

LifeSpeak Inc. Announces Third Quarter 2024 Results

2024-11-07

- Third quarter 2024 revenue of \$11.8 million
- Adjusted EBITDA¹ for third quarter 2024 of \$3.0 million
- Third quarter Adjusted EBITDA Margin¹ of 26%

TORONTO, Nov. 7, 2024 /CNW/ - LifeSpeak Inc. ("**LifeSpeak**" or the "**Company**") (TSX: LSPK), the leading whole-person wellbeing solution for employers, health plans and other organizations, announced today its financial and operational results for the three and nine months ended September 30, 2024. All references to dollar values in this press release are in Canadian dollars, unless otherwise indicated.

"LifeSpeak's third quarter featured a consistent revenue base and a higher Adjusted EBITDA compared to prior quarters of this year due to our continued business development efforts as well as our focus on prudently managing our costs," said Michael Held, CEO and Founder of LifeSpeak. "Our previously announced agreement with Greenshield, one the most significant partnerships in our history, continued to scale up during the reporting period with meaningful financial contributions anticipated in the coming quarters. We also signed other significant clients and partners this quarter and shortly thereafter that we are very excited about, and we expect to see consistency moving into the fourth quarter followed by improvements in subsequent quarters."

Consolidated Business Highlights for the Three Months Ended September 30, 2024

(All capitalized terms not defined herein shall have the meaning ascribed to them in the Management's Discussion and Analysis for the three months ended September 30, 2024, unless otherwise stated)

- Third quarter 2024 revenue reached \$11.8 million, a decrease of 9% compared to the same period in 2023.
- ARR² of \$45.9 million as at September 30, 2024, representing a decrease of 11% over the same period in 2023. Of the \$45.9 million of ARR², approximately \$39.4 million, or 86%, originated from enterprise clients. Of

the \$45.9 million of ARR2, approximately 67% originated from clients outside of Canada.

- ARR2 is reported on a constant currency basis using a 1.300 USD:CAD exchange rate. When adjusting for the exchange rate at the end of the third quarter 2024 of 1.3499 USD:CAD, ARR2 would be approximately \$47.0 million.
- Third quarter 2024 Adjusted EBITDA¹ of \$3.0 million, a slight decrease of \$0.3 million compared to the same period in 2023, and 17% higher compared to second quarter 2024 Adjusted EBITDA¹.
- Third quarter 2024 Adjusted EBITDA¹ Margin of 26%.
- Third quarter 2024 net loss of \$5.7 million, an increase from a net loss of \$2.0 million in the third quarter of 2023.
- Notable new clients for the third quarter of 2024 and shortly thereafter included GreenShield, Allstate, Asset Health, Springbuk, Dayforce, Collective Health and Beanstalk.
- The multi-product agreement with GreenShield, a leading Canadian integrated health and benefits organization, is highly significant to LifeSpeak in its scale, and continues to ramp up with meaningful financial contributions towards LifeSpeak's business.
- The Company announced the appointment of Lee Dabberdt as its new Chief Financial Officer, effective August 5, 2024. Ms. Dabberdt's addition has strengthened LifeSpeak's senior leadership team and augmented its ability to scale its business.
- LifeSpeak announced on September 27, 2024, that it entered into a forbearance and amending agreement with Beedie Investments. Concurrently, the Company entered into a forbearance agreement with its senior lenders. LifeSpeak has historically had strong relationships with its lenders and intends to continue to work productively and constructively with them going forward to optimize its capital structure.

¹ See "Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators" for a definition of "Adjusted EBITDA" and "Adjusted EBITDA Margin"

² See "Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators" for a definition of "ARR"

ARR, Number of Clients, Consolidated Net Dollar Retention Rate and Logo Retention Rate

ARR2 was approximately \$45.9 million as at September 30, 2024, with core enterprise client ARR2 of approximately \$39.4 million.

ARR2 was broken down as follows over the last five quarters:

(In thousands of Canadian dollars)	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q3-2024 YoY Growth
Enterprise Client ARR	43,619	43,447	41,717	41,281	39,368	(10 %)
Embedded Solutions Clients & Other ARR	7,913	7,585	6,717	7,044	6,515	(18 %)
Total ARR	51,532	51,032	48,434	48,324	45,883	(11 %)

Total Number of Clients³ was 847 as at September 30, 2024, compared to 987 as at September 30, 2023.

Number of Clients³ broken down as follows over the last five quarters:

	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q3-2024 YoY Growth
Total Enterprise Clients	973	942	902	881	839	(14 %)
Total Embedded Solutions Clients	15	14	12	12	8	(47 %)
Total Number of Clients	988	956	914	893	847	(14 %)

Consolidated Net Dollar Retention Rate⁴ for the quarter was 82%, compared to 88% during the same period in 2023, lower primarily due to an increase in overall Enterprise Client churn, offset by cross-sell and multi-product opportunities within the existing Enterprise Client base.

