Hinge Health
Q2 2026
earnings script

Introduction

Bianca Buck

Good afternoon, and welcome to Hinge Health's second quarter 2026 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. 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 Annual Report on Form 10-K for the year ended December 31, 2025 and our Quarterly Reports on Form 10-Q. We expect to file our next Quarterly Report on Form 10-Q in the coming days.

All income statement financial measures discussed today other than revenue, are non-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 the appendix to our earnings release.

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

Overview of business section

Daniel Perez

Thanks, Bianca.

Q2 was another strong proof point that our vision of automating care delivery is working. We delivered excellent financial results, made meaningful progress on our product roadmap, and are set up well heading into the sales season and beyond.

Today, we'll walk you through a few key areas.

- First, I'll give you a snapshot of our Q2 financial performance and why we feel great about how the business is tracking.
- Second, I'll share updates on our product expansion—specifically how we're moving from being a clear leader in automating care for MSK conditions to automating care across conditions with real traction in Migraine and our entry into gastrointestinal health.
- After that, I'll hand it over to Jim, who'll dive into the commercial side—our pipeline strength, the wins we're seeing in both enterprise and SMB, and how our multi-product strategy is driving deeper relationships with clients.
- Then James will take you through the financials in detail and share our updated guidance for the year. And of course, we'll open it up for your questions at the end.

With that, let me jump into the numbers.

Financial snapshot

Daniel Perez

Q2 was an outstanding quarter across the board. We delivered revenue of $213 million, which represents 53% year-over-year growth. Our LTM calculated billings came in at $862 million, up 52% from last year. These numbers reflect the strength of our business model and the value we're delivering to our members and clients.

On profitability, we're seeing substantial operating leverage. Operating income more than doubled from a year ago to $62 million, and operating margin expanded to 29% from 19%. We also generated 3x more free cash flow in Q2 this year at $100 million compared to $33 million last year. That was a 47% free cash flow margin in Q2 compared to 23% in Q2 last year.

James will walk you through all the details in a bit, including our updated expectations for the rest of the year. But the short version is this: the fundamentals of the business are strong, execution remains solid, and we're continuing to build a platform that delivers clinical outcomes, growth and cash flow.

Now let me shift to what we're building on the product side.

Product updates

Daniel Perez

Over the past 12 years, we've built Hinge Health into a leader in musculoskeletal care. We serve nearly 3,000 clients - including more than half the Fortune 100 - and we've helped millions of people reduce their pain and avoid unnecessary procedures. Our foundation in MSK is incredibly strong. But what's even more powerful is that the platform enabling it isn't limited to MSK alone - it was designed to scale across multiple conditions.

Our vision has always been to use technology to automate the delivery of care, within MSK and beyond. And this quarter, I'm excited to share that we're making that vision even more real. We're not just talking about TAM expansion - we're proving the vision with real products, real client demand, and real member engagement.

Let me walk you through two big areas of progress.

First, Migraine.

Last quarter, we launched our Migraine Care Program. We now have over 450 clients signed up, covering more than 5 million lives. This is meaningful adoption in a short period of time, and it shows that employers see migraine as a real pain point they need to solve.

The early signals on the member side are strong as well. Both enrollment and early engagement metrics are coming in as expected and we're excited to continue building on this baseline.

Our Migraine Care Program has gained traction quickly because we've built our capabilities as reusable components that can be customized for new indications, while sharing the same go-to-market motion we've built over a decade in MSK. Essentially, we've been very intentional about not just what we build or what we sell, but how we build and how we sell.

When we roll out new products, we benefit from existing platform capabilities and an established distribution footprint - meaning we can build and sell new products much faster, versus starting from zero every time.

As with everything else we do, we intend to hold our Migraine Care Program (and all future programs) to the same standard of clinical rigor that we have brought to MSK.

Second, gastrointestinal—or GI—our next big adjacency.

We're following the same playbook we used with MSK and Migraine: identify an area of unmet clinical need, and then apply technology to automate care delivery.

