



HealthStream[®]

2024
Letter to Shareholders

Financial Highlights

Year Ended December 31,

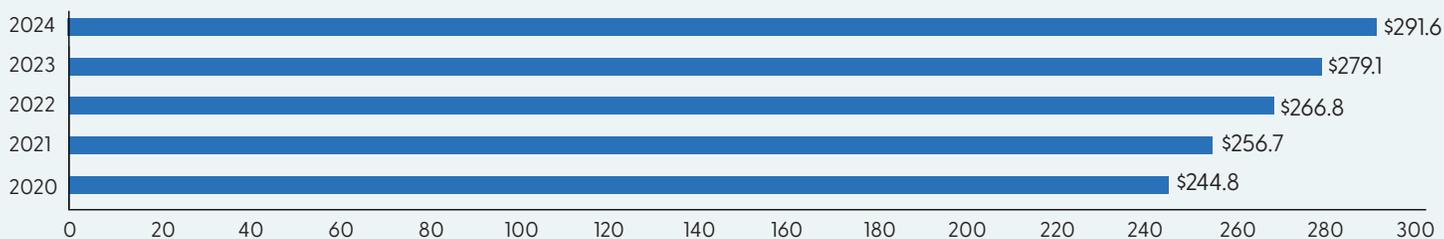
(In thousands, except per share amounts)

	2024	2023
Statement of Income Data:		
Revenues, net	\$ 291,646	\$ 279,063
Operating costs and expenses	270,359	263,044
Operating income	21,287	16,019
Interest income	3,834	2,356
Other (expense) income, net	(318)	136
Income before income tax provision	24,803	18,511
Income tax provision	4,796	3,298
Net income	\$ 20,007	\$ 15,213
Net income per share – diluted:		
Net income per share – diluted	\$ 0.66	\$ 0.50
Weighted average shares of common stock outstanding – diluted	30,544	30,673
Dividends declared per share	\$ 0.112	\$ 0.100
Balance Sheet Data:		
Cash and cash equivalents	\$ 59,469	\$ 40,333
Investments in marketable securities	37,748	30,800
Accounts receivable, net	30,189	34,346
Goodwill and intangible assets, net	246,768	259,410
Working capital	37,429	11,849
Total assets	510,766	499,942
Deferred revenue – current and noncurrent	85,882	85,792
Shareholders' equity	359,355	340,752
Reconciliation of GAAP net income to Adjusted EBITDA:		
GAAP net income	\$ 20,007	\$ 15,213
Deferred revenue write-down	–	212
Interest income	(3,834)	(2,356)
Interest expense	100	124
Income tax provision	4,796	3,298
Stock-based compensation expense	4,470	4,153
Depreciation and amortization	41,243	41,076
Change in fair value of non-marketable equity investments	–	(425)
Adjusted EBITDA	\$ 66,782	\$ 61,295

In order to better assess the Company's financial results, management believes that net income 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 may not, in any such case, fully reflect the underlying operating performance of our business. In addition, for periods ended on or prior to December 31, 2023, adjusted EBITDA excludes the impact of the deferred revenue write-downs associated with fair value accounting for acquired businesses.

Total Revenues

(in \$ millions)



Dear Shareholders

At HealthStream, we have always understood that the pulse of a hospital is driven by its heroic workforce that, collectively, delivers care to over 600,000 patients every day in the United States. Early in our start as a company, we supported the healthcare workforce with one of the industry's first healthcare-focused learning applications to provide a better way to meet their compliance training requirements. Today, we provide an entire ecosystem of applications, the largest and most diverse content offering in the industry, and the most widely adopted workforce platform in healthcare. And, by the way, our initial learning application, which has had many innovative updates through the years, was recently named by the prestigious G2 site as the #1 Best Software in Healthcare for 2025—among *all of the many types of software* used in the healthcare industry.

