

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Talkspace, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Talkspace, Inc. (the Company) as of December 31, 2025 and 2024, the related consolidated income statements, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Estimation of transaction price and variable consideration for revenue recognition

Description of the Matter

As discussed in Note 2 of the consolidated financial statements, the Company recognizes revenues from contracted insurance payors and employee assistance organizations at a point in time based on contracted rates, net of implicit price concessions, as virtual therapy or psychiatry session is rendered ("payor revenues"). The Company estimates the amount of variable consideration that is included in the transaction price mainly by estimating claims denials by insurance payor, primarily based on actual historical collection experience by insurance payor. For the year ended December 31, 2025, payor revenues were \$171.5 million.

Auditing management's determination of the transaction price, including variable consideration, was complex and judgmental due to significant data inputs and subjective assumptions used in the process. In determining the transaction price, management develops estimates based on actual historical collection experience by insurance payor.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process for estimating the amount of variable consideration included in the transaction price, including management's review of the assumptions used, results of calculations, and assessment of the underlying data.

To test the estimate of variable consideration, our audit procedures also included, assessing the methodology and testing the underlying data used by the Company in its analysis. We compared the collection rates used by management to historical collection trends and evaluated whether changes in the Company's business model, payor mix, and other factors would affect the estimate of variable consideration. We also assessed the historical accuracy of management's estimates and performed a sensitivity analysis to evaluate changes in variable consideration resulting from changes in the expected collection rates used and the corresponding effect on revenues.

/s/ Kost Forer Gabbay & Kasierer
A Member of EY Global

We have served as the Company's auditor since 2014.

Tel-Aviv, Israel
March 13, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Talkspace, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Talkspace, Inc.'s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Talkspace, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated income statements, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes and our report dated March 13, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Kost Forer Gabbay & Kasierer
A Member of EY Global

Tel-Aviv, Israel
March 13, 2026

TALKSPACE, INC.
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share and per share data)

	December 31,	
	2025	2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents ⁽¹⁾	\$ 37,352	\$ 76,692
Marketable securities	55,234	41,118
Accounts receivable, net ⁽¹⁾	16,061	9,643
Other current assets	2,415	2,729
Total current assets	111,062	130,182
Fixed assets, net	15,794	6,259
Goodwill	3,318	—
Other long-term assets	4,689	2,236
Total assets	\$ 134,863	\$ 138,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,501	\$ 7,710
Accrued expenses and other current liabilities ⁽¹⁾	6,672	8,031
Deferred revenues	2,223	3,282
Total current liabilities	17,396	19,023
Other long-term liabilities	452	2,259
Total liabilities	17,848	21,282
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock of \$0.0001 par value — Authorized: 1,000,000,000 shares at December 31, 2025 and 2024; Issued and outstanding: 166,718,150 and 168,849,591 shares at December 31, 2025 and 2024, respectively	17	17
Additional paid-in capital	378,384	386,612
Accumulated deficit	(261,443)	(269,236)
Accumulated other comprehensive income	57	2
Total stockholders' equity	117,015	117,395
Total liabilities and stockholders' equity	\$ 134,863	\$ 138,677

(1) Talkspace, Inc's consolidated balance sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to Talkspace, Inc. or its affiliates. At December 31, 2025 and December 31, 2024, assets of these consolidated VIEs totaled \$13,562 and \$6,875, respectively. At December 31, 2025 and December 31, 2024, liabilities of these consolidated VIEs totaled \$3,755 and \$2,528, respectively. See Note 13, "Variable Interest Entities," in the notes to the consolidated financial statements for further details.

The accompanying notes are an integral part of the consolidated financial statements.

TALKSPACE, INC.
CONSOLIDATED INCOME STATEMENTS
U.S. dollars in thousands (except share and per share data)

	Year Ended December 31,		
	2025	2024	2023
Revenue	\$ 228,871	\$ 187,593	\$ 150,045
Costs and operating expenses:			
Cost of revenue, excluding depreciation and amortization	130,522	101,311	75,219
Research and development	9,544	10,280	17,066
Clinical operations	7,208	6,542	6,159
Sales and marketing	53,803	50,525	52,224
General and administrative	21,767	22,573	21,301
Depreciation and amortization	2,875	859	1,285
Total costs and operating expenses	<u>225,719</u>	<u>192,090</u>	<u>173,254</u>
Income (loss) from operations	3,152	(4,497)	(23,209)
Financial income, net	(5,215)	(5,739)	(4,245)
Income (loss) before income tax	8,367	1,242	(18,964)
Income tax expense	574	94	218
Net income (loss)	<u>\$ 7,793</u>	<u>\$ 1,148</u>	<u>\$ (19,182)</u>
Net income (loss) per share:			
Basic	\$ 0.05	\$ 0.01	\$ (0.12)
Diluted	\$ 0.04	\$ 0.01	\$ (0.12)
Weighted average number of common shares used in computing basic and diluted net income (loss) per share			
Basic	167,089,060	168,906,900	165,039,920
Diluted	173,648,431	176,495,872	165,039,920

The accompanying notes are an integral part of the consolidated financial statements.

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
U.S. dollars in thousands

	Year Ended December 31,		
	2025	2024	2023
Net income (loss)	\$ 7,793	\$ 1,148	\$ (19,182)
Other comprehensive income:			
Change in unrealized gains on marketable debt securities	55	2	—
Total other comprehensive income	55	2	—
Total comprehensive income (loss)	<u>\$ 7,848</u>	<u>\$ 1,150</u>	<u>\$ (19,182)</u>

The accompanying notes are an integral part of the consolidated financial statements.

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
U.S. dollars in thousands (except share and per share data)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity
	Number of Shares Outstanding	Amount				
Balance as of January 1, 2023	161,155,030	\$ 16	\$ 378,722	\$ —	\$ (251,202)	\$ 127,536
Exercise of stock options	4,592,195	*	2,707	—	—	2,707
Restricted stock units vested, net of tax	2,681,631	*	(810)	—	—	(810)
Stock-based compensation	—	—	8,395	—	—	8,395
Net loss	—	—	—	—	(19,182)	(19,182)
Balance as of December 31, 2023	168,428,856	16	389,014	—	(270,384)	118,646
Exercise of stock options	1,710,285	*	2,010	—	—	2,010
Restricted stock units vested, net of tax	2,621,709	1	(3,196)	—	—	(3,195)
Repurchase of common stock for retirement	(3,911,259)	*	(11,003)	—	—	(11,003)
Stock-based compensation	—	—	9,787	—	—	9,787
Other comprehensive income	—	—	—	2	—	2
Net income	—	—	—	—	1,148	1,148
Balance as of December 31, 2024	168,849,591	17	386,612	2	(269,236)	117,395
Exercise of stock options	1,167,495	*	913	—	—	913
Restricted stock units vested, net of tax	2,727,113	*	(2,707)	—	—	(2,707)
Repurchase of common stock for retirement	(6,577,115)	*	(17,289)	—	—	(17,289)
Issuance of common stock as consideration for acquisition	551,066	*	1,488	—	—	1,488
Stock-based compensation	—	—	9,367	—	—	9,367
Other comprehensive income	—	—	—	55	—	55
Net income	—	—	—	—	7,793	7,793
Balance as of December 31, 2025	<u>166,718,150</u>	<u>\$ 17</u>	<u>\$ 378,384</u>	<u>\$ 57</u>	<u>\$ (261,443)</u>	<u>\$ 117,015</u>

* Represents an amount lower than \$1

The accompanying notes are an integral part of the consolidated financial statements.