GI checks all those boxes. Digestive health issues affect one in four U.S. adults and drive $135 billion in annual medical spend. Traditional care is fragmented and hard to access - 69% of U.S. counties don't even have a gastroenterologist. People cycle through primary care and urgent care visits without a clear treatment plan. We hear consistently from our clients that GI is a major challenge they're struggling to address.

To accelerate our entry into this space, we've signed a definitive agreement to acquire Cylinder Health for $105 million in cash - essentially the free cash flow from Q2 alone. This acquisition gives us a strong foundation to build from in GI. Cylinder has nearly 100 clients across two million lives and has already treated 150,000 people with a clinically validated ROI. They also have established partnerships with two of the three largest PBMs and three of the top five national health plans. They've done great work reinventing the paradigm of care for GI, and we're excited to integrate their capabilities into our platform.

GI conditions are also highly comorbid with the MSK, pelvic floor, and migraine conditions we already treat. They share the same gut-brain and central-sensitization mechanisms and a large share of the people we're already serving are also managing chronic digestive conditions, which makes this a natural extension of our care model.

We anticipate GI will have a modest contribution to this year's sales season, with a broader rollout targeted for 2027. There's still much more work to do on the product side and we need to integrate it into our tech stack, but we're moving quickly.

This acquisition reflects a commitment that I made in my IPO letter, where we said we'd move with urgency to further solidify and extend our current position while also developing several new products to scale and automate other aspects of care. That's one of the many reasons that give us confidence in the durability of our revenue. And because we can build these products efficiently and sell them through the same commercial motion and the same distribution channels, it becomes a compounding advantage. Multi-product isn't just a yield lever - it's a moat. We're extending our platform to address multiple high-impact conditions, and we're doing it in a way that drives all aspects of the triple aim - better outcomes, better experience and lower cost.

With that, let me hand it over to Jim to talk about what we're seeing on the commercial side.

Commercial updates

Jim Pursley

Thanks, Dan. These exciting new capabilities give me confidence in our continued momentum in the market.

Starting with this year's sales season, our active pipeline remains ahead of last year. Converting this pipeline as we move through the back half of the year will be a key driver of our 2027 billings growth. Our win rates continue to be up year over year, which leaves me optimistic as we enter the peak months of our sales season.

This quarter, we saw strong momentum in our enterprise business, highlighted by a notable win with a Fortune 15 company, where we displaced a competitor to secure nearly 300K lives.

Beyond our continued large enterprise success, our strategic investments in SMB distribution late last year are also paying off, where lives have grown more than 100% in the first half year-over-year. We have also recently been selected as the default solution for a large national health plan's SMB segment - specifically their under-3,000 lives book of business - where again, we replaced a competitor. This will function as an opt-out model, whereby clients will automatically get Hinge Health unless they elect not to participate, and we'll begin seeing these clients added in early 2027.

These investments take us deeper into one of our lowest penetrated categories, SMB, where deals close fast, and it complements our large enterprise wins. So we're winning across the board, from smaller employers all the way up to the biggest names out there.

The third area I want to highlight is how our multi-product strategy is driving deeper relationships with our clients, as we can impact a wider array of outcomes and therefore drive greater cost savings. This is the land-and-expand motion we've been talking about.

Only a couple of months since its introduction, HingeSelect with surgery has been well received. We already have clients signed up for an anticipated 2027 launch, which signals that the market wants a unified solution that covers the full MSK journey—from physical therapy all the way through to surgery and recovery. We've also expanded our provider network, spanning over 5,000 locations now.

On Migraine, as Dan mentioned, we have over 450 clients and 5 million lives covered already. And what's exciting is that more than 10 health plans have turned on Migraine for clients sitting underneath those partnership contracts. That's the power of our distribution model—when we launch something new, we can activate it rapidly across a huge footprint.

Moving to GI - this is a need we hear about consistently from employers. It's a real pain point, and they're excited that we're bringing another solution that furthers the triple aim—better member experience, better outcomes, and lower costs. We're planning to integrate GI into this year's sales season and to roll it out more broadly in 2027.

