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PRESENTATION

Operator

Good evening, and welcome to Talkspace's Earnings Conference Call for the Third Quarter of 2021. Leading today's call are Doug Braunstein, Chairman of the Board and Interim Chief Executive Officer; and Jennifer Fulk, Chief Financial Officer. Management will offer their prepared remarks, and we'll then take your questions.

Talkspace press release and webcast link are available on the Investor Relations section of Talkspace's website.

On this call, we will be making forward-looking statements. These statements reflect our best judgment based on factors currently known to us and actual events or results may differ materially. Please refer to the documents that we file with the SEC, including the Form 8-K filed with today's press release and the disclaimer posted on Talkspace's website.

I'll now turn it over to Doug Braunstein.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Thank you, operator. Welcome, and thank you all for joining us today. I'm pleased to have the opportunity to speak with you, both as Chairman of the Board of Talkspace and now as Interim Chief Executive Officer. For those of you who are not familiar with my background, I spent nearly 35 years in the financial services industry, predominantly in management positions. I spent almost 20 years at JPMorgan Chase where I helped to build and lead several large businesses and ultimately served as the bank's Chief Financial Officer and Vice Chairman.

As you know, Talkspace went public earlier this year through a merger with Hudson Executive Investment Corp and raised \$250 million in that transaction to fund the company's operations and investments. While Talkspace is a relatively young company, it remains committed to its nearly 10-year mission of democratizing high-quality behavioral health care.

I was excited to help bring Talkspace to market in the summer, and I'm stepping into this interim CEO role today because I continue to believe that Talkspace is a company with a bright and an exciting future. Working together with our Board and the management team, I believe we can leverage the company's differentiated offerings and the sizable market opportunity with the goal of delivering long-term value to our shareholders, to our members, to our clients, clinicians, and employees.

I'm pleased to be joined on the call today by Jennifer Fulk, our new Chief Financial Officer. She's already made a meaningful impact on the company, establishing operational and financial discipline and implementing processes to optimize the deployment of shareholder capital. I'm excited to work with her and the rest of the management team in my new interim role.

Before Jennifer discusses our third quarter operational results in more detail, I wanted to highlight what I believe are some of the important changes as well as some of the key strategic priorities for the company going forward.

First, as you know, we announced changes to our management team today. I'd like to take the opportunity to thank Oren and Roni Frank for their vision as Talkspace's co-founders. Oren and Roni created an innovative digital behavioral health care platform, combining access to mental health care resources with a data-driven approach to clinical outcomes. This approach to behavioral health care, which encompassed asynchronous therapy and digital delivery has touched numerous lives and has positively changed the mental health landscape and the perceptions associated with it. We're actually very grateful for the wonderful legacy they leave behind, and we look forward to building on their vision as we take the company to its next stage of growth.

As the company continues to grow and it increases in complexity, the Board believes the best way to optimize value going forward is to focus on execution, product innovation, network optimization and to promote operational and financial discipline throughout the organization. We believe this focus will thus position the company to take advantage of this large and growing need for behavioral health care and ultimately reaccelerate growth and enhance future profitability.

We believe we can attract a strong leader for the company, and we've retained Korn Ferry to conduct a comprehensive search for a successor. We will, of course, look for someone who can both build on the founder's vision, but also take the company from its startup roots to a new level of execution and success.

While Jennifer will cover our financial performance in detail, I wanted to briefly comment on the quarter from a financial perspective. While our revenue grew year-over-year and we continue to experience positive momentum across portions of our business, particularly in the B2B space, the overall financial results for the third quarter came in below expectations management shared with investors on our last earnings call. We're obviously disappointed by this performance and we have to do better.

Fortunately, the Board and I believe several of the operational challenges that negatively impacted the business during the quarter are addressable and should positively influence performance as they're remedied over time. I do expect our management team to work with me with an increased emphasis on execution, prioritization and a more disciplined approach to capital allocation going forward.

I'd like to spend a few moments highlighting several areas that I believe will be a focus for us over the near term that can ultimately maximize value over the long term. First, our biggest opportunity is to take advantage of the synergies between B2C and B2B, unifying customer acquisition funnels, leveraging the company's robust website traffic's brand awareness and ultimately, simplifying the process to submit claims for all of our members. I actually believe much can be done to boost the monetization of our existing offerings with modest additional investments.

Second, improving how we operate our therapists' network is critical to member engagement, satisfaction and retention as well as actually being critical to all of our growth initiatives. For example, more effectively utilizing our W2 network across both the B2B and B2C platforms can improve matching rates, can improve conversion, reduce churn, and increase utilization and margins for the company, all without additional expense.