TALKSPACE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year Ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income (loss)	\$ 7,793	\$ 1,148	\$ (19,182)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,875	859	1,196
Accretion of discount on marketable securities, net	(856)	(417)	—
Stock-based compensation	8,445	9,173	8,395
Remeasurement of warrant liabilities	(1,491)	(152)	903
(Increase) decrease in accounts receivable	(6,418)	531	(534)
Decrease (increase) in other current assets	405	2,989	(1,346)
Increase (decrease) in accounts payable	791	1,599	(350)
(Decrease) increase in deferred revenues	(1,182)	213	(1,286)
Decrease in accrued expenses and other current liabilities	(1,644)	(4,437)	(4,034)
Other	(184)	(219)	(155)
Net cash provided by (used in) operating activities	<u>8,534</u>	<u>11,287</u>	<u>(16,393)</u>
Cash flows from investing activities:			
Purchases of marketable securities	(49,344)	(40,701)	—
Proceeds from maturities of marketable securities	36,084	—	—
Capitalized internal-use software costs	(10,641)	(5,443)	—
Acquisition of business, net of cash acquired	(4,904)	—	—
Other	(72)	(171)	(141)
Net cash used in investing activities	<u>(28,877)</u>	<u>(46,315)</u>	<u>(141)</u>
Cash flows from financing activities:			
Proceeds from exercise of stock options	913	2,010	2,707
Payments for employee taxes withheld related to vested stock-based awards	(2,707)	(3,195)	(810)
Repurchase of common stock for retirement	(17,203)	(11,003)	—
Net cash (used in) provided by financing activities	<u>(18,997)</u>	<u>(12,188)</u>	<u>1,897</u>
Net decrease in cash and cash equivalents	(39,340)	(47,216)	(14,637)
Cash and cash equivalents at the beginning of the year	76,692	123,908	138,545
Cash and cash equivalents at the end of the year	<u>\$ 37,352</u>	<u>\$ 76,692</u>	<u>\$ 123,908</u>
Supplemental cash flow data:			
Cash paid during the year for income taxes, net	\$ 417	\$ 96	\$ 219
Non-cash investing activity:			
Stock-based compensation capitalized as part of capitalization of internal-use software costs	\$ 922	\$ 614	\$ —
Lease liabilities arising from obtaining right-of-use assets	\$ —	\$ 595	\$ —
Non-cash financing activities:			
Issuance of common stock as consideration for acquisition	\$ 1,488	\$ —	\$ —
Excise tax liability incurred for repurchase of common stock	\$ 86	\$ —	\$ —

The accompanying notes are an integral part of the consolidated financial statements.

TALKSPACE, INC.
Notes to Consolidated Financial Statements

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Talkspace, Inc. (together with its consolidated subsidiaries, the “Company” or “Talkspace”) is a leading behavioral healthcare company enabled by a purpose-built technology platform. Talkspace provides individuals and licensed therapists, psychologists and psychiatrists with an online platform for one-on-one therapy delivered via messaging, audio and video. Since its founding in 2012, the Company has connected millions of patients with licensed mental health providers across a wide and growing spectrum of care through virtual counseling, psychotherapy and psychiatry.

The Company's principal executive office is located in New York, NY. The Company has wholly-owned subsidiaries and holds a variable interest in professional associations and professional corporations, which have been established pursuant to the requirements of their respective domestic jurisdiction governing the corporate practice of medicine. These entities are considered Variable Interest Entities (“VIEs”). See Note 13, “Variable Interest Entities,” for further details.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). In management’s opinion, the consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the consolidated financial statements. The Company’s significant estimates and assumptions used in these consolidated financial statements include, but are not limited to, the recognition of revenue, stock-based compensation awards and internal-use software costs. The Company bases its estimates on historical factors, current circumstances and the experience and judgment of management. The Company evaluates its assumptions on an ongoing basis. The Company’s management believes that the estimates, judgments, and assumptions used are reasonable based on information available at the time they are made. Estimates, by their nature, are based on judgment and available information, therefore, actual results could be materially different from these estimates.

Consolidation

The Company consolidates all subsidiaries in which it has a controlling financial interest, as well as any VIEs where the Company is deemed to be the primary beneficiary. Intercompany transactions and balances have been eliminated in the preparation of the consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

Operating Segments

Talkspace provides virtual behavioral healthcare services through its online platform for one-on-one therapy delivered via messaging, audio and video. The Company's chief operating decision maker (“CODM”) is the Chief Executive Officer, who manages the Company by reviewing consolidated results. Accordingly, the Company operates as one operating and reportable segment. The CODM uses the Company’s consolidated net income to assess the financial performance of the Company and allocate resources. Since the Company operates in one operating segment, financial information, including consolidated net income information evaluated by the CODM, can be found in the consolidated income statements.

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The Company's assets are managed on a consolidated basis. For total asset information please refer to the consolidated balance sheets included within the consolidated financial statements. Most of the Company's long-lived tangible assets, as well as the Company's operating lease right-of-use asset, are located in the United States. Other financial information regarding the Company's operating segment is presented elsewhere in the consolidated financial statements.

For the years ended December 31, 2025, 2024 and 2023, all of the Company's revenue was generated from customers located in the United States. For the types of services from which the reportable segment derives its revenue refer to Note 3, "Revenue Recognition."

Stock Repurchases

The Company repurchases its common stock from time to time pursuant to a board-authorized share repurchase program. Stock repurchases are accounted under ASC 505-30, Treasury Stock. The Company's policy is to retire all stock repurchased immediately after the transaction is completed. The Company records the amounts repurchased in excess of par value as a reduction to additional paid in capital. See Note 9, "Capital Stock," for further details.

Financial Statements in U.S. Dollars

The majority of the Company's operations are based in the United States. Most of the Company's revenues and costs are denominated in United States dollars ("dollar"). The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and each of its subsidiaries operate. Thus, the dollar is the Company's functional and reporting currency.

Accordingly, non-dollar denominated transactions and balances have been re-measured into the functional currency in accordance with ASC 830, "Foreign Currency Matters". These transactions were not material for the years ended December 31, 2025, 2024 and 2023.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less at the date acquired. The Company's cash and cash equivalents generally consist of bank deposits and investments in money market funds, U.S. treasury securities and commercial paper.

The Company's cash and cash equivalents are invested in major banks in the United States. Generally, these cash and cash equivalents and deposits may be redeemed upon demand. The Company deposits may exceed federally insured limits; however management believes that the financial institutions that hold the Company's and its subsidiaries' cash and cash equivalents are institutions with high credit standing, and accordingly, minimal credit risk exists with respect to these assets.