Through all of this, our client satisfaction and retention remain incredibly strong. Our clients stick with us because we deliver results, and as we add more products, we become even more embedded in their healthcare strategy.

We also hold ourselves to a high bar for clinical evidence - we just published our 23rd clinical study or ROI analysis, this one on our fall prevention program. Published in the Journal of Comparative Effectiveness Research, it found that among adults aged 65 and older at risk for falls, those using Hinge Health's fall prevention program reported 37% fewer falls and 57% lower odds of an emergency room visit at three months versus the control group. We hold every one of our care programs to that same standard, and you should expect us to keep publishing as we expand the platform.

So to wrap it up: the pipeline is strong, SMB is scaling fast, enterprise continues to perform, and our multi-product platform is driving outcomes and expansion within our client base. We feel great about where we are and where we're headed, and look forward to sharing more about this year's sales season in the coming quarters.

With that, I'll turn it over to James to walk through the financials.

Financial highlights

James Budge

Thanks, Jim.

Let me walk you through the financial details for the quarter and what's driving our strong performance.

First, a quick reminder on our model, starting with how our billings work. Our calculated billings are determined by three key levers: the number of average eligible lives we have, multiplied by our yield, multiplied by our average selling price per member (or ASP). We recognize revenue ratably over the subscription period, while billings reflect when members engage. So billings are a leading indicator of future revenue growth.

Looking at Q2's performance, our LTM calculated billings reached $862 million, up 52% year-over-year from $568 million in Q2 last year. This strong billings growth sets us up well for continued revenue momentum.

Revenue for Q2 came in at $213 million, representing 53% growth compared to $139 million in Q2 2025. That's well above our guidance range of $200 to $202 million.

The revenue beat was driven by better-than-expected billings, which came from stronger yields. These yield improvements importantly are durable, coming from the initiatives we discussed at our Movement conference: clinically targeted enrollment campaigns, member-to-member referrals, and member renewals to name a few. These are programs we've built into our operating rhythm, and they're delivering consistent results quarter after quarter.

Lives and ASP came in as expected in our prior guidance, so the upside was all yield-driven.

On gross margin, we delivered 87% in Q2, up over 400 basis points from 83% in Q2 last year. This improvement reflects continued care team efficiency gains as we leverage AI and automation to deliver high-quality care at scale. We also benefited from a one-time tariff refund, which provided about a 100 basis point boost this quarter.

We're also seeing strong operating leverage across the business. Total operating expenses were 58% of revenue in Q2, down from 64% in the same period last year. We're growing more efficient in every part of the organization.

That efficiency naturally translated into strong bottom line profitability. We delivered $62 million in income from operations, above our guidance range of $50 to $52 million. Operating margin came in at 29%, up from 19% in Q2 last year. For those keeping score - that's 1,000 basis points of margin expansion year-over-year.

On cash generation, we produced $100 million in free cash flow in Q2, compared to $33 million in Q2 2025. That's a free cash flow margin of 47%, up from 23% last year. The business is not only growing quickly - it's generating substantial cash which gives us enviable optionality.

We ended the quarter with $476 million in cash and equivalents on the balance sheet. During Q2, we repurchased around 480,000 shares for $26 million as part of our ongoing capital allocation strategy.

Our weighted average diluted share count for the quarter was 83.4 million shares, and our diluted net income per share attributable to common shareholders for the quarter was 59 cents.

One important note on the cash position I just mentioned. That $476 million does not yet include the $105 million cash outlay for the Cylinder Health acquisition, which we expect to close later this quarter. This acquisition was not part of our guidance at our Investor Day, and we're treating it as incremental to our plan. It's still early, but we're excited about what this acquisition brings to our multi-product strategy. We expect Cylinder to contribute approximately $7-8 million in revenue for the remaining approximate four months of 2026, and meaningfully more in 2027 onwards as we integrate and scale the offering. We want to be clear: we're playing the long game in GI, and will be investing to ensure we can drive incredible outcomes, while delivering a great experience and reducing costs for our clients.