Third, we need to better rationalize our new product road map, prioritizing projects that have the highest probability of driving accretive growth and delivering value by expanding both our B2B and our B2C offerings. For example, our technology team is working to simplify the session submission process and automate billing for our insurance clients. These changes can minimize the administrative burden for our clinicians while simultaneously improving the collection rates of our receivables.

Finally, we need to continue to invest in our market-leading brand, prioritizing and adding marketing channels and optimizing search engines that allow us to capture demand at a lower cost, while originating a larger portion of our traffic organically. We must also improve conversion rates and increase retention through improved customer experiences. Efforts in the planning process of the company must be prioritized and executed on these issues going forward.

Fortunately, I believe, we have a strong group of talented employees dedicated to our mission to provide affordable access to behavioral health care, and they are assisted today by an extraordinary Board of Directors. Each of those members with deep operational, technology and health care experience, all of whom are committed to working more actively with the current management team.

We have the resources, the talent and the capital necessary to invest in our existing business and new initiatives going forward. And I'm optimistic about the company's competitive advantage and our ability to create value for investors over time.

With that, I'll turn the call over to Jennifer to provide you details on the third quarter and I look forward to taking your questions at the end. Jennifer, over to you.

Jennifer Fulk - *Talkspace, Inc. - CFO*

Thank you, Doug, and good evening, everyone. My remarks today will cover 3 areas. First, I will review the financial results which we highlighted in our earnings release. Second, I will update you on our key operating metrics and some enhanced disclosure. And finally, I will provide an update on our 2021 financial outlook. Unless I say, all numbers presented are rounded for ease of reference and the comparisons I'll be referring to are on a year-over-year basis unless specifically noted.

Our net revenue for the third quarter was \$26.4 million, a 23% year-over-year increase. This came in below our expectations as a result of a lower number of acquired customers during the quarter in our direct-to-consumer business, and an adjustment to our reserves for credit losses, related to receivables from health plan clients, which was only partially offset by growth in B2B gross revenue.

Our direct-to-consumer revenue, which is generated from the sale of subscriptions to our therapy users was \$18.6 million, a 10% year-over-year increase in the third quarter. We believe the slowdown in our B2C business resulted from delays in launching new products, features and markets as well as a decline in our conversion rates. We intend going forward to prioritize products and services that we expect will lead to higher customer engagement, better retention and increased lifetime value, and focus on efforts to increase conversion rates.

Our B2B revenue was \$7.7 million in the quarter, a 69% increase year-over-year. It is worthwhile to highlight the continued strong performance of our recurring revenue coming from PEPM fees, which tripled year-over-year.

Our DTE business represents a meaningful portion of our B2B franchise, and we expect it to continue to be a strong driver of recurring revenue growth.

In the third quarter, we increased the allowance for credit losses on receivables by \$3.4 million, of which \$2.8 million related to prior quarters. Claims processing has so far been a highly manual and complex process. Improvements in this operational capability are a high priority and critical as we scale the business for B2B revenue. If we normalize for the onetime noncash adjustment related to prior periods, B2B revenue would have been \$10.5 million up 144% year-over-year. And quarterly consolidated revenue would have been \$29.2 million, up 37%.

Turning to membership and access. We ended the third quarter with 60,300 active members, a 21% increase over the prior year's quarter. During the third quarter, our clinicians completed 71,300 B2B sessions, a 96% increase versus the prior year's quarter. You will notice that we have slightly revised how we report active users and we have also added incremental disclosure for a number of sessions.

We are breaking out these 2 categories to add additional clarity for our investors and expect to continue this practice going forward. In addition, at the end of Q3, our B2B business covered over 75 million eligible lives, a 92% increase over the prior year's quarter. I would also note that because individuals can be covered by multiple programs, for example, health insurance and EAP, this aggregate number may include a certain degree of overlap for individual members. Nonetheless, our definitions have remained consistent. And so it provides a helpful barometer of our growth in eligible members.

Gross profit was \$14.2 million in the third quarter compared to \$15.1 million in the prior year's quarter. Gross margin was 54% compared to 70% a year ago. This decline was due to the reserve allowance I referenced earlier, the revenue mix shift towards B2B and the continued investment in the W2 therapist network.

