



2020

Third Quarter  
Investor Presentation

# Safe Harbor Statement

This presentation includes certain forward-looking statements (statements other than solely with respect to historical fact), including statements regarding expectations for the financial performance for 2020 that involve risks and uncertainties regarding HealthStream. These statements are based upon management's beliefs, as well as assumptions made by and data currently available to management. This information has been, or in the future may be, included in reliance on the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. The forward-looking statements are subject to significant uncertainties and other risks referenced in the Company's Annual Report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission. Consequently, such forward-looking information should not be regarded as a representation or warranty by the Company that such projections will be realized. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. The Company undertakes no obligation to update or revise any such forward-looking statements.

# “High-quality healthcare depends on a highly trained and engaged workforce.”

*American Hospital Association, 2019*





**96%** of employees report that HealthStream's vision inspires their performance.

# HealthStream Vision

“ To improve the quality of healthcare by developing the people who deliver care ”

# HealthStream Overview

Nasdaq: HSTM

## Market Leader

- ✓ Market Leader of workforce solutions for U.S. healthcare providers.
- ✓ Most adopted workforce platform among U.S. healthcare providers: subscription-based producing recurring revenues; deployed enterprise-wide
- ✓ Largest marketplace of content and applications for healthcare providers in the industry.

## Growing Demand

- ✓ Serves highly regulated healthcare industry, which is undergoing significant challenges to improve quality and patient safety, retain and develop their workforce, and adopt new technology-based efficiencies—all amidst tight budgeting realities.

## Strong Financials

- ✓ Market Cap: \$597M (*as of 2 November 2020*)
- ✓ 2019 Revenues: \$254M; adjusted EBITDA: \$46.9M
- ✓ Strong balance sheet: \$149.7M cash (*as of 3Q 2020*); \$50M unused credit facility; No Debt

