sites and Spravato at four, bringing our total footprint to 37 centers offering TMS and 25 with Spravato. We will remain disciplined in the rollout of these services to meet patient demand while maintaining a high standard of clinical care.

This has been an exceptional year for LifeStance, and I am incredibly proud of what our team has accomplished. As we strengthen the core business, expand capabilities, and extend patient reach, we believe we are better positioned than ever to deliver excellent care at scale and create sustainable long-term value. The momentum we are seeing across the business reinforces our conviction in the strategy and the significant opportunity ahead. 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 excellent operational and financial performance in the third quarter.

For the quarter, revenue grew 25% to $456 million. Revenue surpassed our expectations, reflecting strength in both visit volumes and total revenue per visit.

Visit volumes of 2.7 million increased 17%. The outperformance was driven by a combination of higher productivity and net clinician adds.

Total revenue per visit of $170 increased 7% and was better than anticipated, primarily driven by payor rate increases.

Our visits per average clinician were impressive once again, increasing 5% year-over-year, even after strong improvements in Q3 of last year. This was supported by continued gains in early patient engagement as we focus on keeping patients connected throughout their course of care. This was achieved while at the same time adding 321 clinicians in the third quarter, bringing our total clinician base to 8,863, representing growth of 11%.

Turning to profitability, Center Margin of $161 million in the quarter increased 38% and was 35.4% as a percentage of revenue. The outperformance was primarily driven by the revenue beat.

Adjusted EBITDA increased 70% to $68 million in the quarter, representing another excellent result, with the outperformance driven by favorable revenue and Center Margin. This resulted in a margin as a percentage of revenue of 15.0%. As Dave mentioned, this is the second consecutive quarter in which we have achieved margins of 15%.

We also finished with positive net income of $22 million in the quarter, which was an improvement of $21 million from the third quarter of last year.

Turning to liquidity – we generated solid free cash flow of $22 million in the quarter, as compared to $17 million in the third quarter of last year.

We exited the quarter with a strong balance sheet, including a cash position of $219 million and net long-term debt of $256 million. Notably, that cash balance is post the $25 million in share repurchases during the quarter.

As a result, our net leverage is currently 0.2x and gross leverage is 1.2x.

In terms of our outlook for the full year, we are raising our revenue range by $46 million at the midpoint to $1.741 to $1.761 billion. The midpoint of the range implies a growth rate of 23% for the full year.

We are also raising our Center Margin range by $24 million at the midpoint to $599 to $613 million and raising our Adjusted EBITDA range by $21 million at the midpoint to $242 to $250 million. The midpoint of the range implies an Adjusted EBITDA margin as a percentage of revenue of 14.0%, which is roughly three percentage points of margin expansion year-over-year.

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

As a reminder, on our Q2 call, we noted that given our Adjusted EBITDA outperformance so far this year, we planned to reinvest a portion of that upside during the second half of the year across several strategic priorities to support our long-term growth objectives. We made progress on these investments during the third quarter and expect to continue making disciplined investments through the remainder of this year.

Additionally, we continue to expect stock-based compensation of approximately $60 to $70 million this year.

For the fourth quarter, we expect revenue of $446 to $466 million, Center Margin of $149 to $163 million, and Adjusted EBITDA of $56 to $64 million.

Looking ahead to 2027, we remain encouraged by the momentum in the business and our long-term growth algorithm remains firmly intact. As we think about next year, we see several meaningful tailwinds supporting growth, including increased demand for affordable mental healthcare, the attractiveness of our clinician value proposition, and a growing contribution from specialty services. From a headwind perspective, we expect a temporary impact from the implementation of a new EHR, which we estimate will impact 2027 revenue growth by approximately 1 to 2 percentage points. As a result, we expect revenue growth to be toward the lower end of our long-term mid-teens range, due to the EHR implementation.

Importantly, we view the EHR impact as temporary, and believe the new platform will become a meaningful unlock for sustained long-term growth by improving patient access, clinician efficiency, referral pathways, and the overall patient experience. Once fully implemented, we remain confident that the new EHR will allow us better interoperability and flexibility as we further scale the business.

We expect margins to keep expanding in 2027 and beyond, driven by operating leverage and disciplined execution. We believe the combination of durable revenue growth and continued margin expansion positions us to deliver sustained earnings growth over the long term.

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

Dave Bourdon, Chief Executive Officer

Thanks, Ryan.

In closing, we are incredibly proud of the progress we have made and are even more excited about what lies ahead. We believe LifeStance is uniquely positioned to build on the momentum across our business, expand our impact, and improve the standard for high-quality outpatient mental healthcare. We remain focused on executing against the significant opportunity ahead and building an even stronger LifeStance for the future.

Operator, we will now take questions.