Excluding the prior period's reserve adjustment, gross profit and gross margin for the quarter would have been \$17 million and 58%, respectively. While an expansion of the W2 therapist network will put pressure on our gross margins in the near term, we believe building this national practice is strategically important and represents a unique long-term competitive advantage that will deliver, over time, higher patient satisfaction, increased retention and faster close rates.

Going forward, we will implement more robust processes and systems to better optimize the network utilization with the aim of leveraging therapist value more effectively.

GAAP operating expenses in the third quarter were \$39.4 million versus \$17.5 million in the prior year quarter. Our GAAP cost base grew by \$22 million year-on-year, mainly due to higher marketing and administrative costs. Net income was \$1.5 million compared to a net loss of \$2.7 million in the prior year period. This reflects a noncash reduction of the warrant's liability amount driven by lower share price.

Adjusted EBITDA loss was \$20.8 million in the third quarter of 2021 compared to a loss of \$2 million a year ago. EBITDA was lower than we anticipated as revenue came in below expectations and costs remained elevated.

Turning to the balance sheet, we ended the quarter with approximately \$223 million of cash and equivalents and no debt outstanding. As we've discussed today, in the third quarter, we underperformed our plan and we're taking immediate actions to improve execution and reaccelerate growth and profitability. While we expect our fourth quarter to also be below our initial expectations, many of the initiatives we are taking today will benefit future quarters.

As a result of current performance and near-term expectations, combined with the management changes announced today, we are withdrawing our year-end guidance as well as the initial long-term guidance provided in January of 2021. We believe that withdrawing guidance at this time is the most prudent approach, given current business conditions, and we will provide updated guidance as soon as we have greater visibility.

I'd like to close by echoing Doug's confidence about Talkspace's future. We maintain a large cash balance with no debt on our balance sheet, which allows us to invest in important operational enhancements and new initiatives and continue to drive long-term growth. We have a highly differentiated value proposition, a well-known brand and a huge market opportunity. This gives us a solid foundation to invest in accretive growth and capture a substantial part of the vast and unmet demand for high-quality behavioral health services.

With that, I will ask the operator to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Charles Rhyee from Cowen.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I guess maybe I just want to unpack some of the things you guys talked about here, particularly about conversion rates. Maybe you can go into that a little bit more -- and trying to understand because the sense that I got earlier in prior discussions and quarters, was that you guys did have strong -- a good member experience, good conversion, you're talking about growth in B2B.

Maybe help understand what you're talking about specifically here? What were you seeing in terms of -- maybe explain a little bit more what you mean by conversion rates, and what are we seeing here? What trends do you feel that you need to reverse?

Jennifer Fulk - *Talkspace, Inc. - CFO*

Yes. Thanks for the question. So yes, we -- and we've talked in the past about CAC, which we saw modestly up this period. And the largest factor for us in Q3 was the conversion factor. When I say conversion factor, that's specifically on the -- for B2C customers where the customers that come to our site or come to our app, whether they convert into paying members or not. And again, this was the largest factor, this conversion rate when it comes to kind of our performance in B2C in the third quarter.

As Doug mentioned earlier, we've got a number of projects to not only improve conversion, but also to improve lifetime value for those numbers.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Can I ask what has changed that you feel like the conversion rates that you might have seen in the past are not are starting to fall off? Is that a function of direct investment to market on these online platforms where we're seeing very high customer acquisition costs?

Jennifer Fulk - *Talkspace, Inc. - CFO*

So yes, we're -- what we're doing today is providing you more clarity on what we see in the results in Q3 and the metrics we provided. I think that there are a number of factors for us to address there. And Doug mentioned the operational improvements that we can address. And so I'll leave it at that.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Okay. Maybe one last question for me then. You have \$223 million on the balance sheet. It seems like to a certain, when you look at the growth in the behavioral business of some of your peers here, there's seems to be a fairly linear correlation between spending the customer acquisition cost and gaining members. And you talk about lifetime value of members. Given that you've been around for a while, do you have data in terms of how often people come back?

So obviously, you spend money to acquire a customer, they subscribe for a certain period of time, they might not renew but may come back. What is that kind of repeat user data look like for you? And the point I'm getting to at is, is it worth investing in yourself in terms of spending this -- even if you're in the short term, spending a high customer acquisition cost, because today, it seems like this behavioral health market is still very fragmented, is still emerging and a lot of it is trying to gain share at the moment. Does it -- is there a case to be made here to be spending that to acquire customers for the now actually and also for the future?

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Charles, thanks for that question. It's Doug. Good to speak. So you make a number of points. The first is we think we have ample resources on the balance sheet today to invest both in our market-leading brand, in new products and to continue to grow the business. So we're very fortunate to be in that position.