Marketable Securities

The Company invests excess cash primarily in U.S. treasury securities, U.S. government securities, corporate debt securities, certificates of deposit and commercial paper. These investments represent investments of cash which are available to support current operations as such the Company classifies all marketable securities that have effective maturities of three months or less from the date of purchase as cash equivalents and those with effective maturities of greater than three months, including highly liquid securities with maturities beyond twelve months, as marketable securities within current assets on the consolidated balance sheets. As the Company may sell these investments prior to their effective maturities, these investments are classified and accounted for as available for sale securities. The Company determines the appropriate classification of these investments at the time of purchase and reevaluates such designation at each balance sheet date.

The Company carries these at fair value and determines any realized gains or losses on the sale of these investments on a specific identification method, and includes such gains or losses in financial income, net, in the consolidated income statements. Unrealized gains and losses are excluded from earnings and reported as a component of other comprehensive income (loss).

In each reporting period, the Company evaluates whether declines in fair value below carrying value are due to expected credit losses, as well as the ability and intent to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on available for sale debt securities are recognized as a charge in financial income, net, in the consolidated income statements. See Note 5, "Fair Value Measurements," for further details.

Fixed Assets, net

The following table presents the average useful life used for the Company's fixed assets:

	<u>Average Useful Life (years)</u>
Computers and software	3
Furniture and equipment	5

Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the average useful lives of the assets. See Note 6, "Fixed Assets, net," for further details.

Internal-use Software

The Company capitalizes costs related to software acquired, developed, or modified solely to meet its internal requirements with no substantive plans to market such software at the time of development. In accordance with ASC 350-40, Internal Use Software, software development activities generally consist of three stages (i) the preliminary project stage, (ii) the application development stage, and (iii) the post-implementation operational stage. Costs incurred during the preliminary project stage and during the post-implementation operational stage are expensed as incurred. Eligible costs incurred during the application development stage of the project are capitalized and are amortized on a straight-line basis over the software's estimated useful life, generally 3 years. Maintenance costs are expensed as incurred. Capitalized costs include employee-related costs, inclusive of non-cash stock compensation expense for employees who are directly associated with and who devote time to software projects. See Note 6, "Fixed Assets, net," for further details.

Leases

The Company accounts for its leases in accordance with ASC 842, "Leases". The right-of-use ("ROU") asset represents the Company's right to use an underlying asset for the lease term and the lease liability represents an obligation to make payments based on the present value of lease payments over the lease term. The Company uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The lease term includes options to extend or terminate the lease when it is reasonably certain these will be exercised.

The Company has elected not to record operating lease ROU assets and lease liabilities for leases with an initial term of 12 months or less. The Company also elected the practical expedient to not separate lease and non-lease components for its leases. The Company's lease assets and liabilities were immaterial as of December 31, 2025 and 2024. The Company's ROU lease asset is included within other long-term assets on the consolidated balance sheet. The short-term portion of the lease liability is included within accrued expenses and other current liabilities and the long-term portion of the lease liability is included within other long-term liabilities on the consolidated balance sheets.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting under ASC 805. Under this method, the purchase price (consideration transferred) is allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the total consideration over the net fair value of identifiable assets acquired is recognized as Goodwill. All acquisition-related costs (e.g., legal fees, due diligence, advisory fees) are expensed as incurred and are not included in the purchase price. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions, and competition. In connection with determination of fair values, the Company may engage a third-party valuation specialist to assist with the valuation of intangible and certain tangible assets acquired and certain obligations assumed.

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On October 1, 2025 (the “Acquisition Date”), Talkspace acquired Wisdo Health, a digital social health and peer support platform, for a total consideration of \$4.9 million in cash and \$1.5 million in common stock. The Company recognized \$3.3 million of goodwill as a result of this acquisition. All acquisition-related costs were expensed as incurred and were not included in the total consideration. The results of this acquisition are included in the Company’s consolidated financial statements from the date of acquisition. Pro forma results of operations related to this acquisition have not been presented because they are not material to the Company’s consolidated income statements and consolidated statements of comprehensive income (loss).

The following table presents the fair value of the intangible assets and their estimated amortization period, and goodwill recognized as a result of this acquisition:

<i>(in thousands)</i>	<u>Fair Value</u>	<u>Amortization period (years)</u>
Intangible assets:		
Technology	\$ 981	5.25
Customer relationship	\$ 2,124	6.25
Goodwill	\$ 3,318	infinite

Goodwill

Goodwill reflects the excess of the consideration transferred, including the fair value of any contingent consideration and any non-controlling interest in the acquiree, over the assigned fair values of the identifiable net assets acquired. Goodwill is not amortized, instead, it is tested for impairment at least annually on October 1 (or more frequently if a "triggering event" occurs) at the reporting unit level. These events include: (i) severe adverse industry or economic trends; (ii) significant company-specific actions, including exiting an activity in conjunction with restructuring of operations; (iii) current, historical or projected deterioration of our financial performance; or (iv) a sustained decrease in the Company's market capitalization, as indicated by its publicly quoted share price.

When testing goodwill for impairment, the Company has the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount. If the Company elects to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that carrying value exceeds its fair value, the Company performs a quantitative goodwill impairment test. Under the quantitative goodwill impairment test, if the Company’s reporting unit’s carrying amount exceeds its fair value, the Company will record an impairment charge based on that difference.

The Company operates as one reporting unit and the fair value of the reporting unit is estimated using quoted market prices of the Company’s stock in active markets.

Intangible Assets

Acquired identifiable finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. The basis of amortization approximates the pattern in which the assets are utilized, over their estimated useful lives. The Company routinely reviews the remaining estimated useful lives of finite-lived intangible assets. The Company's intangible assets are included within other long-term assets on the consolidated balance sheets. See Note 4, “Intangible Assets, net” for further details.

Impairment of Long-Lived Assets and Intangible Assets subject to Amortization, including ROU Lease Asset

Fixed assets, internal-use software, intangible assets and ROU lease assets are reviewed for impairment in accordance with ASC 360, “Accounting for the Impairment or Disposal of Long-Lived Assets”, whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If indicators are present, management performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset to its carrying amount. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of the asset, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There are no impairment charges for the years ended December 31, 2025, 2024 and 2023.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, “Revenue from Contracts with Customers”, when the Company satisfies its performance obligation to perform its defined contractual obligations to provide virtual behavioral healthcare services. Revenue is recognized in an amount that reflects the consideration that the Company will be entitled in exchange for the service rendered. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that is included in the transaction price. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company's customers are comprised of the following:

- Health insurance plans from commercial and government institutions, and employee assistance programs (“Payor”), who offer their insured members access to our platform at in-network reimbursement rates,
- Direct-to-Enterprise (“DTE”) comprised of enterprises who offer their enterprise members access to our platform while their enterprise is under an active contract with Talkspace, and
- Individual subscribers (“Consumer”) who subscribe directly to our platform.

