# Talkspace, Inc. NasdaqGS:TALK

*Earnings Call*

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# Call Participants

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**Lucas Romanski**

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# Presentation

**Operator**

Good morning. My name is Audra, and I will be your conference operator today. At this time, I would like to welcome everyone to the Talkspace Fourth Quarter and Full Year 2022 Earnings Conference Call. Today's conference is being recorded. [Operator Instructions]

At this time, I'd like to turn the conference over to Jeannine Feyen from Talkspace.

**Jeannine Feyen**

Good morning, and welcome to Talkspace's earnings conference call for the fourth quarter and year end 2022. I'm Jeannine Feyen, Director of Communications. I hope you've had the opportunity to access the press release we posted on Talkspace's IR website and the presentation of our earnings results. We'll use this presentation to walk you through today's remarks.

Leading today's call are our CEO, Dr. Jon Cohen; and Jennifer Fulk, Chief Financial Officer. Management will offer their prepared remarks and we'll take your questions at that point.

Certain measures we'll discuss on this call are expressed on a non-GAAP basis and have been adjusted to exclude the impact of one-off items. Reconciliations of these non-GAAP measures are included in our earnings release and on our website, talkspace.com.

I also want to remind you that we will be discussing forward-looking information today which may include forecasts, targets and other statements regarding our plans, goals, strategic priorities and anticipated financial results.

While these statements represent our best current judgment about future results and performance as of today, our actual results are subject to many risks and uncertainties that could cause actual results to differ materially from what we expect.

Important factors that may affect our future results are described in our most recent SEC reports and today's earnings press release. For more information, please review our Safe Harbor disclaimer on Slide 2.

Now I will turn it over to Dr. Jon Cohen.

**Jon R. Cohen**
*CEO & Director*

Thanks, Jeannine, and welcome to Talkspace fourth quarter and full year 2022 earnings call. Thank you all for joining us today. As this is my first full quarter earnings call since becoming CEO back in November, I want to reiterate my continued optimism about the current and future state of the business.

As you will hear on this call, our positive results from the last quarter, the sustained trajectory through January, and our positive guidance for 2023, confirms my impressions on the positive future of this business. I'd like to spend a moment discussing how awareness for mental health has drastically changed in the short term and the positive tailwinds we continue to see for the industry.

The federal government, multiple states, large employers, colleges and grade schools have all announced new funding initiatives in support of mental health services. Barely a day goes by when there is not some news event highlighting the need for enhanced mental health services in the country. Talkspace was created as a technology-driven platform to address the fundamental lack of access and a significant stigma related to mental health care.

The initial market growth was accelerated by the COVID-19 crisis when we saw incident rates of anxiety and depression rise significantly. Telehealth solutions were significantly accelerated by COVID, and telehealth mental health emerged quickly as an effective system to deliver mental health services.

2 weeks ago, Talkspace released our early findings that text therapy was highly effective for frontline health care workers at the onset of the COVID-19 pandemic. Over 600 health care workers from major hospitals across the United States participated. We found that 56% of health care workers recorded clinically significant improvements in their anxiety and depression symptoms with just 3 weeks of therapy.

Our business model allows us to take advantage of the large growing underpenetrated addressable market. Our extremely strong brand and success from exceptional outcomes helps bring in more potential users. Our brand strength built on our experience is a fundamental part of our competitive edge in the market. Unlike our competitors, Talkspace is a pure-play mental health company. We offer the full spectrum of mental health services, self-guidance, texting, voice, live video, multiple subspecialties and psychiatric services.

In Q4, Verywell Mind conducted a comprehensive analysis of digital therapy platforms to help readers find options that suit their individual needs, to serve as a starting point as to where to begin. They awarded Talkspace as the Best Large Service of 2022 out of 55 online therapy companies evaluated.

With that, let me turn to our near-term strategic initiatives. In the past several months, we have aligned the company around our overall priority to achieve profitability, while making Talkspace the platform of choice for people seeking therapy, enterprises seeking to provide their constituents access to therapy and to providers. We have developed 4 specific strategic objectives to focus the management team and employees to deliver on the financial plan.

These objectives have a clear operational program and metrics behind them to deliver on that plan. Number one, grow our behavioral health and employee assistance plan member business. The investment of resources to establish Talkspace as an in-network provider has been substantial and is the foundation of our competitive edge to serve the mental health care addressable market now and in the future.