In this letter, I want to review HealthStream's progress made in 2024, which paved the way for our affirmation of 2025 as the *Year of the Platform*. I will comment on our growth strategies, highlight a few of our product innovations, and elaborate on some of the exciting developments that position us for an incredible future.

For full-year 2024, we achieved growth in each of the key financial metrics that we report, including revenue and adjusted EBITDA. Year-end results included annual revenues of \$291.6 million and adjusted EBITDA of \$66.8 million. The percentage of revenue that was subscription-based in 2024 was 96 percent. We ended 2024 well capitalized with a cash and marketable securities balance of \$97.2 million and full availability of our \$50 million line of credit, which remains untapped. We were pleased to return a portion of our earnings to shareholders in the form of a quarterly cash dividend, which we have increased twice since the launch of our dividend program in the first quarter of 2023.

Every day, our solutions help our healthcare organization customers support their respective workforces to develop their clinical performance, ensure compliance training requirements are met, optimize staff scheduling, and ensure that their staff maintains all required credentials. HealthStream offers three primary application suites for these purposes that we are increasingly calling our suite of suites—all powered via our hStream® platform. Each application suite has a flagship application, which includes the HealthStream Learning Center® for HealthStream Learning™; CredentialStream® for HealthStream Credentialing™; and ShiftWizard® for HealthStream Scheduling™. Across all of our product offerings, we hold 20 patents for our innovative products and have been awarded over 40 awards by the Brandon Hall Group, the leading research organization focused on learning and technology.

Our target market expanded in 2024 to approximately 12.6 million individuals focused on healthcare delivery, primarily through provider organizations. This includes approximately 5.7 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.

HealthStream's target market also now includes the nation's approximately 1.0 million nursing students and the 1,000+ nursing schools across the U.S. where those students are enrolled. The addition of nursing students accelerated in HealthStream's network with the widespread adoption and growth of our application, myClinicalExchange™, which helps to manage students' clinical rotations and related compliance and scheduling. In 2024 alone, over 360,000 rotations were managed for approximately 215,000 students through this unique application, which involved over 640 hospitals and 1,700 academic institutions.

In the fourth quarter of 2024, HealthStream acquired two additional clinical rotation management businesses: Total Clinical Placement System® and The Clinical Hub®, Inc. Coupled with myClinicalExchange, the Company has meaningfully enlarged its footprint among nursing students as they prepare for careers in healthcare. Moreover, students' early inclusion in HealthStream's ecosystem presents immediate opportunities for them as well as advantages for the healthcare organizations that may employ them in the future. For example, as nursing students become a part of our ecosystem, they can purchase certain courses and training directly from HealthStream, getting a head start on their career journey.

In 2024, HealthStream expanded and improved its e-commerce capabilities to be able to sell directly and more effectively to end-users beyond nursing students to also include physicians, nurses, and other clinicians. We now sell directly to physicians on our CMEcourses™ site powered by the hStream platform and can sell directly to nurses through Nursegrid Learn™, which is an e-commerce site linked to our popular Nursegrid app, which is used by approximately one in six nurses in the U.S. with approximately 619,000 monthly active users. Approximately 24,000 online orders were placed across CMEcourses and Nursegrid e-commerce sites in 2024. Collectively, these two e-commerce sites contain over 100 courses and course bundles for sale. We believe our expanding e-commerce capabilities, which were launched in late 2023, have potential to be a future growth driver for the Company.

Within HealthStream Learning, we've amassed an ecosystem of market-leading brands of content from approximately 70 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 366,000 certifications were earned in 2024 alone with over 1,425,000 cumulatively earned as of February 2025 since its launch in early 2019.

Innovation continues to be at the heart of everything we do, including our focus on pioneering artificial intelligence (AI) solutions for healthcare. Our Jane AI® product, for example, uses natural language processing, which is a category of AI, and a proprietary taxonomy to assess the competency of nurses. Over 300 healthcare facilities are currently active users of Jane AI, which bridges textbook knowledge with real-life application, and is designed to significantly increase nurses' clinical judgement. Across our customers of Jane AI, the average amount of training required to reach optimal clinical competency is reduced by up to 73 percent due to its powerful personalized learning capabilities.