Logo Retention Rate⁵ was 73% as at September 30, 2024 compared to 87% for the comparable period in 2023. The lower Logo Retention Rate⁵ is primarily attributable to the loss of smaller enterprise client logos within the portfolio of customers. Despite the decrease in Number of Clients³, the relative contribution to ARR² of new clients is, on average, larger than that of lost clients.

³ See "Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators" for a definition of "Number of Clients"

⁴ See "Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators" for a definition of "Net Dollar Retention"

⁵ See "Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators" for a definition of "Logo Retention Rate"

Financial Results for the Three and Nine Months Ended September 30, 2024:

(In thousands of Canadian dollars)

Selected Consolidated Financial Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	11,799	12,898	36,622	39,458
Content development costs	1,244	1,264	3,892	3,801
	10,555	11,634	32,730	35,657
Deduct Expenses:				
Sales and marketing	2,458	2,476	8,041	8,123
General and administrative	5,546	6,230	17,912	19,376
Share-based compensation	355	751	605	3,607
Foreign exchange loss (gain)	1,047	(1,626)	(1,475)	267
Amortization and depreciation	3,530	3,925	10,573	12,058
	12,936	11,756	35,656	43,431
Loss from operations	(2,381)	(122)	(2,926)	(7,774)
Changes in fair value of contingent consideration	-	5	-	(3,533)
Finance expense, net	4,139	2,546	8,937	7,210
Loss before income taxes	(6,520)	(2,673)	(11,863)	(11,451)
Income taxes recovery	(818)	(692)	(2,313)	(2,863)
Net Loss	(5,702)	(1,981)	(9,550)	(8,588)
Earning (loss) per share - basic	(0.10)	(0.04)	(0.17)	(0.17)
Earnings (loss) per share- diluted	(0.10)	(0.04)	(0.17)	(0.17)
Non-IFRS Measures				
EBITDA (1)	1,149	3,798	7,647	7,817
Adjusted EBITDA (2)	3,038	3,252	8,336	10,270
Adjusted Net Loss (3)	(3,813)	(2,527)	(8,861)	(6,135)
Adjusted loss per share – basic (4)	(0.06)	(0.05)	(0.16)	(0.12)
Adjusted loss per share – diluted (5)	(0.06)	(0.05)	(0.16)	(0.12)

Notes:

- (1) "EBITDA" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".
- (2) "Adjusted EBITDA" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".
- (3) "Adjusted Net Loss" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".
- (4) "Adjusted loss per share – basic" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".
- (5) "Adjusted loss per share – diluted" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".

Conference Call Notification

The Company will hold a conference call to provide a business update on Thursday, November 7, 2024, at 8:30 a.m. ET hosted by:

- Nolan Bederman, Executive Chairman
- Michael Held, CEO
- Lee Dabberdt, CFO

A question-and-answer session will follow the business update.

CONFERENCE CALL DETAILS

DATE:	Thursday, November 7, 2024
TIME:	8:30 a.m. ET
DIAL-IN NUMBERS:	1.800.715.9871 or 1.646.307.1963
REFERENCE NUMBER:	1042138

This live call is also being webcast and can be accessed by going to:

<https://events.q4inc.com/attendee/604155768>

An archived telephone replay of the call will be available for two weeks by dialing 1.800.770.2030 or 1.609. 800.9909 and entering access code 1042138.

Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators

LifeSpeak supplements its results of operations determined in accordance with IFRS with certain non-IFRS financial measures, non-IFRS ratios and key performance indicators that the Company believes are useful to investors, lenders and others in assessing its performance and which highlight trends its core business that may not otherwise be apparent when relying solely on IFRS measures. LifeSpeak management also uses non-IFRS measures, non-IFRS ratios and key performance indicators for purposes of comparison to prior periods, to prepare annual operating budgets, for the development of future projections and earnings growth prospects, to measure the profitability of ongoing operations and in analyzing our financial condition, business performance and trends. As such, these measures and indicators are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective, including how it evaluates its financial performance and how it manages its capital structure. LifeSpeak also believes that securities analysts, investors and other interested parties frequently use these non-IFRS measures, non-IFRS ratios and key performance indicators in the evaluation of issuers. These non-IFRS measures, non-IFRS ratios and key performance indicators are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may include or exclude certain items as compared to similar IFRS measures, and such measures may not be comparable to similarly-titled measures reported by other companies. Accordingly, these measures and indicators should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

Non-IFRS Measures, Non-IFRS Ratios and Reconciliation of Non-IFRS Measures

The Company uses non-IFRS measures, including "EBITDA", "Adjusted EBITDA", "Adjusted Net Loss", and the non-IFRS ratios, including "Adjusted loss per share – basic", "Adjusted loss per share – diluted" and "Adjusted EBITDA Margin". This press release also makes reference to "Annual Recurring Revenue" or "ARR", "Net Dollar Retention Rate", "Number of Clients" and "Logo Retention Rate", which are key performance indicators used in our industry.