The second is that we think there's great short-term and more importantly, long-term value in that market-leading brand. And you heard me speak about the ways that we can more efficiently and more effectively invest, both in adding marketing channels and optimizing our spend and really capturing demand over the short run at lower cost. So a lot of that is to build out our organic search opportunities.

The other piece that Jennifer talked about is, if we improve conversion, that spend leads to lower CAC and ultimately, over time, retention leads to higher LTV. Now, we think there's great value in a number of actions we can take over the short run to improve execution around all of those fronts. And we're absolutely of the belief that over the long run, our brand and our capabilities are going to allow us to take share in this market.

Operator

And our next question comes from Ryan Daniels from William Blair.

Ryan Scott Daniels - *William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services*

I want to continue with the customer retention and conversion rates. You talked a little bit about operational changes, meaning better matching and easier onboarding. And then also kind of new product solutions that can innovate and differentiate you from the market. So I know the answer is probably both, but do you view one of those 2 is more critical to your success in getting those metrics where you want them to be?

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Yes. It's also a great question. Thanks, [Rid]. What I would actually step back and say is that the most critical part for us is better execution, right? So whether it's investing in new products, whether it's in improving our conversion rate, whether it's in improving our retention, it's really all about execution. And the good news is that those factors, those execution factors are completely within the management's control, and it is my intention in the interim CEO role and the management's attention as a group going forward, to really focus in on all of those aspects of ways we can build out, both our B2C business and our B2B business.

Ryan Scott Daniels - *William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services*

And then the transition to the W2 workforce which had an impact on gross margins. Should we think about that as being largely complete at this point? Or will that continue to occur and pressure margins a bit on a go-forward basis, all else equal?

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Yes. I would say, think about our network as a combination, obviously, of optimizing both our 1099s as well as building out our W2 network. And there are certain benefits to both. Our W -- at least the early data suggests that our W2 network improves retention and customer satisfaction, and so we're going to continue to invest in that for a variety of reasons. But again, I will -- and I apologize for this being a repeating theme, we need to do a better job as we build out that network in optimizing that W2 workforce.

The good news is, we have lots of things that attract us as a platform for clinicians. We provide a lot of value to clinicians. And over time, we expect we will be -- to the extent we grow that network, we'll be a very attractive partner for clinicians who really want to have an impact on their patients and the well-being of their health care.

Ryan Scott Daniels - *William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Healthcare Technology and Services*

Okay. I appreciate that. And then maybe this is unfair at this point in the process, but I'm curious if you can put a little bit of a time line or maybe key milestones that we should be watching to gauge the execution improvements here. So how long do you think it will take to kind of stabilize with the W2 base to improve the claims processing, to address the operational changes and kind of the product portfolio, kind of everything you've lied out? How long do you envision that transition process taking as a management team?

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Yes. I guess the way I would answer that, and obviously, I'm new into this role, but have been around the company now as Chair of the Board. The Board and the management team, I think, collectively, have an extraordinarily strong sense of urgency that we need to address these issues, both as quickly as we can, but ultimately, as efficiently as we can. And make sure that we're implementing systems that do the job that we hope that they will do. So I would say as Chairman of the Board, now as interim CEO and as a very large shareholder, I have an enormous sense of urgency in delivering on a number of these execution challenges, but I can't give you any more specific other than we're going to wake up every morning and do the very best job we can to get the job done.

Operator

The next question comes from Vikram from Baird.

Vikram Kesavabhotla - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I wanted to follow up on the direct-to-consumer side, on some of your comments around lower conversion rates. I guess I'm curious, the users that didn't convert onto the platform, do you have a sense for if they sought mental health services that one of your competitors or perhaps went to in-person care or maybe they didn't do anything at all? And really, what I'm trying to unpack is if you think this is a case of lower demand in the industry or if it was a case of people may be seeking alternative options as you kind of work through some of your operations here. It would be great to get some color there.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Yes. We don't have any specific data on that. But if you do step back, we feel quite strongly that the tailwinds in terms of the importance of behavioral health. And by the way, the tailwinds around the delivery of behavioral health care in a digital format remain quite strong for us. Another way of saying that is we think there continues to be a very significant unmet medical need as it relates to behavioral health care. And so we're optimistic that again, if we can deal with some of these execution challenges, the demand side of the equation for us is quite robust.

