Hinge Health
Q3 2025
Earnings Script

Introduction

Bianca Buck

Good afternoon, and welcome to Hinge Health's third quarter 2025 earnings call. I'm Bianca Buck, Head of Investor Relations.

With me on the call are Daniel Perez, our Co-founder and CEO; Jim Pursley, our President; and James Budge, our CFO. I want to thank everyone for joining us today. We'll be walking you through our Q3 performance and sharing key updates on our product innovations and commercial momentum.

As a reminder, this conference call is being recorded. All relevant materials are available on the Investor Relations section of our website.

Today's discussion will include forward-looking statements, which are subject to various risks, uncertainties, and assumptions. These statements reflect our current views and expectations regarding future events, including expected performance of our business, future financial results, and growth strategies. While these statements represent our good faith judgment and beliefs, actual results may differ materially from those projected or implied. We undertake no obligation to update any forward-looking statements, except as required by law. For a detailed discussion of the risks, please refer to our SEC filings, including our most recent quarterly report on Form 10-Q.

All income statement financial measures discussed today are non-GAAP, except for revenue which is GAAP. These measures should be viewed in addition to, and not as a substitute for, our GAAP results. Reconciliations to the most comparable GAAP measures are included in our earnings release appendix.

With that, I'll turn it over to Dan.

Overview of business section

Daniel Perez

Thanks, Bianca, and good afternoon everyone.

Q3 showed what our strategy is built to do: automate care delivery to improve outcomes, experience, and reduce costs - all while underpinning a strong business.

We'll cover 5 topics today

1. Firstly: our results. I'll give you a high-level view of the quarter and the momentum in our core metrics.

2. Second: I'll share key product updates - particularly our AI initiatives transforming how we deliver care to our members. This includes our AI Care Assistant, Robin, our new Movement Analysis capability, and how we're using AI to drive efficiency across our entire organization.

3. Third, Jim will cover sales season progress and updates on HingeSelect, our high-performance provider network.

4. From there, James will walk you through the detailed financials and our updated guidance for the remainder of the year.

5. And lastly, I'll wrap up with thoughts on why we're so confident about the path ahead before we open it up for your questions.

Let's dive in.

Financial snapshot

Daniel Perez

First, let me start with the numbers that really tell the story of our momentum in automating care delivery.

We delivered $154 million in revenue for Q3, representing 53% year-over-year growth. Our last-twelve-month calculated billings reached $624 million, up 50% compared to the same period last year. These results demonstrate the strength of our current execution and highlight the incredible opportunity ahead in automating the largest services industry in the United States - healthcare.

Our operational efficiency improved substantially year-over-year. Gross margin was 83% this quarter, up from 79% in Q3 of last year, reflecting the scalability of our technology-driven care model. Operating margin reached 20%, a significant improvement from negative 4% in Q3 last year, showing how quickly our investments in automation and AI are driving meaningful leverage across our growing business.

And notably, we generated $81 million in free cash flow this quarter compared to $28 million in Q3 2024. This represents a free cash flow margin of 53%, highlighting the strength of our business model and operational efficiency.

Product updates

Daniel Perez

Before I dive into our product updates, I want to remind everyone of our core mission: we're building technology to automate the delivery of healthcare, starting with musculoskeletal conditions. This quarter, we reached an important milestone: surpassing 1.5 million lifetime members who have trusted us with their care. Everything we do is centered around the triple aim: using technology to transform outcomes, experience, and costs in healthcare.

To that end, I'm excited to share three key product areas where we've made significant progress this quarter.

First, our always-on AI Care Assistant, Robin - that's transforming how we support our members. Think of Robin as a smart and increasingly capable companion that's available 24/7 to help members navigate their care.

Now a typical care journey for back or joint pain isn't linear, people will have good days and bad. When someone experiences a pain flare-up, Robin recognizes this through member reported data and immediately gathers important details, shares helpful resources, and alerts their physical therapist so care can be delivered faster. Beyond pain events, Robin will soon provide instant support, answer common questions, and proactively check in with members to keep them on track with their recovery. This isn't just convenience for our members - it's technology that delivers immediate support at the exact moment people need it most, while laying the infrastructure for an AI Agent that doesn't just answer, it *acts*.

For our clients, this allows us to drive higher member engagement, improved health outcomes, and therefore cost savings, which directly benefit Hinge Health through improved client retention, demonstrable ROI, and higher member enrollment yields.

Second, we've built the ability to perform an automated Movement Analysis using our TrueMotion® computer vision technology. There are many measurement tools to track outcomes in MSK care - while valuable, almost all rely on subjective questions and are therefore self-report only. Our new Movement Analysis uses our advanced computer vision technology to capture joint angles, symmetry, and endurance across a short battery of movements to produce Hinge Scores that are objective and comparable over time. Pairing these objective measurements with a few targeted questions gives clinicians and members a fuller and more actionable picture of their joint health. Members simply use the front-facing camera on their phone, and our technology does the rest.