*(All metrics are "approximate.")*

# Focused on the Healthcare Industry

*and its Workforce*

## **\$3.6 trillion industry**

18% of GDP

Hospital Care = approx. 1/3

Fastest growing sector of U.S. economy

## **20M+ Employees**

80% Female

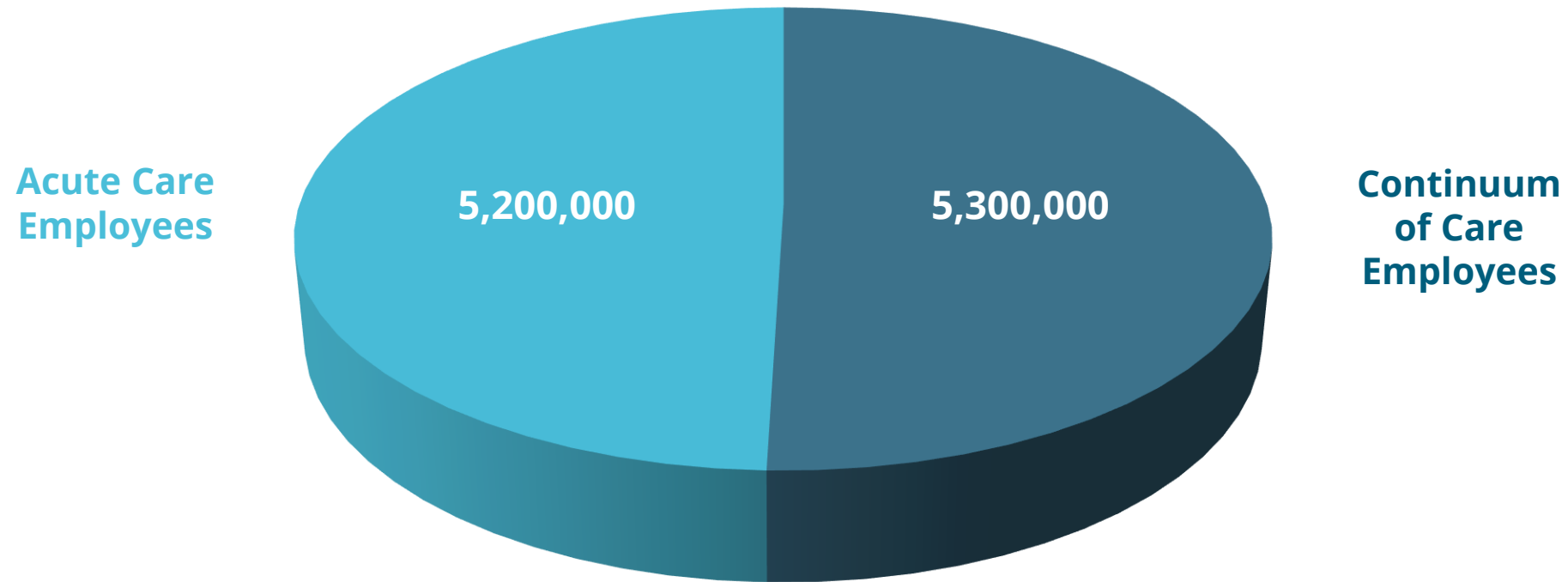
5.2M = Acute care-based

5.3M = Non-Acute care-based



# Target Market

Institutions that employ, collectively, approximately **10,500,000** healthcare professionals



Source: Bureau of Labor Statistics.



# Healthcare Organizations Use HealthStream Solutions to:



Meet Compliance  
Requirements



Manage Credentialing &  
Privileging workforce



Increase Resuscitation  
Outcomes



Develop Clinical  
Workforce



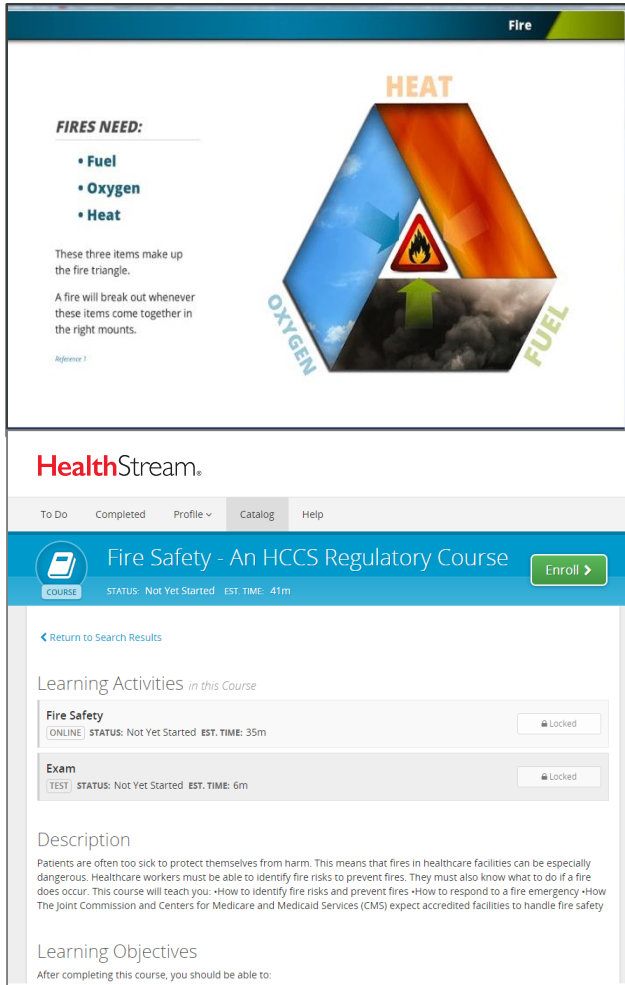
Manage  
Talent



Improve the  
Revenue Cycle



# KnowledgeQ Compliance Solution



**FIRES NEED:**

- Fuel
- Oxygen
- Heat

These three items make up the fire triangle.

A fire will break out whenever these items come together in the right amounts.