Through our hStream technology platform, HealthStream is making meaningful progress in our platform-as-a-service (PaaS) approach. hStream is HealthStream's proprietary technology platform which 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, starting with our own application suites for learning, credentialing, and scheduling—all of which are powered at a platform level by hStream. To be clear, the hStream platform is designed to extend interoperability beyond HealthStream's own proprietary applications as it begins to power third-party applications as well. We believe that creating this type of network effect has the potential to drive meaningful opportunities and business results over the next several years.

Our hStream platform is also allowing us to develop new applications and functionality faster and more efficiently than ever before. In January 2025, we announced the launch of the HealthStream Learning Experience™ application, which is our first platform native application to be developed. This new application offers the healthcare workforce personalized, self-directed, intelligent learning and development pathways, incorporating a wide range of learning modalities—all in an engaging and thoroughly modern user experience. We are excited to bring this new application to the market in 2025—as I believe it has the potential to offer significant benefits for our customers.

HealthStream's corporate culture continues to be dynamic, engaging, and focused on our vision to improve the quality of healthcare by developing the people who deliver care. Based on over 13,000 anonymous ratings on the public website *Comparably.com*, HealthStream currently has an "A" rating for "Overall Culture," earning a place in the top ten percent of the thousands of companies rated on this site. We are a values-driven company, as outlined in our *HealthStream Constitution*, where we seek to enact our value of Streaming Good, which means that we strive to create a positive social impact in everything we do. To this end, our approximately 1,100 employees participated in numerous events over 2024 that raised funds for the Alzheimer's Association, an organization we are honored to support in the fight against Alzheimer's and other forms of dementia.

As we reflect upon our 2024 results and look forward to an exciting future, 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
Director Emerita
Tennessee Supreme Court / Administrative
Office of the Courts*

Terry Allison Rappuhn

*Former Board Chair
Quorum Health Corporation*

A. Alex Jahangir, M.D.

*Associate Chief Medical Officer & Senior Vice President,
Physician Network Development
Vanderbilt University Medical Center*

Charles E. Beard, Jr.

*Former Chief Operating Officer
Guidehouse, Inc.*

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, Development,
and Operations*

Michael J. Sousa

*Executive Vice President,
Enterprise Applications
(through March 31, 2025)*

Jeffrey D. Cunningham

Chief Technology Officer and Senior Vice President

Trisha L. Coady

*Executive Vice President,
Workforce Development Solutions*

Scott McQuigg

*Senior Vice President,
Digital and Network Development*

Kevin P. O'Hara

*Executive Vice President,
Enterprise Workforce Platform*

Scott C. Fenstermacher

Senior Vice President, Sales

Corporate Data

Annual Meeting

The annual meeting of shareholders will be held on May 29, 2025, 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 43101
Providence, RI 02940-5067
(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 850
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 850, 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 2022.

	High	Low
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
2024		
First Quarter	\$ 27.62	\$ 25.57
Second Quarter	\$ 28.13	\$ 23.99
Third Quarter	\$ 30.84	\$ 27.19
Fourth Quarter	\$ 33.16	\$ 28.11

As of February 14, 2025, HealthStream, Inc. had approximately 12,806 shareholders, including 1,019 shareholders of record and 11,787 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 of directors 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 and quarterly cash dividends on our common stock at the rate of \$0.028 per share during the fiscal year ended December 31, 2024. In addition, our board of directors declared a quarterly dividend under this dividend policy in the amount of \$0.031 per share, which was paid on March 21, 2025 to holders of record of all of the issued and outstanding shares of common stock as of the close of business as of March 10, 2025, representing an increase of 11% over the previous quarter's dividend payment. 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.