Vikram Kesavabhotla - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. Great. And then maybe a follow-up on the B2B side. If I go back to the second quarter, I think, you reported B2B eligible lives at the time, closer to 56 million. If I look at the press release today, I think, it was restated up to 72 million. I'm curious if you can just help us understand what changed there.

And then if you kind of look at the pipeline today, I'm curious if you can give some color on what the sales pipeline looks like and the demand environment on the B2B side now. That would be great.

Jennifer Fulk - *Talkspace, Inc. - CFO*

Yes. On your first question there, Vikram on the eligible lives. So the update that we made today was updates that we received from payers. So as you know, as we signed a new payer, they continue to expand the eligible lives within their program. So the refresh that we did and the numbers that we've reported today was a reflection of that.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

I would say, just generally, if you step back on B2B, the third quarter continued to be positive momentum behind much of our B2B business. Not only did we grow eligible lives, but DTE customers also experienced significant growth.

Having said that, we are mindful that there are execution opportunities in the B2B space that we can and should address that is going to lead, quite frankly, to greater utilization and improved performance in the B2B space as well as the B2C space. But in the short run, we were pleased to see the growth in our B2B business in the third quarter.

Operator

And our next question comes from Stephanie Davis from SVB Leerink.

Stephanie July Davis - SVB Leerink LLC, Research Division - MD & Senior Research Analyst

I've got a few questions, and I'll go kind of from the broader stroke as I go in more detail. So first up, a CEO transition is a pretty big move at this stage in a company's lifetime. So I was wondering, Doug, if you could tell us more about what you would be looking for in a new CEO to kind of -- on a list of goals or priorities, or maybe what their focus could be.

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Okay. So thanks for that question, Stephanie. I'm going to actually just step back for a second because I think it's important for you to put that question in context, which is, we did not get started as a public company in the manner that we had hoped for. And obviously, you're disappointed by that. And our Board has been working together with the management, really over the past 5 months. And we've had actually numerous conversations regarding management and management succession. And collectively, with Oren, we decided to make a change here. And obviously, as you can see from the press releases that came out, Oren agreed that this was the right decision at the right time.

So having said that, I stepped into the inner role because I still believe fundamentally in the strong tailwinds that I've talked about. This large growing unmet medical need, we've got a market-leading brand, we've got a differentiated offering. And we believe that there are many execution issues that we face that are within our control to address.

We are looking for a Chief Executive Officer who can step in, believes in our fundamental mission, believes in the vision that the founders set, but has those execution capabilities to really take what's a wonderful company today and build it and grow it for the next stage in its evolution. And I will say we're quite confident with Korn Ferry's help that we'll be able to deliver on that objective.

Stephanie July Davis - SVB Leerink LLC, Research Division - MD & Senior Research Analyst

Given the turnaround and the need for a new CEO, what does this mean for your prior M&A strategy? Does that fall by the wayside at your relative priority shift?

Douglas Lee Braunstein - Talkspace, Inc. - Interim CEO & Chairman

Look, we've always said that the organic growth opportunities, just doing what we do well today provide substantial growth for the business. We think that there are a number of new products and new initiatives that can further grow the business. And ultimately, we, like every other public company have to think about are their strategic opportunities that enhance the long-term value for the business. And we're not -- we're going to be open to any and all of those, but our focus for the moment, really is on organic opportunities.

Stephanie July Davis - SVB Leerink LLC, Research Division - MD & Senior Research Analyst

Understood. Understood. Then last one out of me. I just have a little bit more color on the B2B selling season back up and maybe any lessons learned from 2021 that you can take with you as we go to 2022, beyond just the need to update some of your capabilities?

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

So Stephanie, and that's the beginning part, I couldn't hear the first part of the question, I'm sorry.

Stephanie July Davis - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

Lessons learned from the B2B selling season in 2021.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Oh, B2B selling season in 2021. I don't think we're going to comment specifically on the selling season, but what we will say is that, Talkspace as a brand, because we have invested so heavily in it, resonates particularly strongly on the B2B side, and that has generated a lot of opportunities for us. We think we have a robust pipeline of opportunities. But again, it's up to the management team to turn that pipeline into business going forward, and that's what we're all going to be focused on.

Operator

And our next question comes from Daniel Grosslight from Citi.

Daniel R. Grosslight - *Citigroup Inc. Exchange Research - Research Analyst*

I'd like to stick with the B2B channel and house plans in particular. Can you begin to the AR write-down this quarter and the sequential decline in B2B revenue that seems to have caused? Was the write-down all due to a claims processing issue where you just couldn't collect from health plans? How quickly can you fix this issue? Should we expect continued write-downs and revenue degradation in the health plan channel in the near future? And how does this impact your growth expectations in the health plan channel for 2022?