Payor

The Company contracts with health insurance plans and employee assistance programs to provide therapy and psychiatry services to their eligible members. Revenue is recognized at a point in time, as virtual therapy or psychiatry sessions are rendered. The transaction price is determined based on contracted rates and includes variable consideration in the form of implicit price concessions. The Company determines the total transaction price, including an estimate of variable consideration, at contract inception and reassesses this estimate at each reporting date. The Company estimates the amount of variable consideration that is included in the transaction price primarily based on actual historical collection experience for each Payor. Revenue is presented net of implicit price concessions. Contracts include annual evergreen clauses and generally may be terminated by either party upon advance notice per the terms of the contract.

DTE

The Company contracts with enterprises to provide access to the Company's therapist platform for their enterprise members, primarily based on a per-member-per-month (“PMPM”) or paid-per-use (“PPU”) basis or as a fixed monthly fee. Revenues from access fees is recognized ratably over the contract term, as the customer simultaneously receives and consumes the benefits provided by our performance as we provide access to our platform. To the extent the transaction price includes variable consideration, revenue is recognized using the variable consideration allocation exception, or, if the allocation exception is not met, the Company recognizes revenue ratably over the contract term based on estimates of the variable consideration to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The majority of the contracts typically range in length from one to three years and are generally non-cancelable during the initial contractual term.

Consumer

The Company also generates revenues from the sale of monthly, quarterly, bi-annual and annual membership subscriptions to the Company's therapy platform as well as supplementary a la carte offerings directly to individual consumers through a subscription plan. The Company recognizes consumer revenues ratably over the subscription period (beginning when therapy services commence), as the customer simultaneously receives and consumes the benefits provided by our performance as we provide access to our platform. The Company recognizes revenues from supplementary a la carte offerings at a point in time, as virtual therapy sessions are rendered. Members may cancel their subscription at any time and will receive a pro-rata refund for the subscription price. The transaction price includes variable consideration in the form of refunds. The Company estimates the refund liability for the variable consideration portion of the transaction price primarily based on historical experience. The refund liability is recorded within the “Accrued expenses and other current liabilities” line item in the consolidated balance sheets. The refund liability was immaterial as of December 31, 2025 and 2024. Revenue from Consumer members is presented net of refunds.

See Note 3, “Revenue Recognition,” for further details.

Accounts Receivable, net

Accounts receivable is stated net of credit losses allowance. The Company's methodology for estimating expected credit losses is generally based on historical collection experience, customer creditworthiness, and an assessment of current and future economic and market conditions. Additionally, specific allowance amounts are established to for customers with a higher probability of default. Accounts receivable are written off after all reasonable means of collection have been exhausted. See Note 3, "Revenue Recognition," for further details.

Deferred Revenue

The Company records deferred revenues when cash payments from customers are received in advance of the Company's performance obligations to provide services. As of December 31, 2025 and 2024, deferred revenue related mainly to Consumer subscriptions. The Company expects to satisfy the majority of its performance obligations associated with deferred revenue within one year or less. See Note 3, "Revenue Recognition," for further details.

Contract Costs

The Company capitalizes incremental costs of obtaining a contract if these costs are determined to be recoverable. Capitalized contract costs are expensed over the life the contract. As of December 31, 2025 and 2024, capitalized contract costs were immaterial.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation". Compensation costs for share-based awards are measured at the fair value on the grant date and recognized as expense using the straight-line method for service-based awards over the requisite service period. The Company recognizes forfeitures of awards as they occur.

The fair value of stock options is determined using the Black-Scholes-Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant is the expected stock price volatility and the expected option term. Expected volatility is calculated based upon the Company's historical share price movements as well as similar traded companies' historical share price movements as adequate historical experience is not available to provide a reasonable estimate based only on the Company's share price. Expected term is calculated based on the simplified method as adequate historical experience is not available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term. The risk-free interest rate is calculated based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends. The fair value of restricted stock units is measured as the grant-date closing price of the Company's common stock. See Note 10, "Stock-based Compensation," for further details.

Advertising Costs

Advertising costs are expensed as incurred and are included within sales and marketing expenses. Advertising costs were \$30.5 million, \$26.1 million and \$25.2 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Research and Development Costs

Research and development costs are expensed as incurred and include personnel and related expenses for software development and engineering, information technology infrastructure, security, privacy compliance and product development (inclusive of stock-based compensation for our research and development employees), third-party services and contractors related to research and development, information technology and software-related costs. Research and development expenses exclude amounts reflected as capitalized internal-use software costs.

Employee Benefit Plan

The Company has established a 401(k) plan that qualifies as a deferred compensation arrangement under Section 401 of the Internal Revenue Code. All U.S. employees over the age of 21 are eligible to participate in the plan. The Company contributes 100% of eligible employees' elective deferral up to 4% of eligible earnings. The Company's matching contributions to participants' accounts were immaterial for the years ended December 31, 2025, 2024 and 2023.

Fair Value of Financial Instruments

The Company applies ASC 820, "Fair Value Measurements and Disclosures". Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Accounting guidance for the fair value measurement establishes a framework for measuring fair value, establishes a fair value measurement hierarchy, and requires certain fair value measurement disclosures. The fair value hierarchy established by this accounting guidance prioritizes the inputs used in valuation techniques into the following three categories (highest to lowest priority):

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's marketable securities are recorded at fair value and are generally classified within Level 1 or Level 2 of the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers. Marketable securities classified within Level 1 are valued based on quoted market prices in active markets and consist of commercial paper. Level 2 marketable securities primarily consist of investment grade and high-yield corporate debt, U.S. Treasury securities, U.S. Government securities, certificates of deposit and commercial paper. Financial instruments classified as Level 2 are valued based on quoted market prices for similar assets or liabilities or quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

In June 2021, the Company assumed Public Warrants, issued equity warrants to certain consultants and issued Private Placement Warrants as a result of a business combination. Private Placement Warrants are accounted for as liabilities in accordance with ASC 815-40 and are presented within other current liabilities in the accompanying consolidated balance sheets. The warrants were measured at fair value at inception and thereafter on a recurring, quarterly basis, with changes in fair value presented within financial income, net, in the consolidated income statements. Private Placement Warrants are classified within Level 3 in the fair value hierarchy. These warrants were valued using the Black-Scholes-Merton Model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Placement Warrants is the implied volatility from trading prices of the Company's Public Warrants. Significant increases (decreases) in this input in isolation would have resulted in a significantly higher (lower) fair value measurement. See Note 5, "Fair Value Measurements," for further details.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets ("DTAs") and liabilities ("DTLs") for the expected future tax consequences of events that have been included in the financial statements. Under this method, DTAs and DTLs are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company records a valuation allowance to reduce its DTAs to the amount that is more-likely-than-not to be realized. In making this determination, management evaluates all available evidence, both positive and negative, including projected future taxable income, tax planning strategies, and history of cumulative losses. If the Company determines it is more-likely-than-not that it will not be able to realize all or part of its DTAs in the future, an adjustment is made to the valuation allowance, with a corresponding charge to income tax expense in the period such determination is made.