Reference 1

**HEAT**

**OXYGEN**

**FUEL**

**HealthStream**

To Do Completed Profile Catalog Help

**Fire Safety - An HCCS Regulatory Course** **Enroll >**

COURSE STATUS: Not Yet Started EST. TIME: 41m

[Return to Search Results](#)

Learning Activities in this Course

**Fire Safety**  
ONLINE STATUS: Not Yet Started EST. TIME: 35m **Locked**

**Exam**  
TEST STATUS: Not Yet Started EST. TIME: 6m **Locked**

**Description**

Patients are often too sick to protect themselves from harm. This means that fires in healthcare facilities can be especially dangerous. Healthcare workers must be able to identify fire risks to prevent fires. They must also know what to do if a fire does occur. This course will teach you: •How to identify fire risks and prevent fires •How to respond to a fire emergency •How The Joint Commission and Centers for Medicare and Medicaid Services (CMS) expect accredited facilities to handle fire safety

**Learning Objectives**

After completing this course, you should be able to:

## Required OSHA / Joint Commission Training

- Requirement of every employee, every year
- SaaS-based compliance solution
- 3+ year, enterprise-wide contracts
- Solution contains platform, content, and reporting

# Critical Validation of Nursing Skills

“The volume and complexity of what we know has exceeded our individual ability to deliver its benefits correctly, safely, or reliably” - Atul Gawande

Procedure

1 Perform hand hygiene <a href="#">Add Comment</a>	Met	Unmet	
2 Don personal protective equipment (PPE), if indicated <a href="#">Add Comment</a>	Met	Unmet	N/A
3 Identify the patient according to facility protocol <a href="#">Add Comment</a>	Met	Unmet	N/A
4 Establish privacy <a href="#">Add Comment</a>	Met	Unmet	N/A
5 Introduce self and explain procedure <a href="#">Add Comment</a>	Met	Unmet	N/A
6 Position the patient for privacy, comfort, and accessibility <a href="#">Add Comment</a>	Met	Unmet	N/A

Submit Save Progress Mark All As Met Cancel the central venous Clear My Work

# hStream™ | Marketplace

20K+

Course Library

75+

World-class Partnerships

AMERICAN  
ASSOCIATION  
of CRITICAL-CARE  
NURSES

AORN

American Academy  
of Pediatrics  
DEDICATED TO THE HEALTH OF ALL CHILDREN®

ASCA  
Ambulatory Surgery  
Center Association



American  
Red Cross



AWHONN  
PROMOTING THE HEALTH OF  
WOMEN AND NEWBORNS

EBSCO Health

WILL

Skillssoft



FranklinCovey  
THE ULTIMATE COMPETITIVE ADVANTAGE

Pediatric  
Learning Solutions

Sigma  
GLOBAL NURSING  
EXCELLENCE

echelon

nthrive  
education

aacn

# Established, Nation-wide Customer Base



# Three Transitions in Progress

1

Converting  
to hStream  
Subscriptions

Approx. 3.82 million hStream  
subscriptions as of 3Q 2020

2

Migrating customers to  
new VerityStream  
platform

Migrations to new platform slower  
than expected, but new sales in  
segment continue

3

Replacing Existing  
with New Resuscitation  
Solutions

\$38.8M = Contract Value as  
of 4Q 2019



1

## Converting to hStream Subscriptions





hStream is the essential technology working behind the scenes that powers all activity in the HealthStream ecosystem.

Launched April 30, 2018



3.82M

Subscriptions



# 2

Migrating customers to  
new VerityStream platform

# Modernizing Credentialing & Privileging



October 2012



March 2015

M·O·R·R·I·S·E·Y®

August 2016



December  
2019





# 3

Replacing Existing with  
New Resuscitation Solutions

# The **New Choice** in Advancing Resuscitation Competence



American  
Red Cross



# American Red Cross Resuscitation Suite™

Launched 17 January 2019



Basic Life Support



Advanced Life Support



Pediatric Advanced Life Support



P R E S S   R E L E A S E

**HealthStream**™

***For Immediate Release:***

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## **Community Health Systems Selects American Red Cross Resuscitation Suite™ Program in Enterprise-wide Agreement with HealthStream**

**NASHVILLE, Tennessee (June 5, 2019)** – HealthStream (NASDAQ: HSTM) announced today that CHSPSC, LLC (CHS), an affiliate of Community Health Systems, Inc. (NYSE: CYH), one of the nation's leading operators of general acute care hospitals, has entered into a seven-year agreement with HealthStream to utilize the American Red Cross Resuscitation Suite™ program, enterprise-wide, for resuscitation skills training and certification, which will be provided through HealthStream's workforce platform. Concurrently, CHS has joined HealthStream as the founding partner in the HealthStream Resuscitation Innovation Lab to advance knowledge and innovations in resuscitation science for the benefit of the healthcare industry at-large.

