Thank you, and good afternoon, everyone. Today, after the market closed, LifeMD issued a press release containing our second quarter results. Additionally, and for the first time ever, we’ve also made available a Q2 supplemental investor highlights presentation which is available on the LifeMD IR site. I would encourage everyone to download and review this as it summarizes why our second quarter was really what I believe to be a pivotal period in the 2022 transformation of LifeMD.

During the second quarter, LifeMD made significant progress on several important strategic initiatives to position the company for its next phase of growth. We believe that our growing profitability and expanding margins will be key to our continued transformation from a seller of prescription and OTC products into a rapidly growing and highly profitable telehealth services company.

There are a few key accomplishments I’d like to highlight for Q2. First, in the second quarter, we began nationwide direct-to-patient marketing for our virtual primary care platform, and it’s been extremely successful. We’re seeing some of the best acquisition costs we’ve ever seen, and our technology platform and clinical operations are working beautifully. We’ve also proven that we can cross-sell this to our indication-specific patient base, which is a very big deal. I’m more confident than ever that this platform will be a very big growth driver in the years to come.

Second, we introduced several new telehealth treatment categories to complement our primary care and existing treatment offerings, which we believe has to have significant growth potential. Third, we drove meaningful improvements in our margin performance and
profitability. And lastly, we are streamlining our overall company into a telehealth-only business through the impending divestiture of WorkSimpli.

Given our intense focus on profitability, growth of new telehealth offerings and enhancing long-term scalability, we expect a short-term slowing of sequential growth for the next 2 quarters, after which we will resume a more aggressive growth trajectory at substantially higher levels of profitability.

What excites me the most about our second quarter is the strong traction we're beginning to see with our virtual primary care platform. Since launching in late Q1, we now address over 200 of the most common medical conditions across all 50 states. We've built a highly differentiated and now proven technology platform that is staffed by some of the best doctors, nurse practitioners, medical assistants and operations personnel in the country.

What's even more amazing to me is the difference this platform and our affiliate physicians and the entire medical team are making in the lives of our patients every single day. While still very early on in the growth of this platform, patient feedback about their VPC experience, their experience with our virtual primary care platform and our affiliated physician network has been tremendous. It's been better than any product this company has ever offered.

During the second quarter, we saw 1,500% growth versus the prior quarter in our VPC patient count. Currently, we have over 1,200 active patients on the platform and we are adding about another 20 to 30 new patients per day net of attrition. I expect this number to grow very, very quickly. Retention is strong with early attrition rates in the low single-digit percentages. We continue to believe that the VPC platform is one of the most significant, if not the most significant launch the company has done to date and will be a key driver of both top and bottom line growth going forward.

We also introduced several new treatment areas during the quarter that have been well received by our new and existing patient populations. These offerings include a proprietary topical pain management treatment called Proterine, fleet treatment and over-the-counter dermatology treatments that complement our existing Rx offer. These additions enhance our revenue mix with 38% of new patient order volumes coming from non-erectile dysfunction treatments, during the second quarter of 2022, which compares to 22% during the same period last year.

We remain on track to achieve consolidated adjusted EBITDA profitability by the fourth quarter of this year. As an important stepping stone towards profitability, we continue to drive improved unit economics through higher gross margins and improved returns on our ad spend. As noted in our press release, we achieved record gross margins in the second quarter on both a consolidated and telehealth-only basis, while also driving an 8% improvement in the blended first year LTV to CAC for our telehealth platform.

Finally, I'm proud to report that we have made solid progress in the process to streamline our overall company into a telehealth-only business through the impending divestiture of WorkSimpli. Despite challenging market conditions, we have received significant interest in WorkSimpli from a broad range of buyers. We believe we remain on track to consummate a transaction prior to year-end.

With that, I will now turn the call over to our CFO, Marc Benathen, who will provide a summary of our financial results. Marc?

Marc Benathen LifeMD, Inc. - CFO

Thank you, Justin, and good afternoon, everyone. As Justin mentioned, the second quarter of 2022 was a pivotal quarter for the entire company as we executed upon the early phases of several key strategic initiatives. While the focus on these critical long-term areas of growth and profitability will mean our sequential growth will slow for the balance of 2022, our continued execution will position us for heightened growth in the year ahead with strong underlying profitability and be in the best interest of creating long-term value for our shareholders.