The Company follows the provisions in ASC 740 and the guidance related to accounting for uncertainty in income taxes, which prescribe a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the taxing authorities, based solely on the technical merits of the position. The second step is to recognize the tax benefit as the largest amount that is greater than 50% likely to be realized upon ultimate settlement for positions meeting the recognition threshold. As of December 31, 2025 and 2024 the Company did not record any provision for uncertain tax positions.

The Company's policy is to classify interest and penalties related to unrecognized tax benefits as a component of income tax expense. This classification is applied consistently across all periods presented. No interest or penalties were accrued as of December 31, 2025 and 2024.

The Company does not provide deferred tax liabilities when it intends to reinvest earnings of a foreign subsidiary indefinitely or if distributed, no tax liability will be imposed. Undistributed earnings of a foreign subsidiary and unrecognized deferred tax liability related to such earnings are immaterial as of December 31, 2025 and 2024.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") contains provisions that subject a U.S. parent of a foreign subsidiary to current U.S. tax on its global intangible low-taxed income ("GILTI"). The Company has elected an accounting policy to report the tax impact of GILTI as a period cost in the year incurred. Accordingly, the Company does not provide deferred taxes for temporary basis differences expected to reverse as GILTI in future years. On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted. While the Company's 2025 GILTI calculation continues to reflect the provisions of the Tax Act, the OBBBA introduces significant modifications effective for tax years beginning after December 31, 2025. These include the rebranding of GILTI as Net CFC Tested Income ("NCTI"), an increase in the effective rate through a reduction of the Section 250 deduction to 40%, and the elimination of the QBAI exclusion. The Company has evaluated the impact of this enacted legislation and has determined the impact is not material.

See Note 12, "Income Taxes," for further details.

Net Income (Loss) Per Share

The Company's basic net income (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. The diluted net income (loss) per share is calculated by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. Diluted net income (loss) per share is the same as basic net income (loss) per share in periods when the effects of potentially dilutive shares of common stock are anti-dilutive. See Note 11, "Net Income (Loss) per Share," for further details.

Recently Issued and Recently Adopted Accounting Pronouncements

The following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") have been adopted by the Company:

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which amended existing income tax disclosure guidance, primarily requiring more detailed disclosures on the effective tax rate reconciliation and income taxes paid. This guidance became effective for the annual reporting periods beginning the year ended December 31, 2025. The Company adopted this ASU prospectively during the year ended December 31, 2025 and provided required disclosures in Note 12, "Income Taxes".

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient that in developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2026, and for interim reporting periods within those annual reporting periods, with early adoption permitted and should be applied prospectively. The Company early adopted this ASU prospectively during the year ended December 31, 2025. The adoption of this ASU did not have a significant impact on the Company's consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements Not yet Adopted

The following ASUs issued by the FASB have not yet been adopted by the Company:

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*, which requires additional disclosures of specified information about certain costs and expenses. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2027, and interim periods beginning January 1, 2028, with early adoption permitted and can be applied either on either a prospective or retroactive basis. The Company is currently evaluating the impact of adopting this ASU.

In September 2025, the FASB issued ASU 2025-06, *Intangibles-Goodwill and Other (Topic 350): Targeted Improvements to the Accounting for Internal-Use Software*, which provides updates on the criteria for capitalizing internal-use software costs and related disclosure requirements. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied using either a prospective transition approach, a modified transition approach or a retrospective transition approach. The Company is currently evaluating the impact of adopting this ASU.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies interim disclosure requirements and the applicability of Topic 270. This guidance will be effective for annual reporting periods beginning the year ended December 31, 2028, and for interim reporting periods within those annual reporting periods, with early adoption permitted and can be applied prospectively or retrospectively. The Company is currently evaluating the impact of adopting this ASU.

NOTE 3. REVENUE RECOGNITION

The following table presents the Company's consolidated revenues from sales to unaffiliated customers disaggregated by revenue source:

	Year Ended December 31,		
	2025	2024	2023
<i>(in thousands)</i>			
Payor	\$ 171,518	\$ 124,339	\$ 80,823
DTE	39,880	38,466	33,614
Consumer	17,473	24,788	35,608
Total revenue	<u>\$ 228,871</u>	<u>\$ 187,593</u>	<u>\$ 150,045</u>

For the year ended December 31, 2025, four customers represented 10% or more of the Company's consolidated revenues and these amounts were approximately \$32.1 million, \$27.4 million, \$24.8 million and \$24.0 million. For the year ended December 31, 2024, three customers represented 10% or more of total revenue. For the year ended December 31, 2023, two customers represented 10% or more of total revenue.

Accounts Receivable, net

The Company had accounts receivable, net, related to revenue from DTE customers of \$8.8 million and \$6.0 million at December 31, 2025 and December 31, 2024, respectively. As of December 31, 2025 and 2024, the balance of accounts receivable, net, related to revenue from Payor customers was \$7.3 million and \$3.6 million, respectively. Credit losses related to these receivables were immaterial for the years ended December 31, 2025, 2024 and 2023.

Deferred Revenues

For the year ended December 31, 2025 and 2024, the Company recognized revenues of \$2.4 million and \$2.0 million, respectively, that were included in deferred revenues at the beginning of the year. As of December 31, 2025, deferred revenue mainly related to the Company's Consumer subscription business.

NOTE 4. INTANGIBLE ASSETS, NET

Intangible assets are comprised of the following:

<i>(in thousands)</i>	As of December 31,	
	2025	2024
Intangible asset with finite lives:		
Acquired technology	\$ 4,182	\$ 3,201
Customer relationship	2,124	—
Less: accumulated amortization	(2,440)	(1,862)
Intangible assets, net	\$ 3,866	\$ 1,339

Amortization expense was \$0.6 million for the year ended December 31, 2025 (\$0.4 million and \$0.7 million for the years ended December 31, 2024 and 2023, respectively).

Future amortization that will be charged to expense over the remaining life of the intangible asset as of December 31, 2025 is as follows:

December 31,	<i>In thousands</i>
2026	973
2027	973
2028	527
2029	527
2030	527
2031 and thereafter	339
	<u>\$ 3,866</u>

NOTE 5. FAIR VALUE MEASUREMENTS

The carrying value of the Company’s cash, cash equivalents, accounts receivable, other current assets, accounts payable, and accrued expenses and other current liabilities approximate fair value because of the relatively short-term nature of the underlying assets or liabilities.