Let me elaborate on some aspects of this important capability. First, we were able to onboard payor lives efficiently, while supporting often complex technical requirements when integrating with the [ payers ]. Second, we have established vigorous credentialing processes for our clinicians to serve as in-network providers. And third, we have built our revenue cycle capabilities including real-time eligibility assessments and in-house claims processing to effectively build and collect from the [ payers ]. These are critical competencies that take years to build and help establish our competitive edge in the market.

Our specific goals to grow this part of the business include, increasing revenue from existing covered lives, adding new covered lives, increasing sessions per day and increasing therapist ratings. Second, our intention to build a bigger and more focused direct-to-enterprise business solutions. More specifically, focus our sales teams on both small and large companies, universities, schools and government entities. Our goals include improving and upgrading the talent within the organization and improving the product offerings.

Along those lines, we recently hired a new Senior Vice President, Steve Smallidge, who brings a wealth of experience to the HR benefits sector specifically and to lead the DTE sales organization, recent product innovations to help reduce the friction in adoption and usage, including Talkspace's [indiscernible] solution. This is our offering for employers who want a low-cost solution to help employees gain knowledge of, and appropriately utilize their behavioral health benefits from their employee assistance plans and their behavior health plans.

We help them with 2 products. Talkspace Engage, a product for human resource executives. Engage is an entire mental health engagement suite that helps HR professionals promote mental health awareness internally and drive employee utilization. It does this via a step-by-step, mostly, awareness plan to prompt their people to take action, a huge selection of live and on-demand therapy workshops and downloadable worksheets with mental health exercises.

Next is the Talkspace Self-Guided, a product for the employees. Talkspace Self-Guided is one of the most popular self-guided wellness apps in the market. It provides users with daily reflections, a huge selection of self-guided sessions on topics like burnout, depression, parenting, substance abuse, et cetera, and 5 live workshops every week, each led by licensed clinicians.

Third of our major objectives is to continue to be the platform of choice for providers, with the specific goals of increasing the network hours worked, improving NPS score, and decreasing monthly churn. Talkspace has thousands of licensed providers across all 50 states. Each of them have a massive degree or higher, and have on average 9 years of experience. And of course, each is required to pass a thorough screening and onboarding process.

For the fourth quarter, we continued to grow our provider network, increasing the total number of providers 11% quarter-over-quarter. Utilization and productivity from our full-time therapists trended positively as we saw an 11% increase in their billable hours quarter-over-quarter.

Provider retention rates improved as well, as monthly churn has approximately halved in the fourth quarter versus the prior period. And finally, under the last bucket, we significantly improved our time-to-access metrics with average match times declining by more than 50% in Q4 versus Q3.

Fourth objective is, as Jennifer will dive more deeply into, we will continue to work on achieving operational and compliance excellence, which entails focusing more on our cost structure, collection rates and compliance. As we have previously said, our focus on driving down operating expenditures includes labor cost efficiencies, optimizing market spend for revenue and profit growth, vendor contract renegotiations, sales force productivity, network productivity and streamlining corporate spend. Going forward, we will continue to adopt a disciplined approach to spending, leveraging the scalable nature of our fixed cost basis, which enables growth at lower cost.

And now let me turn to the full 2022 financial highlights, which the results demonstrate that we are delivering on the strategic priorities and business transformation.

Beginning with revenue. Year-over-year revenue grew 5%. Total B2B revenue, which includes both member, payor, which is the employee assistance program and behavioral health, and direct-to-employer or enterprise, increased 66% year-over-year, while consumer revenues decreased 26% during the same period.

For the year, we grew our covered lives by 33% to 92 million covered lives. B2B payor session volume grew 56%, and we grew the B2B DTE account base over 43%. Of those, we ended the year with B2B revenue representing more than half of the company's revenue for the year, an inflection point that started in the third quarter and widened in this quarter's results.

So now let me turn to the fourth quarter results. In the fourth quarter of 2022, revenue for B2B, which includes payor, the EAP and behavioral health, and the direct-to-employer, increased 52% over the same period fourth quarter for 2021 a year ago, and 15% sequentially. In the fourth quarter, we added an additional 6 million new covered lives, while also launching another national health behavioral payor.

We continue to experience meaningful growth in sessions in the fourth quarter compared to the fourth quarter of last year, as well as over the previous quarter. It is important to note that we achieved these strong results in what is traditionally a slower quarter due to seasonality, which includes the therapists going on holiday or decreasing their work hours and users skipping their sessions over the holidays.