So to summarize Q2: strong billings growth, revenue well ahead of guidance driven by continuing durable yield improvements, expanding margins, significant free cash flow generation, TAM expansion with GI care, and a solid balance sheet that gives us flexibility to invest in growth - both organically and inorganically.

Now let me turn to our outlook for the rest of the year.

Financial guidance and outlook

James Budge

Given the strong performance we just walked through, we're confident in raising our guidance.

For Q3 2026, we're guiding to revenue of $223 to $225 million. At the midpoint of $224 million, that represents 45% growth year-over-year. We're also guiding to income from operations of $61 to $63 million, which is a 28% operating margin at the midpoint.

For the full year 2026, we're raising our revenue guidance to $856 to $860 million. At the midpoint of $858 million, that's 46% growth compared to 2025. We're also raising our income from operations guidance to $236 to $244 million, representing a 28% operating margin at the midpoint, up from our prior guidance of $217 to $227 million, or a 27% margin.

Let me walk you through what's driving these numbers.

On the top line, eligible lives are tracking in line with what we’ve shared before. ASP is also expected to track in line with what we’ve shared, which is essentially flat to last year.

What continues to trend higher is yield. The initiatives we've been running are delivering consistent results, and we're seeing that flow through in our billings and revenue. We're now expecting yield to come in around 4.45% for the year, and that's the primary driver of our revenue raise.

On profitability, the increase in income from operations and margin comes from two places. First, from the benefit of that top-line outperformance I just described. And second, we've been able to temper some costs without compromising our growth trajectory. That discipline is showing up in our margins.

On share count, we're expecting to end 2026 with 85 to 87 million diluted shares outstanding, higher than where we ended Q2 primarily due to the conversion of the remaining preferred shares into common. The expected share count also reflects the buyback activity we've done year-to-date, though does not include any potential repurchases in the second half.

On that note, our Board of Directors has approved a new $300 million share repurchase authorization. This reflects our confidence in the business and commitment to returning capital to shareholders when market conditions warrant, and the amount is roughly in line with the free cash flow we've generated over the past four quarters.

We’ve said for several quarters now that our capital allocation strategy would be first, organic investments into our product portfolio to improve outcomes for our members, clients and partners; second, inorganic investments - particularly tuck-in acquisitions of technologies or businesses that accelerate our impact on members, clients and partners; and third, to return capital to investors principally through a share repurchase program. Thanks to our robust free cash flows - we are pleased to have executed all three of these objectives already in 2026 and this will remain our strategy going forward.

With that, let me turn it back to Dan to wrap up.

CEO wrap up

Daniel Perez

Thanks James. Let’s bring this all together.

We feel very good about where Hinge Health is headed, not just for the rest of 2026, but for many years ahead.

- First, the fundamentals of our business have never been stronger. We're growing revenue 45% this year while expanding margins and generating significant free cash flow. That is a rare combination at our scale, and it speaks to the quality of the model we have built and the discipline of our team.
- Second, we are showing that our platform strategy works. Our MSK program remains by far the market-leading product for a decade now, whose cash flows are allowing us to invest in new product lines. Migraine is gaining traction. GI gives us another meaningful adjacency. And with each new care program, we believe we are making the platform more relevant to members, more valuable to clients, and more durable over time.
- Third, the broader environment continues to play to our strengths. Employers are under pressure to drive more value from healthcare spend. Buyers are asking tougher questions and looking for proof, not promises. We think that favors companies that can deliver measurable outcomes, real ROI, durable engagement, and a care experience that works in the real world.

So while we are pleased with the quarter, we are focused on something bigger than any single quarter. We are building a company that can grow for years to come, and we're making investments today that will pay off tomorrow for our members, clients and investors. Our story is just getting started.

Thank you to our team for an outstanding quarter, to our clients and members for trusting us with their care, and to all of you on the call for your continued support.

With that, I'll turn it back to Bianca for Q&A.