Cash, Cash Equivalents and Marketable Securities

The following tables show the Company’s cash, cash equivalents and marketable securities by significant investment category as of December 31, 2025 and 2024:

<i>(in thousands)</i>	Fair Value Measurements as of December 31, 2025					
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 1,059	\$ —	\$ —	\$ 1,059	\$ 1,059	\$ —
Level 1:						
Money market funds	36,293	—	—	36,293	36,293	—
Commercial paper	986	—	—	986	—	986
Total level 1	37,279	—	—	37,279	36,293	986
Level 2:						
U.S. Treasury securities	3,783	2	—	3,785	—	3,785
U.S. Government securities	14,988	28	—	15,016	—	15,016
Certificates of deposit	1,201	1	—	1,202	—	1,202
Corporate debt securities	34,219	28	(2)	34,245	—	34,245
Total level 2	54,191	59	(2)	54,248	—	54,248
	<u>\$ 92,529</u>	<u>\$ 59</u>	<u>\$ (2)</u>	<u>\$ 92,586</u>	<u>\$ 37,352</u>	<u>\$ 55,234</u>

<i>(in thousands)</i>	Fair Value Measurements as of December 31, 2024					
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 911	\$ —	\$ —	\$ 911	\$ 911	\$ —
Level 1:						
Money market funds	68,639	—	—	68,639	68,639	—
Commercial paper	6,876	3	—	6,879	648	6,231
Total level 1	75,515	3	-	75,518	69,287	6,231
Level 2:						
U.S. Treasury securities	7,232	2	—	7,234	6,494	740
U.S. Government securities	1,439	2	—	1,441	—	1,441
Certificates of deposit	2,920	1	—	2,921	—	2,921
Corporate debt securities	29,791	7	(13)	29,785	—	29,785
Total level 2	41,382	12	(13)	41,381	6,494	34,887
	<u>\$ 117,808</u>	<u>\$ 15</u>	<u>\$ (13)</u>	<u>\$ 117,810</u>	<u>\$ 76,692</u>	<u>\$ 41,118</u>

Contractual Maturities

The following table summarizes the remaining contractual maturities of our marketable securities as of December 31, 2025:

<i>(in thousands)</i>	As of December 31, 2025	
	Fair Value	
Due within one year	\$	47,396
Due after one year through two years		7,838
Total	\$	55,234

Level 3

The following table presents changes in Level 3 liabilities measured at fair value on a recurring basis for the years ended December 31, 2025 and 2024:

<i>(in thousands)</i>	Level 3 Liabilities		
	Year Ended December 31, 2025		
	Beginning Balance	Change in Fair Value	Ending Balance
Private Placement Warrants	\$ 1,690	\$ (1,491)	\$ 199

<i>(in thousands)</i>	Level 3 Liabilities		
	Year Ended December 31, 2024		
	Beginning Balance	Change in fair Value	Ending Balance
Private Placement Warrants	\$ 1,842	\$ (152)	\$ 1,690

The following were the inputs utilized in determining the fair value of the Private Placement Warrants as of December 31, 2025 and 2024:

	Year Ended December 31,	
	2025	2024
Dividend yield ⁽¹⁾	0%	0%
Expected volatility ⁽²⁾	75.20%	68.80%
Risk-free interest rate ⁽³⁾	3.60%	4.20%
Time to maturity (years)	0.47	1.47

(1) No dividends were paid for the years ending December 31, 2025 and 2024.

(2) The expected volatility is based on the volatility implied by backsolving to the Public Warrants' price as of the valuation date.

(3) The risk-free interest rate is based on the yield from U.S. Treasury bonds with an equivalent term to the time to maturity of the warrants.

NOTE 6. FIXED ASSETS, NET

Fixed assets, net as of December 31, 2025 and 2024 consisted of the following:

<i>(in thousands)</i>	December 31, 2025	December 31, 2024
	Capitalized internal-use software costs	\$ 17,945
Computers and equipment	802	755
Other	144	139
Total cost	18,891	7,382
Less: accumulated depreciation	(3,097)	(1,123)
Fixed assets, net	\$ 15,794	\$ 6,259

During the year ended December 31, 2025, the Company capitalized \$11.5 million of qualifying internal-use software development costs (\$6.3 million for the year ended December 31, 2024). Depreciation and amortization expense related to the Company's fixed assets was \$2.0 million for the year ended December 31, 2025 (\$0.3 million and \$0.5 million for the years ended December 31, 2024 and 2023, respectively).

NOTE 7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following:

<i>(in thousands)</i>	As of December 31,	
	2025	2024
Employee compensation	\$ 4,655	\$ 5,144
Professional fees	417	912
Other	1,600	1,975
Accrued expenses and other current liabilities	\$ 6,672	\$ 8,031

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES*Litigation*

The Company may in the future be involved in various legal proceedings, claims and litigation that arise in the normal course of business. The Company accrues for estimated loss contingencies related to legal matters when available information indicates that it is probable a liability has been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses. As of December 31, 2025, there were no material pending legal proceedings, claims or litigation.

Warranties and Indemnification

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if there is a breach of a customer's data or if the Company's service infringes a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnifications.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as a director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer liability insurance coverage that would generally enable it to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

NOTE 9. CAPITAL STOCK

The Company's authorized capital stock consists of (a) 1,000,000,000 shares of common stock, par value \$0.0001 per share; and (b) 100,000,000 shares of preferred stock, par value \$0.0001 per share. As of December 31, 2025 there were 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants (12,757,500 Private Placement Warrants and 20,722,500 Public Warrants as of December 31, 2024) to purchase the Company's common stock at an exercise price of \$11.50 per share. No shares of preferred stock were issued or outstanding for any years presented.

Share Repurchase Program

On February 22, 2024, the Company announced that its Board of Directors approved a share repurchase program to authorize the repurchase of up to \$15.0 million of the currently outstanding shares of the Company's common stock over a period of twenty-four months beginning on March 1, 2024 (the "Share Repurchase Program"). On August 1, 2024, the Company's Board of Directors amended the Share Repurchase Program to authorize the Company to repurchase up to an additional \$25.0 million of its common stock for a total of \$40.0 million. The Share Repurchase Program will remain in effect until the earliest: (1) the total authorized dollar amount of shares is repurchased or (2) August 1, 2026. All shares repurchased will be retired.

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During the year ended December 31, 2025, the Company repurchased and retired an aggregate of 6,577,115 shares of its common stock for a total consideration of \$17.2 million (\$2.62 per share). During the year ended December 31, 2024, the Company repurchased and retired an aggregate of 3,911,259 shares of its common stock for a total consideration of \$11.0 million (\$2.81 per share). As of December 31, 2025, \$11.8 million remained available under the Share Repurchase Program.

The Share Repurchase Program does not obligate the Company to repurchase any dollar amount or number of shares, and may be modified, suspended, or discontinued at any time at the Company's discretion without prior notice.

NOTE 10. STOCK-BASED COMPENSATION

The Company may grant cash and equity incentive awards to officers, employees, directors, consultants and service providers in order to attract, motivate and retain talent under the Talkspace's 2021 Incentive Award Plan (the "2021 Plan"). All stock-based awards are measured based on the grant date fair value and are recognized on a straight-line basis in the Company's consolidated income statements over the requisite service period (generally requiring a four-year vesting period).