From a profitability standpoint, you could see the tremendous work the team has achieved in reducing our adjusted EBITDA loss in the fourth quarter as compared to the same period a year ago, on the back of our focus on reducing operating expenses that were not driving revenue growth or efficiencies in the business. Jennifer will expand more on our financial results on her section, but I want to note our commitment that we will remain very disciplined in our spending with a focus on efficiency and funding only our highest priority investments.

And with that, let's turn to our guidance. With the disciplined and focused plan we have put in place to deliver on our fiscal 2023 goals, we are providing the following breakeven guidance. We will be within a range of $125 million to $135 million in revenue, with a minus $32 million to minus $28 million in adjusted EBITDA loss for the full year of 2023. These guideposts will help mark our progress on the way to breakeven adjusted EBITDA with a cash balance of at least $95 million by the end of the first half of 2024. Note that this targeted approach to cash preservation while on our path to profitability provides us with sufficient room for additional strategic initiatives.

I will now turn the call over to Jennifer for a more detailed discussion on results and outlook.

**Jennifer Fulk**
*Chief Financial Officer*

Thank you, Jon, and good morning, everyone. My discussion today will be based on fourth quarter results on a sequential quarter-over-quarter basis. I will cover highlights across our financial results, provide more detail on our corporate operational objectives, and lastly, I will share some guideposts for our expected breakeven time line, including 2023 guidance.

Starting on Slide 7. Revenue for the fourth quarter was $30.2 million, an increase of 3% from the third quarter of 2022. This increase was driven by continued strong momentum in payor sessions and DTE revenue, partially offset by continued and anticipated lower consumer revenue. Our fourth quarter gross margin was 53.5% and gross profit grew approximately 11% sequentially to $16.2 million, primarily due to the full quarter effect of Q3 price improvements in DTE and higher provider productivity from actions finalized in the network in the third quarter. These benefits were partially offset by the mix shift toward B2B revenue categories.

On Slide 8, you will see the breakout of our 3 revenue categories. Consumer revenue was $11 million, down 13% from the previous quarter, driven by a 14% reduction in active consumer members from the end of Q3 to the end of Q4. This is the result of continued optimization of the unit economics in this category. We further reduced media in the quarter, which is now down 60% from Q3 2021, with revenues down 41% over the same period.

B2B and payor revenue was $10.7 million, up 13% compared to the third quarter, as sessions completed by members covered through their EAP benefit or their insurance increased 15% to 128,000 sessions in the fourth quarter. As Jon mentioned, we had anticipated a possible reduction in sessions in Q4 due to seasonality, as providers take time off for the holidays and members reduce their consumption. We were pleased with only a moderate impact on session growth in the quarter, and as Jon mentioned, we see good momentum in sessions so far in Q1, as more and more members are leveraging our in-network health benefits to access Talkspace.

Lastly, B2B direct-to-enterprise revenue for the fourth quarter was $8.6 million, driven in large part by new accounts, which totaled $226 million at year-end, as well as the full quarter impact from Q3 account renewals on favorable terms.

Turning to Slide 9. Fourth quarter GAAP operating expense increased to $37.2 million, primarily due to a nonrecurring expense of $6.1 million for the impairment of goodwill, as well as an estimate for one-time legal expenses. Excluding these charges, other favorable nonrecurring items and stock-based compensation, Q4 expenses were approximately $25 million compared to $30 million in the third quarter, and demonstrating important progress that we have made, not only in optimizing advertising spend, but in driving efficiencies across our entire expense base.

As planned, we reduced advertising spend 16% from third quarter levels in anticipation of seasonal adjustments to volume described earlier, and higher advertising unit costs. As I previously mentioned, we have made meaningful strides to optimize the economics in our consumer category. We now have unified our product funnel, marketing function and advertising spend to leverage our brands, traffic and expansive covered live base to drive member growth. We are very encouraged with the early trends we are seeing, and this is reflected in our guidance, which I will discuss in a moment.

Besides the continued reduction in advertising spend, and as we highlighted on our last call, in the fourth quarter, we took important actions to further reduce our cost base, which came primarily through a reduction in corporate employee headcount and through the elimination of several third-party vendors. The fourth quarter adjusted EBITDA loss narrowed to $8.9 million, an improvement of $6.6 million compared to the third quarter, driven primarily by these cost reductions.