EBITDA and Adjusted EBITDA

"EBITDA" is defined as net loss before income tax recovery, finance expenses, net and amortization and depreciation.

"Adjusted EBITDA" is defined as EBITDA before acquisition and other costs, share based compensation, foreign exchange loss (gain), impairment, changes in fair value of contingent consideration, synergies realized and additional one-time items. These non-cash and/or non-recurring costs are independent events and incurred over several financial periods.

"Adjusted EBITDA Margin" is calculated as Adjusted EBITDA divided by revenue for the relevant period.

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	(5,702)	(1,981)	(9,550)	(8,588)
Add:				
Amortization and depreciation expense	3,530	3,925	10,573	12,058
Finance expense	4,139	2,546	8,937	7,210
Income tax recovery	(818)	(692)	(2,313)	(2,863)
EBITDA (1)	1,149	3,798	7,647	7,817
Add:				
Share-based compensation	355	751	605	3,607
Foreign exchange loss (gain)	1,047	(1,626)	(1,475)	267
Changes in fair value of contingent consideration	-	5	-	(3,533)
Synergies realized (2)	149	61	279	598
Additional one-time costs (3)	338	263	1,280	1,514
Adjusted EBITDA (4)	3,038	3,252	8,336	10,270
Adjusted EBITDA Margin (5)	26 %	25 %	23 %	26 %

Notes:

(1) "EBITDA" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".

(2) Synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees and professional services.

(3) One-time costs related to non-recurring expenses and restructuring costs.

(4) "Adjusted EBITDA" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".

(5) "Adjusted EBITDA Margin" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios

and Key Performance Indicators".

Adjusted Net Loss / Adjusted Earnings (Loss)

"Adjusted Net Loss" is defined as net loss before other costs, share based compensation, foreign exchange loss (gain), impairment, changes in fair value of contingent consideration, synergies realized and additional one-time items. These non-cash and/or non-recurring costs are independent events and incurred over several financial periods.

"Adjusted loss per share – basic" is defined as Adjusted Net Loss divided by the weighted average number of shares outstanding – basic for the relevant period.

"Adjusted loss per share – diluted" is defined as Adjusted Net Loss divided by the weighted average number of shares outstanding – diluted for the relevant period.

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	(5,702)	(1,981)	(9,550)	(8,588)
Add:				
Share-based compensation	355	751	605	3,607
Foreign exchange loss (gain)	1,047	(1,626)	(1,475)	267
Changes in fair value of contingent consideration	-	5	-	(3,533)
Synergies realized (1)	149	61	279	598
Additional one-time costs (2)	338	263	1,280	1,514
Adjusted Net Loss (3)	(3,813)	(2,527)	(8,861)	(6,135)
Adjusted earnings per share – basic (4)	(0.06)	(0.05)	(0.16)	(0.12)
Adjusted earnings per share – diluted (5)	(0.06)	(0.05)	(0.16)	(0.12)

Notes:

- (1) Synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees and professional services.
- (2) One-time costs related to non-recurring expenses and restructuring costs.
- (3) "Adjusted Net Loss" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures and Key Performance Indicators."
- (4) "Adjusted loss per share – basic" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".
- (5) "Adjusted loss per share – diluted" has the meaning ascribed herein under "Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators".

Key Performance Indicators

Annual Recurring Revenue

"Annual Recurring Revenue" or "ARR" is equal to the annualized value of contracted recurring revenue from all clients of our platform at the date being measured. Contracted recurring revenue is revenue generated from clients who are, as of the date being measured, party to contracts with LifeSpeak. Such revenue is annualized by: (i) in the case where a contract was in existence for the entire month, multiplying recognized revenue in the calendar month of the date measured by 12; and (ii) in the case where a contract was entered into mid-month, extrapolating recognized revenue at the date measured for the entire calendar month, and then multiplying by 12. Contract lengths typically range from one to three years and, based on our past experience, the vast majority of clients renew their contracts upon expiry. ARR is mainly comprised of revenue from enterprise and embedded solutions and includes revenue from small business and ancillary services (comprised of portals, kits and events purchased by our existing clients or distributed through our channel partners). ARR provides a consolidated measure by which we can monitor the longer-term trends in our business.

"Embedded solutions client and other ARR" is ARR at a particular date attributable to our embedded solutions clients and ARR associated with clients who are not of sufficient size to be considered enterprise clients.

"Enterprise client ARR" is ARR at a particular date attributable to enterprise clients.