"When HealthStream first offered a self-certification model of resuscitation training, CHS was one of the first organizations to adopt and benefit from the program," said Lynn T. Simon, M.D., President of Clinical Operations and Chief Medical Officer of Community Health Systems. "Now it is exciting to switch to HealthStream's newest offering, the American Red Cross Resuscitation Suite™ program, which we believe offers exceptional adaptive learning methodology and newer manikin technology with more effective visual feedback."



American  
Red Cross

\$38.8M

Order Value  
Accounts, Nationwide

*(as of 4Q 2019)*

# High-level Growth Strategies

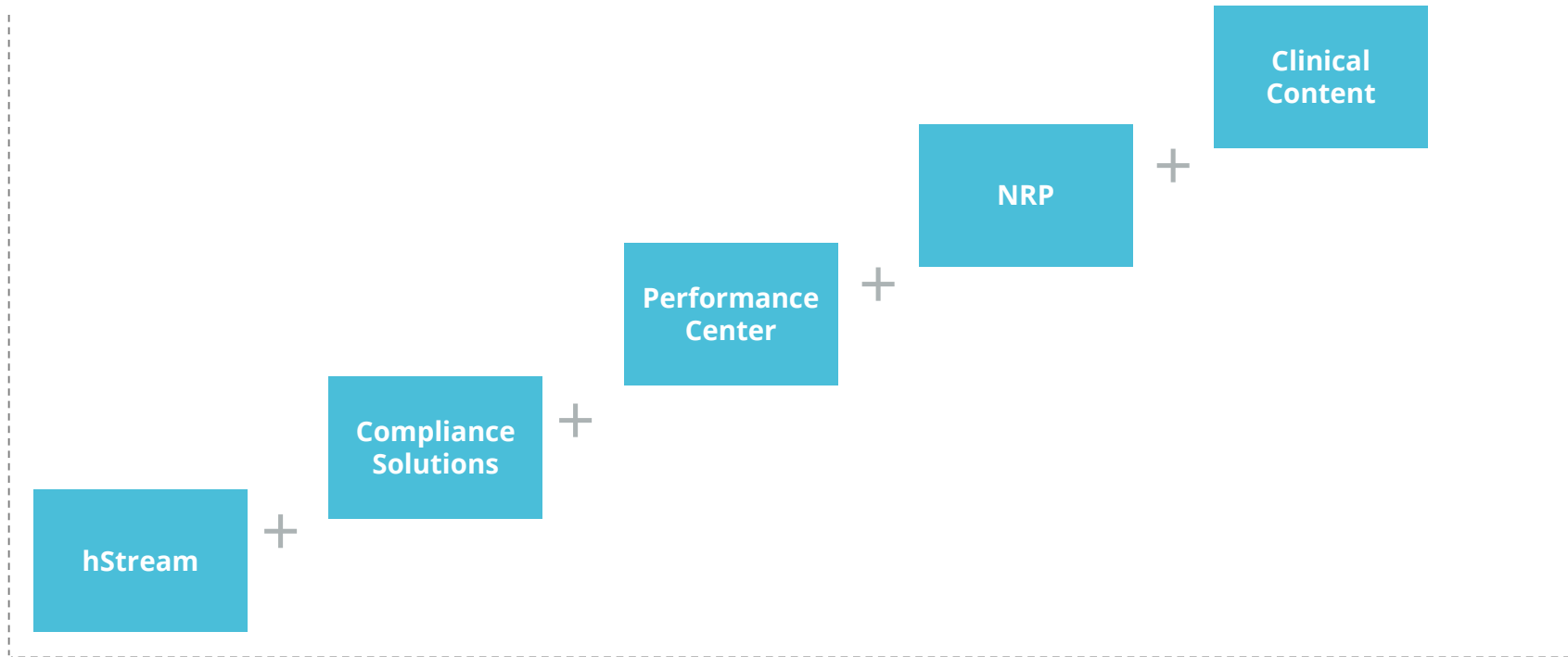


- Expand Customer Network; Add new customers
- Increase the value of each account; Provide more solutions to each customer; Cross-sell
- Grow new revenue streams via PaaS capabilities
- Inorganic growth