Turning to the balance sheet. Cash burn for the quarter outpaced adjusted EBITDA loss by approximately $5 million, of which $4 million is attributable to nonrecurring cash flows, including the timing of certain vendor and customer invoices. As a result, we ended the year with a very healthy balance sheet with

$138.5 million of cash and cash equivalents. Going forward, we expect our cash flow to trend largely in line with adjusted EBITDA, with the exception of net working capital expansion related to our growing payor business where the claims process typically takes a few weeks.

Turning to Slide 10. I would like to share the key elements of our strategic priority addressing operational excellence. Importantly, we have an operational plan in place that comprehensively supports our financial plan. This means that each employee has objectives that tie directly to our company priorities. This is important to us as it drives engagement and accountability and execution at every level.

Next is operating efficiency, ensuring our fixed cost base is commensurate with our gross profit. As Jon described, we made meaningful investments in 2022 to our systems, processes and controls, to ensure our ability to leverage and scale the operations as we grow, and we continue to optimize capital allocation across the business, prioritizing our most compelling and profitable growth initiatives.

Third, we continue to manage our advertising spend with the aim of maximizing total company profit at the member level, leveraging analytics applied to our platform with flexible programmatic investment channels and optimize creative and targeting, to continue to maximize ROI.

And finally, revenue cycle management is an important core competency, and as Jon described, a competitive advantage. We have invested substantial time and effort to build this critical function to serve payor clients, which is vital as we scale the B2B payor business. We're also hard at work continuing to build out our Sarbanes Oxley compliance program, refining processes and controls across the business.

Turning to Slide 11. I would like to offer some context for the guidance we are providing today. For 2023, we expect revenue to be between $125 million and $135 million, and we expect adjusted EBITDA loss to narrow within a range of $32 million to $28 million. Each of these points are supported by what we have discussed throughout this call, and highlighted in the strategic priorities that Jon described.

First, as demonstrated in our Q3 and Q4 results and further supported by our view that the mental health care market growth will be primarily driven by expansion of access and members leveraging health benefits, we believe B2B payor revenue growth will outpace other revenue categories. This will be driven primarily through continued growth in utilization as well as expansion in covered lives. We also expect that consumer revenue will begin to stabilize this year as a result of our improvement to the member experience.

Over the course of the year, we expect gross margin to trend slightly lower from the Q4 2022 level as the revenue mix shifts towards B2B categories, partially offset by price optimization initiatives and continued increase in provider network efficiency. We also believe we have significant operating leverage from our current infrastructure and have the ability to continue to optimize our cost to deliver on our path to profitability.

We expect the company to reach breakeven adjusted EBITDA by the end of the first half of 2024, and we'll have more than $95 million of cash remaining on the balance sheet at this time. This cash balance factors in the increase in net working capital required by our growing B2B category, and also the investments we will make to continue to grow revenue and profitability over time.

As Jon noted, this ample cash reserve provides us with the flexibility to adjust to any market trends while capitalizing on future strategic initiatives. We believe these 4 points outlined in our guidance demonstrate our enthusiasm about the fundamentals of our B2B payor and DTE categories, and our confidence in our ability to leverage our OpEx base to scale the business to profitability.

And with that, I'll turn the call back over to Jon.

**Jon R. Cohen**
*CEO & Director*

Thanks, Jennifer. In summary, we are excited by our opportunity to leverage our existing operating base and capabilities to capitalize on the growing mental health total addressable market and shift towards members leveraging their health care benefits. By driving growth across our B2B payor as well as the DTE

categories, focusing on becoming the platform of choice for providers and striving to achieve operational excellence, we have put ourselves on a path that we believe, will enable us to reach breakeven adjusted EBITDA by the end of the first half of 2024, while maintaining a strong cash balance that provides us with the operational flexibility to opportunistically capitalize on our other strategic initiatives.
With that, we will open it up to Q&A.

# Question and Answer

**Operator**

Thank you. [Operator Instructions] We'll go first to Charles Rhyee at Cowen.

**Lucas Romanski**

Hi, this is Lucas on for Charles. Your guidance -- 2023 revenue guide implies around 5% to 13% year-over-year growth. Obviously, there's some moving pieces between the B2B and B2C segments. If we assume B2C revenue stays at this rate -- at the 4Q rate through 2023, it implies B2B revenue is growing somewhere in the neighborhood of 30% to 35%.