Net Dollar Retention Rate

"Net Dollar Retention Rate" for a period is defined by considering a cohort of clients at the beginning of the period, and dividing the ARR from enterprise and embedded solutions attributable to that cohort at the end of the period, by the ARR from enterprise and embedded solutions attributable to that cohort at the beginning of the period. Net Dollar Retention Rate provides a consolidated measure by which we can monitor the percentage of recurring ARR retained from existing clients.

Number of Clients

"Number of Clients" is defined as the number of clients at the end of any particular period as the number of enterprise clients and clients of our embedded solutions for which the term of services has not ended, or with which the Company is negotiating contract renewal and which meet a minimum revenue threshold.

Logo Retention Rate

"Logo Retention Rate" for a period is defined by considering a cohort of clients at the beginning of the period, and dividing the Number of Clients from that cohort at the end of the period, by the Number of Clients from that cohort at the beginning of the period. Logo Retention Rate provides a consolidated measure by which the Company can monitor the percentage of contracted clients retained every year.

About LifeSpeak Inc.

Celebrating 20 years of supporting wellbeing, LifeSpeak Inc. is the leading provider of mental, physical, and family wellbeing solutions for employers, health plans, and other organizations across the globe. With a suite of digital solutions, LifeSpeak enables organizations to deliver best-in-class content and human expertise at scale, catering to individuals throughout their wellbeing journeys. The LifeSpeak Inc. portfolio of solutions spans every pillar of wellbeing, including LifeSpeak Mental Health & Resilience, Wellbeats Wellness, Torchlight Parenting & Caregiving, ALAViDA Substance Use, and LIFT session Fitness. Insights from LifeSpeak Inc.'s digital and data-driven solutions empower organizations and individuals to take impactful action to strengthen wellbeing and maximize workplace performance. To learn more, follow LifeSpeak Inc. on LinkedIn, or visit <http://www.LifeSpeak.com>.

Forward-Looking Information

This press release may contain "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information may relate to the Company's future business, financial outlook and anticipated events or results and may include information regarding the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, and the Company's plans and objectives. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "potential", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Particularly, information regarding the Company's expectations of future results, revenue growth, ARR, EBITDA, adjusted EBITDA margin, adjusted EBITDA, adjusted Net Loss, adjusted Earnings (Loss), Number of Clients, Net Dollar Retention Rate, Logo Retention Rate, performance, synergies, achievements, prospects, industry trends, advancement of its strategy and acceleration of its growth, amortization, contribution of new clients to ARR, the amortization schedule and loan repayments, the amount of senior indebtedness remaining, or opportunities, including for cross-selling, the markets in which the Company operates, and the Company's plan to remedy of its breach of covenants under its credit arrangements and relationship with its lenders is forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances.

This forward-looking information are based on opinions, estimates, plans and assumptions in light of the Company's experience and perception of historical trends, current conditions and expected future developments,

as well as other factors that the Company currently believes are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates, plans and assumptions will prove to be correct. These opinions, estimates, plans and assumptions include, but are not limited to, the following: the Company's ability to build its market share and enter new geographies; the total available market for its products; the Company's ability to retain key personnel; the Company's ability to maintain and expand geographic scope; the Company's ability to execute on its expansion plans; the Company's ability to continue investing in infrastructure to support its growth and brand recognition; the Company's ability to maintain its existing client base; the Company's ability to continue maintaining and enhancing its technological infrastructure and functionality of its platform; to the Company's ability to obtain financing on acceptable terms; the Company's ability to meet its amortization schedule in the future; decisions made by the Company's lenders; the Company's ability to effectively integrate its acquisitions; the Company's ability to generate sufficient cash to deleverage, the impact of competition; the changes and trends in the Company's industry or the global economy; and changes in laws, rules, regulations, and global standards.

The risks and uncertainties that may affect forward-looking statements include, among others: performance of the market sectors that the Company serves; general market performance including capital market conditions and availability and cost of credit; foreign currency and exchange risk; impact of factors such as increased pricing pressure and possible margin compression; the regulatory and tax environment; the Company's ability to negotiate with its lenders; that expected cost and revenue synergies are not realized within the expected timeframe or at all; that revenue, ARR, EBITDA margin and cash flow expectations are not met for any number of reasons; political, labour or supplier disruptions; that our clients face recessionary pressures, and other risks detailed from time to time in the Company's filings with Canadian provincial securities regulators, including the risk factors which are described in greater detail under "Risk Factors" in the Company's most recently available annual information form. Although the Company has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not currently known to the Company or that the Company currently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information.

Accordingly, prospective investors should not place undue reliance on forward-looking information. The forward-looking information contained in this press release represents the Company's expectations as of the date of this press release (or as the date it is otherwise stated to be made) and is subject to change after such date. However, the Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities laws.

All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements. Prospective investors should read this entire press release and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of an investment in the Company.

SOURCE LifeSpeak Inc.