



HealthStream[™]

2023 Letter to
Shareholders

Financial Highlights

Year Ended December 31,

(In thousands, except per share amounts)

	2023	2022
Statement of Income Data:		
Revenues, net	\$ 279,063	\$ 266,826
Operating costs and expenses	263,044	254,377
Operating income	16,019	12,449
Other income (loss), net	2,492	3,136
Income before income taxes	18,511	15,585
Income tax provision	3,298	3,494
Net income	\$ 15,213	\$ 12,091
Net income per share – diluted:		
Net income per share – diluted	\$ 0.50	\$ 0.39
Weighted average shares of common stock outstanding – diluted	30,673	30,717
Dividends declared per share	\$ 0.10	
Balance Sheet Data:		
Cash and cash equivalents	\$ 40,333	\$ 46,023
Investments in marketable securities	30,800	7,885
Accounts receivable, net	34,346	36,730
Goodwill and intangible assets, net	259,410	273,951
Working capital	11,849	(2,836)
Total assets	499,942	497,741
Deferred revenue – current and noncurrent	85,792	82,406
Shareholders' equity	340,752	334,064
Reconciliation of GAAP net income to Adjusted EBITDA:		
GAAP net income	\$ 15,213	\$ 12,091
Deferred revenue write-down	212	267
Interest income	(2,356)	(444)
Interest expense	124	132
Income tax provision	3,298	3,494
Stock-based compensation expense	4,153	3,554
Depreciation and amortization	41,076	37,945
Change in fair value of non-marketable equity investments	(425)	(3,596)
Adjusted EBITDA	\$ 61,295	\$ 53,443

In order to better assess the Company's financial results, management believes that net income excluding the impact of the deferred revenue write-downs associated with fair value accounting for acquired businesses and before interest, income taxes, stock-based compensation, depreciation and amortization, and changes in fair value of, including gains (losses) on the sale of, non-marketable equity investments ("adjusted EBITDA") is a useful measure for evaluating the operating performance of the Company because adjusted EBITDA reflects net income adjusted for certain GAAP accounting, non-cash, and/or non-operating items which we believe, in any such case, are not fully reflective of the underlying operating performance of our business.

Total Revenues

(in \$ millions)



Dear Shareholders

At HealthStream, our vision is “to improve the quality of healthcare by developing the people who deliver care.” In 2023, execution toward our vision resulted in a year of record revenue and record adjusted EBITDA. It is our privilege to have delivered these results by serving as the workforce platform for an expanding array of healthcare providers. In this letter, I want to review the Company’s progress made in 2023, comment on our growth strategies, and elaborate on some of the exciting developments that position us for expanded market opportunities and innovation.

For full-year 2023, our financial performance was solid. Year-end results for 2023 included annual revenues of \$279.1 million and adjusted EBITDA of \$61.3 million. The percentage of revenue that was subscription-based in 2023 was 96 percent. We ended 2023 well capitalized with a cash and marketable securities balance of \$71.1 million and full availability of our \$50 million line of credit—which remains untapped.

Every day, we help our healthcare organization customers support their respective workforces to develop their clinical performance, ensure that their staff maintains all required credentials, and optimize their staff scheduling. Our target market expanded in 2023 to approximately 12.3 million individuals focused on healthcare delivery—primarily through provider organizations. This includes approximately 5.4 million employees who work in the nation’s acute-care hospitals and approximately 5.9 million employees who work in the more broadly defined continuum of care market, which we describe as ambulatory services—including physician offices, health & human services—including behavioral care facilities, and post-acute care—including skilled nursing facilities. As announced in December of 2023, our target market also now includes the nation’s approximately 1.0 million nursing students and the approximately 1,000 nursing schools across the U.S. where these nursing students are enrolled.

The addition of nursing students has accelerated in HealthStream’s network with the widespread adoption of our application, myClinicalExchange™, which helps

to manage students’ onboarding, clinical rotations, and internships. In 2023 alone, approximately 320,000 rotations were managed for approximately 197,000 students through this unique application, which involved over 600 hospitals.

Attracting the “pre-professionals” market of student nurses is beneficial to the students as any training or certifications taken through HealthStream would then be available seamlessly to them as they take the critical step of joining the healthcare workforce—which will, at the same time, be enormously helpful to the healthcare organization hiring them.