One, is that the right way we should think about the guidance? And then, two, can you give us some detail on what you guys are seeing in terms of underlying demand in the B2B market, especially given the macro uncertainty that employers and consumers are facing?

**Jennifer Fulk**
*Chief Financial Officer*

Yes. So I'll start with just kind of highlighting some points around the revenue guidance that we've provided, and then I'll pass it to Jon on what we're seeing as far as demand in the B2B segment.

So first of all, like I said, consumer revenues, we see that stabilizing this year. We see our product enhancements helping to offset any pressure that we could see in consumer spending, which is a factor, of course, as these are members that are paying out of pocket for Talkspace therapy.

In the DTE space, this is an exciting category for us. Jon will talk more about that in a minute and expand on the comments that we've already made. This is also, though, our kind of lumpier revenue categories. As we've talked before, there -- we're pursuing larger employers and enterprises, which tend to have longer lead times, as well as we're factoring in a macroeconomic factor that could just make those lead times be a bit longer. Having said that, we still see mental health care coverage for employees being the highest priority for decision makers, for companies.

On the B2B payor revenue, like I said, we see this being our biggest growth driver, becoming the largest portion of our revenue base going forward. This is -- we've seen really strong growth in sessions completed in this category in the last several quarters. And like we said, we continue to see this growth in Q1.

So with that, I'll pass it to Jon.

**Jon R. Cohen**
*CEO & Director*

I think that I've talked about before, the addressable market is unknown because it's so large. What we're seeing is to reiterate a significant demand on what -- really calling the enterprise and, as Jennifer mentioned, BH and EAP side.

But let me just talk about the enterprise side. The reason you call it enterprise -- because it's not -- there's a significant number of large employers. We divide it up by both large and smaller employers, depending on the number of employees. We've also seen other significant interest on the education side, universities, colleges, public schools, and actually also on the government side, cities and states. So the demand has been significant. We've built out the commercial organization, and we continue to build out the commercial organization to address the needs as we see them come in during the year.

**Operator**

We'll go next to Ryan Daniels at William Blair.

**Jack A. Senft**

*William Blair & Company L.L.C., Research Division*

This is Jack on for Ryan. It looks like we saw a decent step down in spend on clinical operations, both in absolute and relative terms this quarter. And I'm kind of surprised to hear in your prepared remarks that you also experienced double-digit provider growth, especially alongside this delta. Any commentary on to what drove this lower clinical operating expense?

**Jennifer Fulk**
*Chief Financial Officer*

So there's 2 things of note. First is, the cost of our therapists that are providing service to the network, are captured in our cost of goods. So it will be captured in our margin line. The step-down in clinical operations on a reported basis was the impact of some favorable -- a reversal of an accrual that was favorable to our expense base, that's captured in our nonrecurring items for the quarter.

**Jack A. Senft**
*William Blair & Company L.L.C., Research Division*

And then I guess, moving to marketing spend. We also saw a nice step-down this quarter, down roughly $4.3 million, and this is something similar to what we've seen over the past 5 quarters. So you're now sitting at roughly 47% as a percentage of sales. Any color into where you see the spend category sort of bottoming out? And with that, any insight into the forward cadence of this pullback?

**Jennifer Fulk**
*Chief Financial Officer*

So, yes. So we described $5 million removed in our cost base in the fourth quarter. So this included both our -- the expected impact that we had from some significant cost reductions that we described earlier in the fourth quarter. At this point, I would describe our run rate Q4 OpEx of $25 million as our new high watermark. So we said earlier, we're going to continue to scrutinize our cost structure, ensuring we're optimizing for efficiency.

We did this with several actions in the fourth quarter, but going forward -- and as enabled by our operational plan that we described, eliminating lower priority work or finding more cost-effective ways of getting work done will be the way we operate going forward. So this makes it to where we can eliminate that lower priority work to also fund important investments that we see as we sign them in organic revenue growth opportunities.

So these 2 things make us confident that our current cost base provides us with the operating leverage as we scale the revenue line.

**Operator**

We'll take our next question from Stephanie Davis at SVB Securities.

**Stephanie July Davis**
*SVB Securities LLC, Research Division*

I've got a math one, so buckle up for this one. But when I think about your path to EBITDA breakeven in 2Q '24, that implies not just 37 points of margin expansion this year, but an acceleration of that pace in the first half of next year, 22 points, and that's despite gross margins trending down and some seasonality in the business. And then if you look at it another way, it's $70 million of EBITDA dollars that you need to regain to get to breakeven, which represents half of your total OpEx, despite Jon's prepared comments. It sounded like there were some investments in a few of these OpEx categories.