# Case Study in Growth



Ohio-based Health System  
14,000 Employees



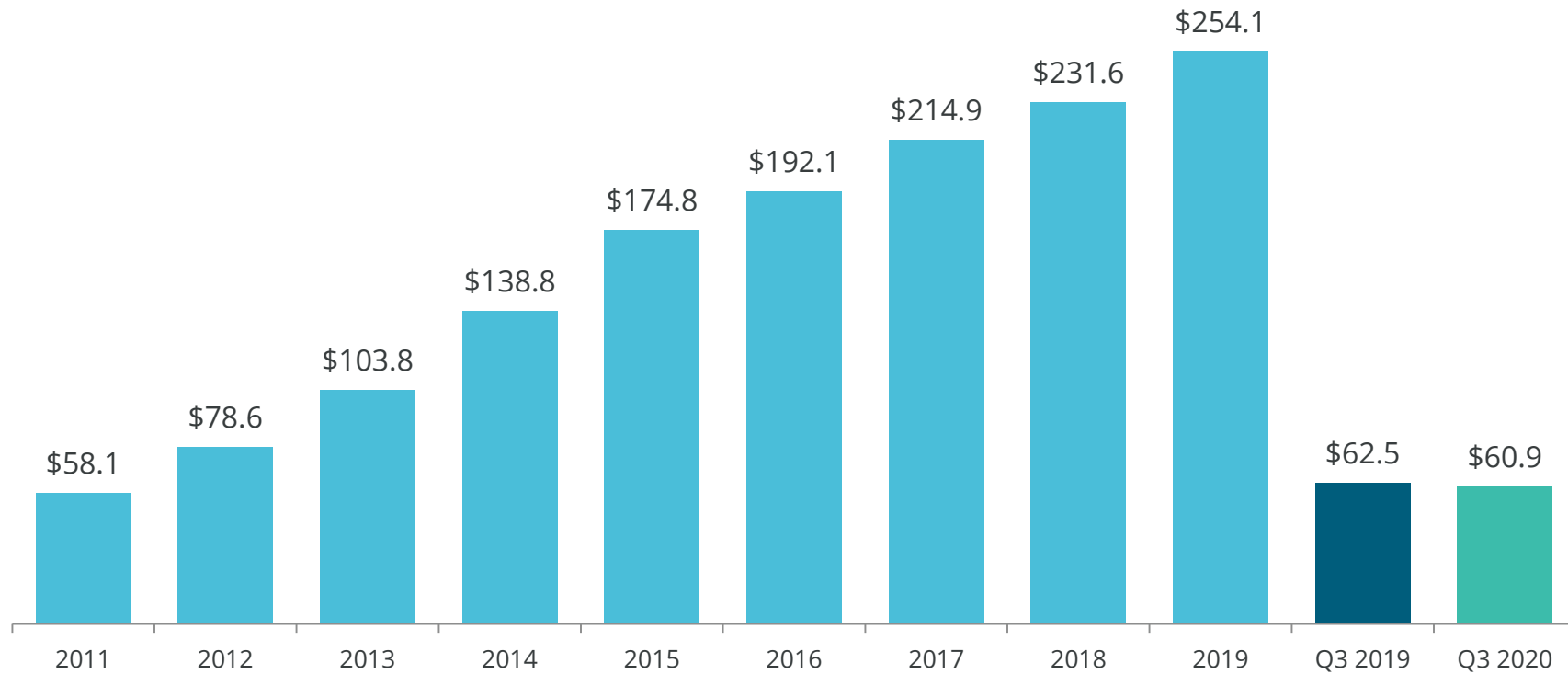
**2020**  
**\$61.00**  
Annual Revenue  
Per Employee

↑

**2006**  
**\$7.00**  
Annual Revenue  
Per Employee

# Revenue\*

(\$ in millions)