Among our portfolio of applications in HealthStream Learning™, our HealthStream Learning Center® (HLC) is a market-leading SaaS-based application used in all 50 states where approximately 400,000 educational activities occur each day. Within HealthStream Learning, we have amassed an ecosystem of market-leading brands of content from approximately 75 industry partners. Along with our own proprietary content, our course library for the healthcare workforce is among the largest in the U.S.—with over 20,000 online courses and educational activities. Included in these offerings are nationally respected brands like the American Red Cross Resuscitation Suite™, where approximately 360,000 certifications were earned in 2023 alone with over 1,120,000 certifications earned on an aggregate basis through March 2024 since its launch in early 2019.

HealthStream Credentialing™, with its primary software-as-a-service (SaaS)-based application CredentialStream® and its acquired legacy applications, now serves over 2,500 hospitals and over 1,300 outpatient facilities, making us a market-leading credentialing, privileging, and enrollment company in the United States. According to the popular vendor-ratings site, G2, CredentialStream is rated the highest in customer satisfaction for healthcare credentialing software by its customers.

HealthStream Scheduling™, with its primary SaaS-based application ShiftWizard® and its acquired legacy

scheduling applications, is now used by over 400 healthcare facilities. The rapid growth of ShiftWizard in the marketplace is evidenced by its 30% increase in contracted subscriber growth in 2023 compared to 2022.

To facilitate innovation and growth, HealthStream is making meaningful progress in its transition toward a platform-as-a-service (PaaS) approach with its hStream® technology platform. hStream is HealthStream's technology platform that connects everything in the HealthStream ecosystem and includes exclusive applications, services, content, and other benefits. We offer three different hStream packages: hStream for Learning; hStream for Credentialing; and hStream for Scheduling. We are focused on building even greater value and unique benefits for hStream subscriptions through enhanced functionality, data mobility, expanded access to new applications and content, and hStream membership preferred pricing. For our customers, the interoperability provided by hStream opens many possibilities for streamlined processes and greater efficiencies.

In 2023, the Company amplified its ability to reach and sell to individual nurses through Nursegrid Learn™, which is an e-commerce site linked to our popular Nursegrid® app—which is currently used by approximately one in six nurses in the U.S. with approximately 550,000 monthly active users. Coupled with purchases made by physicians on the CME Courses site, over 4,500 orders were made and fulfilled directly to our additional new channel of selling to individual end-users during the last two quarters of 2023.

We are also innovating in several exciting ways with the use of artificial intelligence. Our Jane AI™ product, for example, uses artificial intelligence, natural language processing, and a proprietary taxonomy to assess the competency of nurses. This innovative product has won numerous awards since its inception, including in the fourth quarter of 2023, three more prestigious, national "Excellence Awards" from the Brandon Hall Group, the leading research organization focused on learning and technology. These recent awards in 2023

bring the total awards for Jane AI to eleven. Across all of our application suites, we are seeing enthusiasm from healthcare providers for the use of our groundbreaking, new technologies and their potential for empowering and managing the healthcare workforce more efficiently and effectively than ever before.

Our corporate social responsibility program, which we call "Streaming Good," held numerous events during 2023 that raised funds for the American Cancer Society. The Company's strong commitment to social justice and equality was demonstrated by our employee-led group called "StreamForward," which is focused on supporting our commitment to diversity, equity, and inclusion to employees and all of the communities we serve. In fact, in the first quarter of 2024, *Newsweek Magazine* named HealthStream one of "America's Greatest Workplaces for Diversity."

As a profitable healthcare technology company with no debt and a confidence in our ability to execute on our growth strategies, our board of directors approved a new quarterly dividend policy for you, our shareholders, in early 2023—and also approved an increase in the amount of our quarterly dividend by 12 percent in February 2024 in comparison to our 2023 quarterly dividend. I am excited that HealthStream has both the discipline and resources to return cash to our shareholders while also pursuing our organic and inorganic growth strategies.

In closing, I want to thank you, our shareholders, for your commitment and support of HealthStream. We will continue to put forth our best efforts to the task of producing superior results for you.

Sincerely,



Robert A. Frist, Jr.
Chief Executive Officer and Chairman of the Board

Directors

Robert A. Frist, Jr.

*Chief Executive Officer and Chairman
of the Board of Directors
HealthStream, Inc.*

Jeffrey L. McLaren

*Chief Executive Officer
Medaxion, Inc.*

Thompson S. Dent

*Chairman and Chief Executive Officer
Urgent Team
Executive Chairman
Re:Cognition Health*

William W. Stead, M.D.

*Mckesson Foundation Professor of
Biomedical Informatics and Medicine
Vanderbilt University Medical Center*

Linda E. Rebrovick

*President
Impact Corporate Consulting*

Frank E. Gordon

*Managing Partner
Crofton Capital*

Deborah Taylor Tate, J.D.