So talk me through this math. How are you getting there? How is this pace accelerating? And what levers are you pulling in order to make sure you're able to grow while still having your OpEx halved?

**Jennifer Fulk**
*Chief Financial Officer*

So maybe a couple of things. One, earlier, I further described what we're seeing on the revenue lines without getting specific between the categories. We see growth on B2B payor. We're excited about our B2B DTE category, and we see a stabilization on the consumer line of move to margin. And again, we're not getting specific on category margins, but we've got -- we've noted before, our B2B categories have a lower margin. Having said that, we've got a few efforts underway that help to offset that.

So one is driving productivity within the network. There's a couple of items there. We took several actions last year related to our full-time therapist network, so eliminating lower productive areas of the network, and then going forward, only adding back full-time therapists as we're able to fulfill demand, and they're done in an efficient way. This leaves us with a lot of leverage as we grow our contractor network in a way that's really efficient. Essentially, it becomes a very variable -- just purely variable item on our margin line.

We're also working on the value of our offerings in terms of net price. I commented on both, in the third quarter and in the fourth quarter, having benefited from price renegotiations on more favorable terms, particularly in our DTE category. We have more opportunities here, I'll say, mainly in the payor space by improving our collection rates with payers. We have some positive projects underway where we see that as being an opportunity for us.

Having said that, then you go to OpEx. And like I said, we're going to continue to make sure that we're managing OpEx in the most optimal way across scrutinizing headcount, third-party spend, but also in terms of our advertising spend as we are focusing that spend on making sure we're maximizing profitability across the business.

**Jon R. Cohen**
*CEO & Director*

Yes, I want to reiterate that, if you look at the OpEx trajectory, the -- there is actually -- and not just in our mind, a plan, which is fairly significant and obviousm for more room for us to take out OpEx costs, and that is part of the trajectory about how we're going to get there to breakeven by, as we said, the first half of next year.

So the trajectory will continue is what I'm telling you. And we have -- so we have room there to continue to take out costs as needed. At the same time, remember, the platform is essentially built. It's been 10 years that we've built this base of a platform that functions extremely well. So although there will be some other possible capital investments in some other areas, there is not a significant need on the base of operations to further improve the product. So that's a really important issue.

We're not in a category of a digital company where we need to continue to invest significant dollars in a platform to make it functional. That is not the case here. So that is a really important issue for us as we move forward.

**Stephanie July Davis**
*SVB Securities LLC, Research Division*

So let's maybe dig in a little bit into one of those areas of spend that you mentioned, the sales and marketing side of the world, where it sounds like you're looking at B2C stabilizing, but maybe getting more efficiencies out of that. How should we think about the forward arc of your investments in the B2C business?

**Jennifer Fulk**
*Chief Financial Officer*

Yes. So, I guess -- and we've commented earlier about how we're viewing investments really on a kind of platform basis. So optimizing -- we've historically focused on consumer members. As we've commented on advertising spend -- you've heard us for the last several quarters, comment on how -- at this point, we have unified all aspects of our business. And that's really given the market trends that we described earlier. This -- the market is driven by people looking to leverage health [ care business ] to cover their therapy.

So for us, this includes optimizing our channels for acquisitions, meaning our media spend, regardless of payment type, and explicitly leveraging our advertising messages to aid awareness of our expansive covered lives. And we're seeing really encouraging results so far in the data that we've had with that messaging. So in short, we're maximizing overall profit, whether that acquisition and the denominator comes from a B2B payor or from a consumer member. And I guess we're seeing really good momentum on the B2B payor demand from these efforts.

**Jon R. Cohen**
*CEO & Director*

And, again, let me also reiterate. The investment in the marketing spend is targeted to all members. It is not a breakout like we're specifically targeting the B2C market. We're targeting members for -- as that affects the broad platform of the people. So that's -- it's a very -- obviously, it's somewhat of a different approach relative to how we address it, but it's no longer like we're saying, this is the amount of money we're going to put into marketing on the B2C side.

**Operator**

We'll go next to Daniel Grosslight of Citi.