I think previously, you had mentioned that you thought health plans would grow quicker than the enterprise channel. Is that still the case?

Jennifer Fulk - *Talkspace, Inc. - CFO*

Thanks, Daniel. So health care claims processing is complex, and that's not unique to Talkspace. We know as we grow this business, we clearly have a need to scale this capability appropriately.

Regarding the reserve in Q3, we mentioned -- I mentioned earlier that \$2.8 million of the \$3.4 million was related to prior periods. And we feel that, that is an appropriate amount to adjust those claims that we're unlikely to collect from those prior periods. At this point, we've implemented processes to make sure that the reserve that we have both for Q3 and for future periods is also appropriate. I wouldn't say that any of this impacts the growth and the confidence we have in that business that Doug was just describing earlier.

Daniel R. Grosslight - *Citigroup Inc. Exchange Research - Research Analyst*

Okay. But do you still expect for 2022 -- do you expect health plans to drive growth in that business? Or are you kind of pivoting now to the enterprise channel, which you've called out as being particularly strong this quarter?

Jennifer Fulk - *Talkspace, Inc. - CFO*

Yes. So I think we see the opportunity for growth across the B2B business. So we've talked about the growth in eligible lives. We've got opportunity for further penetration, and we -- just like we've seen further success in Q3 with DTE clients, we see that also continuing.

Daniel R. Grosslight - *Citigroup Inc. Exchange Research - Research Analyst*

Got it. Okay. And then just a couple of housekeeping items. Can you disclose the number of B2B active members this quarter? And can you split out that B2B revenue between health plans and enterprise clients?

Jennifer Fulk - *Talkspace, Inc. - CFO*

Yes. So our B2B active users. So we said that we had 60,000 active users on the platform as we've previously disclosed and described and we described it a bit further in the Q. The B2B active users were 32,000 out of the 60,000 this quarter.

Daniel R. Grosslight - *Citigroup Inc. Exchange Research - Research Analyst*

Okay. And can you break out the planned revenue and enterprise revenue?

Jennifer Fulk - *Talkspace, Inc. - CFO*

I can, yes.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

We don't -- that's not something that we typically provide. So we're happy to consider that in future quarters.

Operator

And we have a follow-up question from Charles Rhyee from Cowen. Go ahead, Charles.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Follow-up here. Doug, you mentioned earlier that you and the Board have been working with management over the last 5 months over a range of things. Clearly, this quarter was below your expectations (inaudible) is at the beginning. But can you talk about sort of what kind of didn't go right that kind of led to this. Clearly, you had expectations on -- that the plan that you had in place would deliver on the third quarter. Was there any kind of macro events as well? Or is it really tied to some of the issues we talked about in terms of the claims processing with plans? But just curious, what had you expected from an operations standpoint that didn't come into place.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

Yes. So obviously, we were disappointed to not meet what management had articulated as our expectations in the second quarter. But remember, Charles, there were 4 items that I talked about at the very beginning that I think are really the focus for us and reflect the places where we believe we can do better.

The first is really optimizing those synergies between B2B and B2C in the funnel. And we think that, that will create value for us over time. The second is really how we operate and optimize our network. And that has implications both in terms of member engagement and satisfaction retention as well as facilitating our growth. Third is we need to do a better job in prioritizing and rolling out new products. And we have clearly not done as good a job as we can, it's going to be a real focus to prioritize that and execute along that for the new management team. And then the last is optimizing the investments we're making in our market-leading brand. And I believe you sort of talked about making those investments today for the long term, but we can do better at things like conversion.

So the good news for the company and maybe I can conclude on this is that much, if not all of that is within our control. And if we do our jobs in executing, as I said, there is plenty of unmet need on the demand side for us to actually help our members and help people who are looking for behavioral health care, get the help they need. So that's what's really exciting about the opportunity for us going forward.

Operator

And we have no more questions at this time. I'd like to turn it back to the speakers for closing comments.

Douglas Lee Braunstein - *Talkspace, Inc. - Interim CEO & Chairman*

So thank you, operator. Thank you all for participating and for the questions. I want to close in some sense where I began, which is really to thank Oren and Roni for the job they did in innovating and creating Talkspace in the foundation that they have built and left to us. And to just remind everyone of my belief and our belief as a management team that the most exciting opportunities for the company lie ahead, and we will be working every day to deliver on that promise for our investors. So thanks for being with us.

Operator

And thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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