Finally, we're continuing to weave AI throughout our entire organization to drive efficiency and innovation. One example I'd love to highlight is how we've used AI to transform how we build our product. Gabriel, my cofounder, has been personally threading AI throughout our engineering team. I'm proud to say that we've:

1. Increased code output by 120% and pushed new features live 3x faster in Q3 2025 compared to Q3 2024
2. We've increased AI adoption among our engineers from around 20% in Q1 to close to 100% today
3. And finally, we've also seen a 32% improvement in developer experience scores from April through October. Our engineering team is not only more productive, they're happier too.

These improvements are already impacting our operating margin, and we're just getting started.

With that, let me turn it over to our President, Jim, to discuss our market momentum.

Commercial updates

Jim Pursley

Thank you, Dan. As highlighted, our continued product innovation allows us to measurably improve health outcomes, delight members and lower medical costs, directly translating to client retention, which is the foundation of our commercial success.

Before diving into our Q3 performance, I'd like to remind everyone about our sales cycle and seasonality. The majority of our clients sign contracts with us in the second half of the calendar year, aligning with the typical employee benefit enrollment period. Most of these clients then launch in the first half of the following year, which creates a predictable rhythm to our business.

I'm pleased to report that our sales season is progressing very well and we're ahead of where we were at this point last year. We ended Q3 with a strong base of 2,560 contracted clients, up 25% year-over-year, and we expect that number to grow substantially in Q4 as we finalize contracts with clients who gave us verbal commitments during Q3. What's nice about our model is that even when contracts aren't finalized yet, clients still promote Hinge Health during their benefits fairs and open enrollment periods. Additionally, since the majority of our clients are contracted through our health plan partnerships, there's limited negotiation or legal complexity in contracting because the terms are pre-agreed and standardized.

Year-to-date our head-to-head win rate is up year-over-year, which speaks to the strength of our value proposition - and our widening lead. We're seeing strong performance in several key markets. First, we're winning with jumbo clients – those large self-insured groups with over 100,000 lives. Second, we're seeing great traction in the federal space, including having our best year ever with Federal Employee Programs. Third, our fully-insured segment continues to perform well, which is particularly validating since health plans themselves are the purchasers in this segment – and as actuaries by profession, their adoption validates the real cost savings we're able to deliver. We look forward to sharing more detailed metrics on these wins in our full year earnings report next quarter, after the completion of the sales season.

Now, let me provide an update on HingeSelect, our high-performance provider network that creates a unified experience by combining our digital platform with high-quality in-person care when needed.

This quarter we went live with our first clients, and while it's still in the early days, the initial feedback and learnings are very positive. This gives us confidence as we prepare for broader market rollout.

Our provider network is coming together nicely. At the end of Q3, we had contracted with over 3,300 high-quality provider locations across all 50 states, creating comprehensive coverage for our members and we expect to significantly increase our footprint over the next 12 months. Currently 86% of our lives live within the HingeSelect network footprint, which positions us well for our continued rollout.

On the client adoption front, we have clients representing hundreds of thousands of eligible lives who have already committed to HingeSelect. These clients are either launching the program now or planning to launch next year, and importantly, all of them are existing clients of our core digital program, which validates HingeSelect as a natural extension of our offering. Beyond these committed clients, we have clients representing millions of lives in our pipeline where we're having active discussions - this includes both new prospects who see HingeSelect as a differentiator and existing clients looking to expand their relationship with us. Moreover, we’re in advanced discussions with multiple health plan and PBM partners to streamline HingeSelect adoption with our mutual clients.

With that commercial update, let me turn it over to James to walk through our detailed financial results and outlook.

Financial highlights

James Budge

Thanks, Jim. Let's break down our third quarter financial performance a bit.

As a reminder, our billings model is built on three key drivers: lives, yield, and average price. Lives represent the number of people eligible for our program, yield is the percentage of those eligible lives who actually enroll and engage with us as a member, and price is what we charge per engaged member. When you multiply these three factors together, the result is our calculated billings, which is the foundation of our revenue model.

For the third quarter, our LTM calculated billings reached $624 million, representing 50% year-over-year growth compared to $417 million in Q3 2024. Revenue came in at $154 million, up 53% year-over-year from $101 million in Q3 last year. This revenue performance exceeded the high end of our guidance range of $141 to $143 million, due to strong billings performance stemming from the continued strength of our underlying fundamentals.

We saw solid performance across all three drivers of our billings formula.

Eligible lives came in as expected, reflecting the healthy growth in our client base and the successful launches of new clients throughout the year.

Yield was also a strong contributor to Q3 billings. Our targeted enrollment initiatives are particularly noteworthy - we saw enrollees from our targeted enrollment activities this quarter more than double compared to Q3 2024. Targeted enrollment is where we use data from our HingeConnect platform to reach members at their highest point of need. We also rolled out member challenges this summer to encourage movement during seasonally slower months, where members could earn awards and badges for meeting their goals. These initiatives contributed to strong engagement and overall excellent yield performance.

On the pricing side, our new engagement-based pricing model continues to perform as expected, with our average selling price remaining essentially flat for the year. As of the end of Q3, about 48% of our eligible lives had opted for the new pricing model.