**Daniel R. Grosslight**
*Citigroup Inc., Research Division*

I'm going to stick with the Steph's line of questioning here because we too were surprised on the cadence of OpEx improvement over the next year, 1.5 years or so. So maybe if I could take kind of the flip sort of -- flip side of that coin and focus on revenue growth. I guess, is there a way to dimensionalize how fast you have to grow the top line to get to that breakeven point in the first half of '24? Because at some point, there's only so much juice you can squeeze out of the cost structure that you have. You're going to need, I assume, to accelerate growth at some point or you're going to see some type of diseconomies of scale.

So can you just talk about how much growth you will need to see on the top line to reach that breakeven point in the first half of '24?

**Jennifer Fulk**
*Chief Financial Officer*

Maybe just a couple of points to add to what we already have, which is, I guess there's an element of -- first of all, just the growth in the B2B categories that we've already demonstrated. Like we said, we see continued momentum there, even in the first quarter. I'll say the difference between as we close this year and our revenue guidance for that versus an acceleration as we see in the first half would be impacted by our view of potential seasonality that we historically see.

We did see a moderation of growth in the fourth quarter. Like I mentioned, we were really pleased that we didn't see a big impact for that, but that is something to think about as you look at kind of run rate revenue and our expectations.

**Daniel R. Grosslight**
*Citigroup Inc., Research Division*

And then maybe a bigger picture question, and the question iis around controversies, more broadly. Not related to Talkspace specifically, but there's 2 controversies that came up recently in digital health more broadly. One, there was a news article a week or 2 ago -- I'm not sure if you saw this -- about an academic paper written by someone who used ChatGPT to conduct mental health visits without the patients actually knowing, I think. And it performed pretty well, ChatGPT, this AI tool.

So question one is, how can you -- or do you intend to use some new AI tools that have come to market more recently to make your provider network more efficient? That's controversy 1.

Controversy 2, just on the use of trackers like those to do some performance marketing to some members. How are you using member data to do performance marketing? Are you using Facebook pixels and sharing data with Google and other performance marketers to advertise to your potential members?

**Jon R. Cohen**
*CEO & Director*

So let me take the first. We have, for quite some time, been -- you may know we have a fairly robust research team, data analytics. So we have a more than a fair degree of data that looks at issues that you're referring to around AI. I will -- I'm going to reserve comments now to the -- at least the next -- probably the next quarter. But we already have in place substantial data analysis to look at how people perform and what those messages need to be [ for ] the therapist.

So what I mean by that is, I've seen and understand exactly what you're talking about relative to ChatGPT. Our approach on this is not -- right now, it's not going to be that a ChatGPT will provide a substitute in any way for the therapists. What the AI information can do though is -- what it will do is help direct the therapist in ways of which to provide better therapy for their patients. So that's where I see the next obvious place for AI to begin to have an impact to improve not just therapy, but the performance of the therapists, to improve the quality of the product that we're delivering to people. So that's what I believe is going to happen. And as I said, I'll have more to talk about that in the future.

But it is -- to answer your question, it is very much on our radar. And we have substantial information and experience with it that I'll talk about in the future. So that's A.

B, in terms of the data analysis relative to how the platform performs on social media, our marketing department is really, really good at this. They have now -- they have, and for some time been able to analyze where the marketing dollars go, who actually clicks through. So we will have the information on our social -- from our social media data around the analytics to be able to track how we're performing relative to our marketing spend. So that actually is already in place.

**Jennifer Fulk**
*Chief Financial Officer*

And just to add to that, we do not share pixels once the member engages back with us. So we are very, very -- we're absolutely confident we're not sharing personal information. I'm familiar with the article that you're describing, and I can assure you that it's not...

**Jon R. Cohen**
*CEO & Director*

It's not the case.

**Jennifer Fulk**
*Chief Financial Officer*

how we are operating.

**Jon R. Cohen**
*CEO & Director*

It's more along the spend. We know what the click-through is so that we can modify our spend rate.

**Operator**

And that does conclude the question-and-answer session. At this time, we'll turn the conference back over to Jon for any closing remarks.

**Jon R. Cohen**
*CEO & Director*

Okay. Well, first off, thank to all of you again for joining us this morning on Talkspace fourth quarter and year end 2022 earnings call. As I noted earlier in the call, our positive results from the last quarter, our sustained trajectory through January and our positive guidance for 2023 confirms my impressions on the absolute positive future of this business. We look forward to sharing updates on our progress sometime in the near future, and certainly on our next earnings call. Thank you once again.

**Operator**
And that concludes today's conference call. Thank you for your participation. You may now disconnect.

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