While we continue to reiterate our previous guidance on adjusted EBITDA and consolidated profitability by the fourth quarter 2022, we are revising our revenue guidance to be in the range of $122 million to $128 million to reflect slower growth in the back half of the year as we focus on these critical long-term strategies followed by a return to elevated growth with consolidated profitability in 2023.
Now turning to the results for the second quarter of 2022. Revenue in the second quarter totaled a record $30.5 million, up 37% as compared to the same quarter a year ago. 93% of total revenues in the second quarter were generated by recurring subscriptions. Telehealth net revenues grew by 41% to $22.3 million, while WorkSimpli net revenues grew by 26% to $8.2 million.

WorkSimpli revenues grew 27% sequentially as compared to the first quarter following the execution of several key strategic initiatives we previously discussed. Importantly, WorkSimpli achieved EBITDA margins during the quarter of mid-teens for the first time in its history. We expect WorkSimpli's growth and rising profitability to continue at a rapid pace.

On the telehealth side of the business, we increased our active subscriber base by 53% versus prior year's end the quarter with over 168,000 active subscribers. More importantly, we continue to transition more of the patient base for longer-term subscriptions with 71% of active patient subscribers on multi-month subscription plans as of June 30, 2022. While this caused some impact to the timing of rebillings this quarter as well as the next 1 to 2 quarters, multi-month subscribers drive faster payback and significantly higher unit economics as well as stronger retention.

By being able to link this data with detailed analytics on patient acquisition, marketing efficiency, retention and product, we are driving record performance in our unit economics. This is already pointing out with an 8% increase in first year LTV to CAC in the second quarter versus the same year ago period.

Gross margins for the second quarter reached record levels at 85%, up 300 basis points versus prior year with our telehealth-only gross margin reaching 80% for the first time. Gross profit for the quarter totaled $25.8 million, an increase of 42% from the same year ago period. Operating expenses for the second quarter totaled $41.5 million, an increase of $7.1 million versus the year ago period.

Our second quarter 2022 operating expenses included $7.8 million of noncash expenses associated with stock-based compensation, the revaluation of the earn-out related to the Cleared acquisition and depreciation and amortization expenses. Net of noncash expenses, operating expenses decreased as a percentage of company net revenue by 2,200 basis points.

Equally as important, we reduced our marketing expense as a percentage of revenue to 72% versus 100% of revenue in the same year ago period and improved leverage in this key spend area by 300 basis points versus the prior quarter. Our GAAP net loss attributable to common stockholders for the second quarter totaled $13.8 million or a loss of $0.45 per share. This compares to a net loss attributable to common stockholders of $16.8 million or $0.64 per share in the same year ago period.

Adjusted EPS, a non-GAAP financial measure that excludes noncash expenses, preferred stock dividend, litigation expense, severance and M&A expenses totaled a loss of $0.22 per share as compared to $0.46 -- a loss of $0.46 per share in the same year ago period.

Adjusted EBITDA, a non-GAAP financial measure, excluding the same account categories as noted in adjusted EPS totaled a loss of $6.9 million in the second quarter of 2022. This compares to an adjusted EBITDA loss of $12.2 million in the same year ago quarter.

Now turning to the balance sheet. Cash totaled $11.7 million as of June 30, 2022. Importantly, and as noted in our second quarter investor highlights presentation, through many of the efforts highlighted earlier on this call, we reduced our adjusted EBITDA loss and cash burn to under $1 million in the month of June and expect meaningful improvements in our balance of the year cash burn, including achieving consolidated adjusted EBITDA profitability by the fourth quarter.

Additionally, as Justin noted, we’re receiving strong demand from prospective buyers of WorkSimpli and continue to expect to consummate a divestiture transaction of the business prior to year-end 2022. We believe the combination of LifeMD crossing into profitability plus estimated proceeds from this potential divestiture will capitalize LifeMD extremely well and strategically position us for the company’s next leg of growth and margin expansion.

This wraps up our financial results. I’d now like to turn the call back over to Justin.
Justin Schreiber LifeMD, Inc. - Chairman & CEO

Thanks, Marc. In summary, while we expect more moderated growth for the balance of the year in our core telehealth business, I'm extremely excited about the future of LifeMD and the role that our company will play in the rapidly evolving telehealth marketplace.

The key initiatives that we executed against in the second quarter include nationally launching, marketing and beginning to scale our virtual primary care business, diversifying our telehealth revenue, driving meaningful margin, unit economics and profitability improvements across all of our existing telehealth categories and taking steps to streaming our company into a leading telehealth-only business through the impending WorkSimpli divestiture.

Continued execution against these critical initiatives will cement our future as a leader in telehealth with profitable operations, tremendous organic growth prospects and a strong nondilutive capital base post a potential WorkSimpli divestiture to support future investment as we transform from a telehealth products provider to a differentiated full suite telehealth services company.