Moving to our operating efficiency, our gross margin reached 83% in the third quarter, up from 79% in Q3 last year. This 400-plus basis point improvement was driven by continued enhancements in care team efficiency, largely enabled by the initiatives Dan mentioned, like our AI-powered tools that help our clinicians work more effectively and handle more members without compromising quality care.

We also saw strong operating leverage across all expense categories. Total operating expenses were 63% of revenue in Q3, down from 83% in the same quarter last year, demonstrating our continued focus on operational efficiency even though we made deliberate investments to fund more long-term growth opportunities such as new products, improved enrollment, and our go-to-market functions.

This operating leverage translated to strong profitability. We generated $30 million in income from operations, significantly ahead of our guidance range of $17 to $21 million, and with a 20% operating margin, a substantial improvement from negative 4% operating margin in Q3 2024.

As we continue to grow and evolve, we are consistently looking for ways to become more efficient. And one of the many areas where we have seen improvement is in collections. Improved collections combined with the billings overperformance, and overall cost discipline, drove our all-time high free cash flow margin of 53% this quarter, generating $81 million in free cash flow. Through the first three quarters of 2025, we've generated $118 million in free cash flow, which represents approximately $1.25 of free cash flow per share using our Q3 fully diluted shares outstanding of 94.5 million.

We ended the quarter with $497 million in cash, up from $415 million at the end of Q2.

Financial guidance and outlook

James Budge

Looking ahead, I'm pleased to provide our updated guidance for both the fourth quarter and full year 2025, which reflects the strength we're seeing across our business.

For the fourth quarter of 2025, we expect revenue to be in the range of $155 to $157 million, representing 33% year-over-year growth at the midpoint. For non-GAAP income from operations, we're projecting $34 to $36 million in Q4, or a 22% margin at the midpoint.

For the full year 2025, we are raising our revenue guidance to a range of $572 to $574 million, which represents 47% year-over-year growth at the midpoint. This is a meaningful increase from the $548 to $552 million range provided last quarter.

For full year non-GAAP income from operations, we now expect $106 to $108 million, a 19% margin at the midpoint and also a meaningful raise from our prior guidance of $77 to $83 million.

Several factors are driving this improved outlook. First, we're seeing continued strength in our core business fundamentals, with solid performance across lives, yield, and pricing. Second, our strong Q3 and year-to-date billings performance gives us confidence to raise our full year revenue targets. Third, the operational efficiency gains we're achieving through AI initiatives are flowing through to the bottom line faster than we previously expected.

Given this overperformance, and the strong cash position we have, we are prioritizing investments in growth and expanding our market reach as we continue building the future of healthcare. Indeed, we already have promising preliminary data on our next product. Moreover, we'll continue to take a disciplined approach to capital allocation — investing in growth while remaining focused on expanding margins and driving sustainable returns.

From a share count perspective, we expect our fully diluted shares outstanding to be around 95 million by the end of this year. We recognize the importance of balancing investment in growth with maintaining an efficient capital structure, and we'll continue to be thoughtful in how we manage dilution over time.

Finally, I want to remind everyone that our lock-up period expires at the end of the day on November 17th, with shares free to trade on November 18th. This represents a natural milestone in our journey as a public company. Of the 94.5 million fully diluted shares outstanding at the end of Q3, 17 million are already free to trade from the IPO and early lock-up release, and the remaining 77 million are being unlocked. 41 million of those shares however are either unvested and ineligible to trade, or owned by directors, officers and board represented pre-IPO investors.

The combination of our strong financial performance, robust cash generation, and strategic investments positions us well for continued growth and market leadership, and we look forward to sharing more with you in the coming quarters.

With that, let me turn it back over to Dan for some closing thoughts.

CEO wrap up

Daniel Perez

Thanks James.

I'd like to emphasize a point James made on our capital allocation strategy. Our team has shown we can execute to not only grow top-line, but grow it efficiently. Our strong free cash flow allows us to continue investing in organic growth, while giving us the optionality to evaluate and execute targeted M&A opportunities and return capital to our stockholders. You should all expect we'll continue driving both revenue growth and profitability. We are committed to managing this business to strong GAAP profitability. That means we see stock-based compensation as a real expense, and just like any other expense, we're going to manage it closely. Indeed, we've brought dilution down for 3 straight years, and we'll continue to be thoughtful in this domain.

As I reflect on this quarter's results and look ahead, I'm incredibly confident about our business.

Firstly, from a product perspective, there's a vast opportunity ahead in automating healthcare delivery. Physical therapy is only 1.2% of total healthcare spend yet is a $60bn+ market in the United States. As we automate other aspects of care outside of PT, even a similarly sized slice can represent tens of billions of dollars in TAM.

Secondly, our commercial momentum is also exciting. We're trusted by our clients and partners to build products that don't just automate care but deliver improved outcomes, better experiences, and lower costs. That performance is evident in our higher win-rates year-over-year.

Thanks for your time and continued support of our mission.