The following table sets forth the total stock-based compensation expense related to stock options and RSUs included in the respective components of operating expenses in the consolidated income statements:

<i>(in thousands)</i>	Year Ended December 31,		
	2025	2024 ⁽¹⁾	2023
Research and development	\$ 1,485	\$ 1,781	\$ 2,463
Clinical Operations	400	293	455
Sales and Marketing	1,748	1,860	1,722
General and administrative	4,812	5,239	3,755
Total stock-based compensation expense	\$ 8,445	\$ 9,173	\$ 8,395

(1) During the year ended December 31, 2024, the Company modified certain equity awards in connection with certain key executives' separation from the Company and recognized \$1.2 million of additional stock-based compensation expense as a result of these modifications.

Stock Options

Stock options generally vest over a four-year period and are exercisable a maximum period of ten years. The following table summarizes the activity for stock options for the year ended December 31, 2025:

	Year Ended December 31, 2025			
	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ⁽¹⁾ (in thousands)
Outstanding at beginning of year	9,725,095	\$ 2.93	6.39	\$ 12,974
Granted	1,147,500	\$ 2.81		
Exercised	(1,167,495)	\$ 0.78		
Expired	(547,171)	\$ 5.55		
Forfeited	(67,779)	\$ 2.44		
Outstanding at end of year	9,090,150	\$ 3.04	6.55	\$ 14,169
Exercisable at end of year	7,379,105	\$ 3.23	6.13	\$ 11,735

(1) The aggregate intrinsic value of stock options outstanding and exercisable at end of year does not include 2,267,953 of stock options that are out of the money.

The weighted average grant-date fair value of stock options granted to employees during the years ended December 31, 2025 was \$1.80 per share (\$1.48 per share and \$0.74 per share for the years ended December 31, 2024 and 2023, respectively).

The total intrinsic value of stock options exercised during the year ended December 31, 2025 was \$2.4 million (\$3.0 million and \$2.5 million for the years ended December 31, 2024 and 2023, respectively).

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The fair value for options granted for the years ended December 31, 2025, 2024 and 2023 was estimated on the date of grant using a Black-Scholes-Merton options pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2025	2024	2023
Dividend yield	0%	0%	0%
Expected volatility	67.88% - 68.79%	60.81% - 61.65%	58.63% - 68.40%
Risk-free interest rate	3.73%-4.09%	3.71%-4.19%	3.70%-4.22%
Expected term (years)	5.3 - 6.06	5.27 - 6.11	5.23 - 6.25

As of December 31, 2025, there was \$2.3 million of total unrecognized compensation cost related to non-vested stock options that are expected to be recognized over a weighted average period of 2.3 years.

Restricted Stock Units

Restricted Stock Units (“RSUs”) typically vest over a four-year period. The following table summarizes the activity for RSUs for the year ended December 31, 2025:

	Year Ended December 31, 2025	
	Number of restricted stock units	Weighted average grant-date fair value
Nonvested at beginning of year	7,027,075	\$ 1.73
Granted	2,722,473	\$ 2.91
Vested	(3,628,229)	\$ 2.02
Forfeited	(595,993)	\$ 2.00
Nonvested at end of year	5,525,326	\$ 2.17

The total fair value of RSUs vested during the year ended December 31, 2025 was \$7.3 million (\$10.4 million and \$5.0 million for the years ended December 31, 2024 and 2023, respectively).

As of December 31, 2025, there was \$11.1 million of total unrecognized compensation cost related to non-vested RSUs that are expected to be recognized over a weighted average period of 2.5 years.

NOTE 11. NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders for the years ended December 31, 2025, 2024 and 2023:

	Year Ended December 31,		
	2025	2024	2023
<i>(in thousands except share and per share data)</i>			
Net income (loss)	\$ 7,793	\$ 1,148	\$ (19,182)
Weighted-average shares used to compute net income (loss) per share:			
Basic	167,089,060	168,906,900	165,039,920
Dilutive effect of share-based awards	6,559,371	7,588,972	—
Diluted	173,648,431	176,495,872	165,039,920
Net income (loss) per share:			
Basic	\$ 0.05	\$ 0.01	\$ (0.12)
Diluted	\$ 0.04	\$ 0.01	\$ (0.12)

For the year ended December 31, 2025, the following were excluded from the calculation of diluted net income per share since each would have had an anti-dilutive effect: 3,696,456 stock options, 85,688 restricted stock units, 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company’s common stock.

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For the year ended December 31, 2024, the following were excluded from the calculation of diluted net income per share since each would have had an anti-dilutive effect: 437,694 stock options, 40,149 restricted stock units, 12,757,500 Private Placement Warrants and 20,722,500 Public Warrants to purchase the Company's common stock.

For the year ended December 31, 2023, the following were excluded from the calculation of diluted loss per share since each would have had an anti-dilutive effect given the Company's net loss: 11,208,573 stock options, 8,984,827 restricted stock units, 12,780,000 Private Placement Warrants and 20,700,000 Public Warrants to purchase the Company's common stock.

NOTE 12. INCOME TAXES

In December 2023, the FASB issued a new accounting standard which includes new and updated income tax disclosures, including disaggregation of information in the rate reconciliation and income taxes paid, which we adopted on a prospective basis for the year ended December 31, 2025.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the year ended December 31, 2025 is as follows:

<i>(in thousands, except percentages)</i>	<u>Year Ended December 31, 2025</u>	
	<u>Amount</u>	<u>%</u>
U.S. Federal Statutory Tax Rate	\$ 1,757	21.0%
State and local income taxes, net of federal income tax effect ⁽¹⁾	(439)	(5.2)%
Foreign tax effects:		
Statutory tax rate difference between Israel and U.S.	(8)	(0.1)%
Effects of cross-border tax laws:		
Global intangible low-taxed income	400	4.8%
Changes in valuation allowance	(1,351)	(16.1)%
Nontaxable or nondeductible items:		
Stock-based compensation	(317)	(3.8)%
IRC Section 162M limitation	189	2.3%
Other	42	0.5%
Other adjustments:		
Reduction in NOL carry-forwards (Section 382 limitation)	301	3.6%
Income tax expense	<u>\$ 574</u>	<u>6.9%</u>

(1) State taxes in California, New York, Maine, Missouri and Massachusetts made up the majority (greater than 50 percent) of the tax effect in this category.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for the year ended December 31, 2024 and 2023 is as follows:

<i>(in thousands, except percentages)</i>	<u>Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Income (loss) before income tax	\$ 1,242	\$ (18,964)
Statutory tax rate	21%	21%
Federal taxes	261	(3,982)
Increase (decrease) in effective tax rate due to:		
State taxes, net of federal effect	(164)	276
Permanent differences	683	897
Other adjustments	(648)	(373)
Valuation allowance	(38)	3,400
Income tax expense	<u>\$ 94</u>	<u>\$ 218</u>

The main reconciling item between the statutory tax rate and the effective tax rate for the year ended December 31, 2025 is the change in valuation allowance which was impacted by higher net income during the year ended December 31, 2025 and the enactment of the OBBBA in July 2025, which altered the treatment of unamortized Section 174 expenses and impacted the projected realization of deferred tax assets.