In closing, I would like to thank our entire team, especially our doctors that are treating patients every single day on our platforms for their tireless efforts as we continue to transform the face of medicine and make amazing health care more accessible, affordable and convenient for our patients.

With that, I'd like to open the call for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from Marc Wiesenberger with B. Riley Securities.

Marc Alan Wiesenberger B. Riley Securities, Inc., Research Division - Senior Research Analyst

I appreciate all the additional detailed information, it's a lot to chew on here. But looking at the supplemental chart showing the progression of adjusted EBITDA, can you talk about the dynamics going from April to June? And then some of those puts and takes going from June into the third quarter?

Marc Benathen LifeMD, Inc. - CFO

Yes, Marc, this is Marc. So the biggest thing starts with advertising. We spent a considerable amount of time in the second quarter after we completed an upgrade of our data analytics infrastructure, which gives us a lot more insight into frankly, every campaign down to every single product subscription length and pretty much any variable that you'd want to look at. Being able to really refine a lot of our strategies, obviously, I can't get into competitive reasons all the secret behind that. But we exceptionally refined it, and we're seeing record levels of return on ad investment.

Now in doing so, what happened was we shifted some additional dollars towards scaling some new verticals, which is some of the topical pain (inaudible), obviously, VPC, and also driving a lot more longer-term subscription length, in turn, causes a little bit of a short-term impact on revenue, but really positions the company for accelerated growth and much more profitable economics with quicker pay back. So that was the biggest step.

The second one is we're at a point now where we've said this all along, going all the way back to the middle of last year when we said we were going to improve our EBITDA sequentially each quarter. We have the infrastructure to scale the business. I mean we've had that for some time now, and we're really continuing to see the benefits of the fact that we've had that. We're actually going to see some further benefits in our capital expenditures in the coming quarter after we've gotten past that initial lift to finish building out the VPC platform and enhance it. And then we really (inaudible) an enhancement in growth phase at this point. But that's where really a lot of the progress is happening on the telehealth side.

Obviously, WorkSimpli has hit their stride and it's continuing to grow, and we obviously expect the divest them by the end of the year. But
both of the businesses are set up for profitability growth with the leading reason being that we've gotten to a point where we have very strong unit economics that are on a path to continue to get better.

Marc Alan Wiesenberger  
**B. Riley Securities, Inc., Research Division - Senior Research Analyst**

Very helpful. Appreciate that. And I think you alluded to it a little bit in the answer, but maybe if you could talk about the specific factors that are contributing to maybe some of the sequential growth that you're talking about. And I guess, is that primarily related to how you are actually allocating the marketing spend and with patient cohorts you're targeting? And then I guess, what factors contribute to your confidence in the reacceleration of growth that you talked about?

Marc Benathen  
**LifeMD, Inc. - CFO**

Yes. So the first factor is length of subscription. So at the end of the day, while there's, obviously, a benefit to us long term to get people on to 6-month subscription lines, in some cases, even 12-month subscription lines, it stretches out the rebill period. So there's a short-term period where you're trading people up and you're bringing on some of those longer-term subscriptions where you're not going to have to rebill every single quarter associated with those longer-term subscriptions.

We started to really make some of that transition in the first quarter. We saw some impact from timing in the second quarter, and we'll continue to see for the next couple of quarters related to that because -- and then what's going to come back to us positively is the rebilling of those subscription lengths that are a little bit longer. And then the data that we've looked at, we are continuing to see higher rebill rates and retention associated with those longer-term subscription length. It's just that we're getting to a point of building those up much more significantly this year versus what we did in the beginning of this year and the very end of last year. So that's on that one.

Secondly, on like the product mix piece. One is VPC. We've -- I think, we've really hit our stride in the second quarter and the numbers are still very small. Obviously, we expect them to be pretty significant. But just directionally without giving exact numbers for July, I mean, the revenue in July where the numbers are still small, was 4x the life-to-date revenue for VPC. And the numbers are still very small to the subscriber base. It's more, but we're really starting to see a ton of traction after we made certain enhancements to that program, launched cross-sell capabilities (inaudible) and obviously improve the overall telehealth offering that we have there.

And then secondly, we know long term, that the real success to our business and, frankly, any company in this industry, you cannot be predominantly driven by one category. So we continue to invest in diversifying which means you're taking away some dollars and short-term growth from just throwing it at your leading area and leading product offering in the company, which short term will mean a little bit slower growth, but we're seeing tremendous traction and building up some of these new categories that we highlighted on the call, which we think they're going to start to get a very reasonable scale by the end of the year as well VPC, which will, in turn, snowball and make an impact in 2022, both on top and bottom line.