*Former Commissioner
Federal Communications Commission
Former Director
Tennessee Supreme Court / Administrative Office
of the Courts*

Terry Allison Rappuhn

*Former Board Chair
Quorum Health Corporation*

A. Alex Jahangir, M.D.

*Vice Chair of Orthopaedic Surgery &
Vice President of Business Development
Vanderbilt University Medical Center*

Executive Officers

Robert A. Frist, Jr.

*Chief Executive Officer and Chairman
of the Board of Directors*

Scott A. Roberts

Chief Financial Officer and Senior Vice President

Michael M. Collier

*Executive Vice President,
Corporate Strategy and Development*

Michael J. Sousa

*Executive Vice President,
Enterprise Applications*

Jeffrey D. Cunningham

Chief Technology Officer and Senior Vice President

Trisha L. Coady

*Senior Vice President,
Workforce Development Solutions*

Scott McQuigg

*Senior Vice President,
Digital and Network Development*

Kevin P. O'Hara

*Senior Vice President,
Platform Solutions*

Scott C. Fenstermacher

Senior Vice President, Sales

Corporate Data

Annual Meeting

The annual meeting of shareholders will be held on May 30, 2024, at 2:00 p.m. (CT) in a virtual meeting format only, via live webcast.

Independent Auditors

Ernst & Young LLP
Nashville, Tennessee

Transfer Agent

Computershare Investor Services
Computershare
P.O. Box 43078
Providence, RI 02940-3078
(800) 962-4284
Investor Centre™ portal: www.computershare.com/investor

Legal Counsel

Bass, Berry & Sims PLC
Nashville, Tennessee

Corporate Headquarters

HealthStream, Inc.
500 11th Avenue North, Suite 1000
Nashville, Tennessee 37203

Form 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is being mailed with this letter. Additional copies of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, are available without exhibits, free of charge, to its shareholders. Requests should be addressed to Mollie Condra, Investor Relations Department, HealthStream, Inc., 500 11th Avenue North, Suite 1000, Nashville, Tennessee 37203.

Cautionary Note Regarding Forward-looking Statement

This report contains forward-looking statements (all statement other than those made solely with respect to historical fact) within the meaning of Section 21E of the Securities and Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These forward-looking statements are subject to known and unknown risks and uncertainties (some of which are beyond the Company's control) that could cause actual results to differ materially and adversely from those anticipated in the forward-looking statements. See the Company's Annual Report on 10-K made available with this letter for more detailed disclosure regarding forward-looking statements and associated risks and uncertainties.

Corporate Stock

HealthStream, Inc.'s common stock is traded on the NASDAQ Stock Market under the symbol HSTM. The following table shows the quarterly range of high and low closing sales prices of the common stock from 2021.

	High	Low
2021		
First Quarter	\$ 25.35	\$ 22.34
Second Quarter	\$ 28.23	\$ 21.64
Third Quarter	\$ 30.62	\$ 27.61
Fourth Quarter	\$ 29.23	\$ 23.22
2022		
First Quarter	\$ 26.43	\$ 18.97
Second Quarter	\$ 21.71	\$ 19.00
Third Quarter	\$ 24.70	\$ 20.87
Fourth Quarter	\$ 26.17	\$ 20.97
2023		
First Quarter	\$ 27.10	\$ 23.45
Second Quarter	\$ 27.47	\$ 22.81
Third Quarter	\$ 24.52	\$ 20.53
Fourth Quarter	\$ 27.29	\$ 21.84

As of February 14, 2024, HealthStream, Inc. had approximately 13,901 shareholders, including 1,087 shareholders of record and 12,814 persons or entities holding common stock in nominee name.

On February 20, 2023, we announced that our board of directors approved a quarterly dividend policy. Under this dividend policy, the Board declared, and the Company paid, quarterly cash dividends on our common stock at the rate of \$0.025 per share during the fiscal year ended December 31, 2023. In addition, our board of directors declared a quarterly dividend under this dividend policy in the amount of \$0.028 per share, which was paid on March 22, 2024 to the holders of record of our common stock on March 11, 2024, which dividend represented an increase of 12% compared to the amount of our quarterly dividends during 2023. The dividend policy and the declaration and payment of each quarterly cash dividend will be subject to our board's continuing determination that the policy and the declaration of dividends thereunder are in the best interest of our stockholders and are in compliance with applicable law and our credit agreement.