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Income (loss) before income taxes is attributable to the following tax jurisdictions:

<i>(in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
U.S.	\$ 8,200	\$ 1,078	\$ (19,576)
Foreign	167	164	612
Income (loss) before income tax	\$ 8,367	\$ 1,242	\$ (18,964)

Income tax expense applicable to income (loss) before income taxes consists of the following:

<i>(in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Current income taxes:			
Federal	\$ —	\$ —	\$ —
State	468	169	44
Foreign	106	46	174
Total current	574	215	218
Deferred income taxes:			
Federal	—	—	—
State	—	(121)	—
Foreign	—	—	—
Total deferred	—	(121)	—
Income tax expense	\$ 574	\$ 94	\$ 218

The amount of cash paid for income taxes (net of refunds) for the year ended December 31, 2025 is as follows:

<i>(in thousands)</i>	Year Ended December 31, 2025
Federal	\$ —
State	
Texas	57
Pennsylvania	30
Maryland	30
Tennessee	23
Other	81
Foreign	
Israel	196
Total income taxes paid, net of refunds	\$ 417

For the years ended December 31, 2024 and 2023, we paid \$0.1 million and \$0.2 million, respectively, in income taxes, net of refunds received.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

<i>(in thousands)</i>	As of December 31,	
	2025	2024
Net deferred tax assets:		
Net operating loss carryforwards	\$ 72,523	\$ 70,373
Stock based compensation	3,282	3,338
Lease liability	125	164
Depreciation and amortization	44	232
Other	91	37
Total gross deferred tax assets	76,065	74,144
Valuation allowance	(72,627)	(73,978)
Deferred tax liabilities:		
Section 174	(3,312)	—
Right-of-use asset	(126)	(166)
Net deferred tax assets	\$ —	\$ —

Realization of the future tax benefits is dependent on the Company’s ability to generate sufficient taxable income within the carryforward period. A valuation allowance is provided for deferred tax assets when it is “more likely than not” that some portion of the deferred tax asset will not be realized. Because of the Company’s history of operating losses, management believes the recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not more likely than not to be realized and, accordingly, has provided a full valuation allowance. A valuation allowance has been recorded for the deferred tax assets at December 31, 2025 and 2024.

The Company maintains a full valuation allowance on its net deferred tax assets. The assessment regarding whether a valuation allowance is required considers both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. In making this assessment, significant weight is given to evidence that can be objectively verified. Management considered the Company’s cumulative loss in recent years as significant negative evidence. Based upon a review of the four sources of income identified within ASC 740, management determined that the negative evidence outweighed the positive evidence and that a full valuation allowance on the net deferred tax assets will be maintained. Management will continue to assess the realizability of our deferred tax assets going forward and will adjust the valuation allowance as needed. The valuation allowance decreased approximately \$1.4 million for the year ended December 31, 2025. This change was primarily driven by the enactment of the OBBBA in July 2025, which altered the treatment of unamortized Section 174 expenses and impacted the projected realization of deferred tax assets.

At December 31, 2025, the Company has federal and state net operating loss carryovers (“NOL”) of approximately \$283.2 million and \$210.4 million, respectively, which are available to reduce future taxable income. The NOL carryforwards begin to expire in 2035 and may become subject to annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under I.R.C. Section 382. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or future tax liabilities. The federal losses generated from 2018 onward do not expire.

The Company is subject to U.S. federal and state and Israeli income taxes with varying statutes of limitations. The Company is no longer subject to U.S. federal, state or local income tax examinations by the tax authorities for years before 2022. The Israel subsidiary tax filings filed by the Company through the year 2020 are considered closed.

In July 2025, the OBBBA was enacted, introducing amendments to the U.S. federal income tax code. The OBBBA permanently restores 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025, and allows immediate expensing of domestic research and experimental expenditures for tax years beginning after December 31, 2024. Certain provisions are effective for fiscal 2025 and are recognized in the consolidated financial statements for the year ended December 31, 2025. Certain other provisions are effective in future fiscal years. Although we continue to maintain a full valuation allowance against our U.S. deferred tax assets as of December 31, 2025, we expect these provisions to increase available deductions and extend the period during which future taxable income may be sheltered, improving liquidity to the extent we generate taxable income.

NOTE 13. VARIABLE INTEREST ENTITIES

The Company, through its subsidiary Talkspace LLC, is party to various agreements including Management Services Agreements (“MSAs”) with a Texas professional association entity (Talkspace Provider Network, PA or “TPN”), which in turn contracts with the Company's other affiliated professional entities (“PC entities”), physicians, therapists, and other licensed professionals to provide clinical and professional services to the Company's members.

Pursuant to the MSAs, Talkspace LLC is the managing entity (the “Manager”) and provides management and administrative resources and services essential to the operations of TPN and the PC entities and receives a management fee for these services and reimbursement of expenses incurred. TPN and the PC entities in turn have the obligation under the MSAs to engage all licensed physicians and other health professionals to provide behavioral healthcare services to the Company's members. In addition, to the extent that TPN or the PC entities lack sufficient funds to meet their obligations, the Manager may, at its sole discretion, advance funds to TPN or the PC entities to cover these obligations. Such advances would be considered loans made by the Manager and should be repaid as per the terms of the management agreement. No such advances have been made by the Manager to TPN or the PC entities as of December 31, 2025.

The Company evaluates its ownership, contractual and other interests in entities that are not wholly-owned to determine if these entities are Variable Interest Entities (“VIEs”), and, if so, whether the Company is the primary beneficiary of the VIE. The Company's policy is to consolidate any VIEs where the Company is deemed to be the primary beneficiary. The Company determined that it holds a variable interest in TPN and the PC entities. The Company evaluates whether an entity in which it has a variable interest is considered a VIE as defined under ASC 810, “Consolidation.” VIEs are generally entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The Company determined that TPN and the PC entities are VIEs and that it is the primary beneficiary of these VIEs as it is able to direct the activities of TPN and the PC entities that most significantly impact their economic performance and fund and absorb all their losses; therefore, the Company consolidates these VIEs.

The assets of the Company's consolidated VIEs are subject to legal, contractual, and regulatory restrictions that limit their use to specified purposes such as funding clinical operations, paying salaries to employees and providers, servicing practice-related debt, and meeting regulatory or Payor obligations. The liabilities of these VIEs may be subject to contractual limitations on settlement. Creditors and beneficial interest holders of the VIEs generally have recourse only to the assets of the VIEs and not to the general credit of the Company. The Company's maximum exposure to loss from these VIEs is limited to its interests in the VIEs and any specific contractual requirements, including guarantees or other commitments, if any.

The following table details the assets and liabilities of the VIEs as of December 31, 2025 and 2024. The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

<i>(in thousands)</i>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
ASSETS		
Cash and cash equivalents	\$ 229	\$ 132
Accounts receivable, net	13,333	6,743
Other assets	32,695	20,986
Total Assets	<u>\$ 46,257</u>	<u>\$ 27,861</u>
LIABILITIES		
Accrued expenses and other current liabilities	3,755	2,528
Total Liabilities	<u>\$ 3,755</u>	<u>\$ 2,528</u>