Marc Alan Wiesenberger  
**B. Riley Securities, Inc., Research Division - Senior Research Analyst**

Got it. Very helpful. Can you talk about how we should think about, I guess, the unit -- in light of calling out how the business has kind of been shifting away from ED, how do those unit economics compare to kind of some of the other indications? And as that mix continues, I guess, how do we think about that impacting the business?

Marc Benathen  
**LifeMD, Inc. - CFO**

Yes. Sorry, Marc, to be clear, we're not -- yes, Justin can take this.

Justin Schreiber  
**LifeMD, Inc. - Chairman & CEO**

Yes, Marc, I'd love to comment on that. This is Justin. I think that what we're seeing with the early data from the VPC platform, but it's a big enough sample size to draw some early conclusions from. We're seeing extremely low churn, which is something I've always communicated to you and the shareholders that when you give somebody an amazing doctor, it's the stickiest service on the planet, right? So that's very encouraging.

Even with -- we're even seeing low churn with people that are joining on the lower-priced $15 a month memberships and coming in for, say, like an initial prescription for something like COVID, like even among those patient populations, we're seeing low churn, like where
churn should be, if you Google like where should churn be in a great SaaS business or if you look at what that number should be, that's where we're at, right, single digits.

And I think that you might see a little bit longer payback on your initial investment in acquisition. But I'm really confident we still have a lot to learn there. But I'm really confident that we'll be able to see a dollar that we spend on acquisition back in our bank account within 6 months, which I think is really, really good. But again, it's still a little bit too early. We also need to figure out -- we need to figure out how -- what percentage of the population that's on, for instance, $15 a month subscription that we can move up to $99 or maybe a $49 a month subscription. These are just things that we're going to learn as we continue to build the business.

We're also working on a lot of highly differentiated offerings that were -- their service offerings that we're building around chronic conditions. So a great example could be diabetes, right? Another example could be treating GERD. Another example could be even something like longevity, right? So there's -- we're working on a lot of these different like offerings where you combine a doctor and prescription medications, if appropriate, over-the-counter products. And they're designed for patients in the population that have different chronic conditions or healthier goals, right, that we can treat using the platform. And we think over time that these offerings will be really attractive to patients that come in for episodic or urgent treatment to LifeMD.

Marc Alan Wiesenberger B. Riley Securities, Inc., Research Division - Senior Research Analyst

Got it. Very helpful. And since you were touching on the DTC patient cohort, what's been the mix thus far? And how has it evolved in terms of the lower tier versus the upper tier offering?

Justin Schreiber LifeMD, Inc. - Chairman & CEO

The mix has been at least 90%, I would say, $15 a month platform subscribers which are paying a la carte per consult with the doctor. But some of that market just because that's where we put a lot of our energy initially. And we have some really amazing initiatives that are underway right now to really kind of refine and build out the $99 a month offering. We're really close to launching our prescription drug discount program, which we didn't mention in the call. But it's another great revenue stream for LifeMD, and it's going to make low-cost drugs like really accessible to a lot of those Americans that are on high deductible health plans or uninsured.

So I'm really excited about that, and we're adding like this month, we're taking -- we're going to be launching the Symptom Checker that we've been working on for over a year, which, I mean, it's just going to be an awesome product to offer to patients.

And so we're adding a lot of these features, which just to take it longer than we thought to get live, but they're highly differentiating for our platform. And I think that -- I think, it's going to be important to like really growing the $99 subscriber base.

Marc Alan Wiesenberger B. Riley Securities, Inc., Research Division - Senior Research Analyst

Got it. And then I'll just ask one more, and then I'll jump back in. If you could just talk about, I guess, the overall ad market in the second quarter? What you're seeing thus far into the third quarter? And how do you expect that to play out in term -- in the rest of the year? And then relating to your ad spend efficiency?

Justin Schreiber LifeMD, Inc. - Chairman & CEO

I can start and maybe let Marc chime in as well. But I mean we haven't seen a lot of fluctuation in overall advertising costs. It's still -- we still see a very competitive environment online. We've seen some reduction in CPMs online, but nothing drastic. And we expect like the third quarter will be strong. And obviously, like in prior years, come towards the end of the year in Christmas, we typically slow down our ad spend more because the environment gets a lot more difficult. Marc, I don't know if you want to add anything to that.