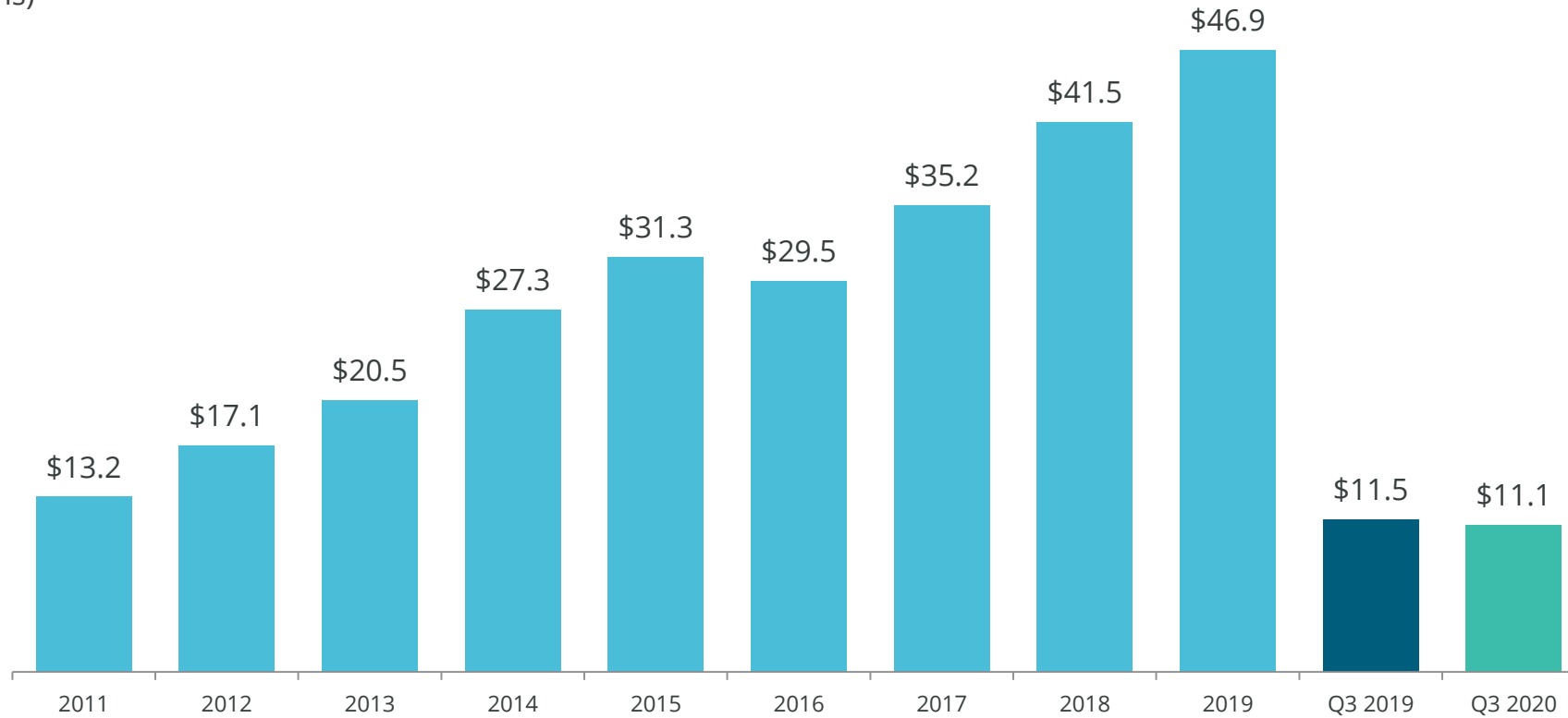


\*2011-2018 Full-Year revenue metrics adjusted retroactively to exclude PX business.



# Adjusted EBITDA\*

(\$ in millions)



- \* (1) Adjusted EBITDA is a non-GAAP measure. See "Disclaimers: Financial Information." A reconciliation of Adjusted EBITDA to net income, the corresponding GAAP financial measure, is provided in the Appendix hereto.
- (2) 2011-2018 Full-Year Adjusted EBITDA metrics adjusted retroactively to exclude PX business.

# Independent Research Coverage

**CANACCORD** | Genuity

Initiated July 2015

*William Blair & Company®*

Initiated November 2011

**CANTOR**  
*Fitzgerald*

Initiated January 2017

❖ **Barrington Research**™

Initiated June 2016



**CRAIG-HALLUM**  
CAPITAL GROUP LLC

Initiated October 2010

**RAYMOND JAMES®**

Initiated January 2020

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