Marc Benathen LifeMD, Inc. - CFO

No, I think that, that's all very accurate.
David Michael Larsen, BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

So can you just provide a little more color around, I think, like why product revenue, I think, declined on a sequential basis and I think telehealth net orders declined on a sequential basis? Was that sort of an intentional strategy to focus on higher-margin product sales?

Marc Benathen, LifeMD, Inc. - CFO

Yes, Dave, this is Marc. It was exactly what I outlined before for Marc. A lot of it had to do with longer subscription lengths focused on products that are -- sorry, subscribers that are higher margin. With that, we have more space (inaudible) rebillings. We started that focus earlier on in the year. We intensified that focus as a movement for the second quarter. We're going to continue to see some impact from that for the next couple of quarters as we build up a more critical mass in some of these longer subscription line, i.e., 6- and 12-month subs and those begin to start rebilling next year. But that was an intentional thing.

Secondly, we shifted more focus for launching, not just launching, but also scaling a lot of these new indications. So pain, sleep, virtual primary care, which is also off to a great start. All of those added up to what you were seeing and added up to what we called out in the release as well as the call today regarding what we expect to see relatively more modest sequential growth over the next couple of quarters and then obviously, rebounding to more aggressive growth, but much more profitable growth going forward next year.

David Michael Larsen, BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Okay. So if you have more lives convert to a subscription model or your longer-term subscription model, I guess, I'm a little unclear on why that would result in a sequential decline in revenue.

Marc Benathen, LifeMD, Inc. - CFO

Yes, the -- so what happens is when we rebill someone, we recognize 100% of that revenue at that time. So if you rebill -- if you're on 1 or 3 months and you get rebilled every month or every 3 months, we get more effectively, we could be getting anywhere from 1 to 3 rebill next quarter from you. If you're on a 6 months or 12 months, we're not going to get any rebills from you next quarter, but we're going to get a lot larger or higher sum dollar to rebill to you next year. So there's some timing as it relates to that, which is what contributes to some of that impact.

David Michael Larsen, BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Okay. And then for PDFSimpli subscribers, I think that there was a pretty good pop sequentially from 1Q to 2Q, is that correct? It looks like revenue picked up pretty significantly.

Marc Benathen, LifeMD, Inc. - CFO

Yes. That's correct. Almost all of the WorkSimpli's subscribers are employed and their plans, they have month-to-month and they have annual. Most people are month-to-month. So their revenue growth tends to pretty closely link off with our subscriber growth.

David Michael Larsen, BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Okay. And then how is the sale process progressing? And any color you can provide around potential strategic acquirers? Just any...

Marc Benathen, LifeMD, Inc. - CFO

Yes. As what I would say, it's very good, and we're highly optimistic about closing the transaction on and before the end of the year. I can't get into specifics because we're actively in the LOI phase. And we've got -- we're receiving a lot of interest. We'll leave it at that. And both ourselves and our bankers feel very good about it, very strong demand. I just -- I can't get into specifics but we're actively in the process.

David Michael Larsen, BTIG, LLC, Research Division - MD and Senior Healthcare IT & Digital Health Analyst

Okay. And then for CAC, how did that trend in the quarter, like from 1Q to 2Q and year-over-year?

Marc Benathen, LifeMD, Inc. - CFO

Yes. It was down slightly year-on-year on a blended basis, and it was essentially flat quarter-on-quarter, (inaudible) months change.
Okay. And then assuming like if there is a recession through 2022 and into 1H '23, how would you expect that to impact the business, if at all?

I don't think it's going to impact demand for our products and services. If anything, it could drive down CPMs more, so we could see some benefit on the CAC side of the business, but we don't really expect that impact demand for the company's products and services.

Yes, David, just to add to Marc's comments, it's Justin. I think if you look at most of the conditions that we treat. I mean there are things that need to be treated in a great economic environment or a terrible economic environment. So even if you did see more price sensitivity or some decreases in demand, that's something that we spend a lot of time looking at. We believe that, that's possible. But we believe that, that would also likely be offset by reductions in advertising costs. And we continue to diversify the business, too, which I think that was one of the most important things for me is that -- we continue to diversify the business, like the primary care business is the ultimate diversification. And I think in a more difficult economic environment, that's a big plus for LifeMD.

And that will conclude today's question-and-answer session. I'll turn the conference back over to Mr. Schreiber for any additional or closing remarks.

I don't know if we don't have any additional remarks. I just want to thank everybody, all of our shareholders for their continued support. We're really, really optimistic about future of LifeMD, and we're going to do some great things and continue to build our leadership position in telehealth. Have a nice evening.

And that does conclude today's conference. Once again, thanks, everyone, for joining us. You may now disconnect.