



HealthStream[™]

2022
Letter to
Shareholders

Financial Highlights

Year Ended December 31,

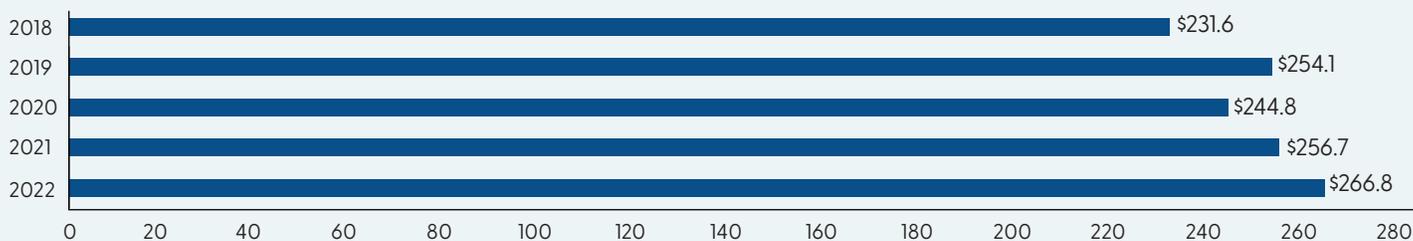
(In thousands, except per share amounts)

	2022	2021
Statement of Income Data:		
Revenues, net	\$ 266,826	\$ 256,712
Operating costs and expenses	254,377	248,657
Operating income	12,449	8,055
Other income (loss), net	3,136	(289)
Income before income taxes	15,585	7,766
Income tax provision	3,494	1,921
Net income	\$ 12,091	\$ 5,845
Net income per share – diluted:		
Net income per share – diluted	\$ 0.39	\$ 0.18
Weighted average shares of common stock outstanding – diluted	30,717	31,618
Balance Sheet Data:		
Cash and cash equivalents	\$ 46,023	\$ 46,905
Investments in marketable securities	7,885	5,041
Accounts receivable, net	36,730	30,308
Goodwill and intangible assets, net	273,951	271,706
Working capital	(2,836)	6,495
Total assets	497,741	486,753
Deferred revenue – current and noncurrent	82,406	75,399
Shareholders' equity	334,064	339,019
Reconciliation of GAAP net income to Adjusted EBITDA:		
GAAP net income	\$ 12,091	\$ 5,845
Deferred revenue write-down	267	4,040
Interest income	(444)	(80)
Interest expense	132	132
Income tax provision	3,494	1,921
Stock-based compensation expense	3,554	5,303
Depreciation and amortization	37,945	36,813
Non-cash paid time off expense	–	(1,011)
Change in fair value of non-marketable equity investments	(3,596)	(279)
Adjusted EBITDA	\$ 53,443	\$ 52,684

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, changes in fair value of, including gains (losses) on the sale of, non-marketable equity investments, and the de-recognition of non-cash expense resulting from the paid time off expense reduction in the first quarter of 2021 ("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.

Total Revenues

(in \$ millions)



Dear Shareholders

2022 was a year of record revenues and adjusted EBITDA, as we made meaningful progress toward achieving our vision “to improve the quality of healthcare by developing the people who deliver care.” 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 dividend policy for you, our shareholders, in early 2023. I believe our new dividend policy is an important step in our evolution as a Company and a testament to the strength of our business going forward.

In this letter, I want to review the Company’s progress made in 2022, comment on our growth strategies, and elaborate on some of the exciting developments in early 2023 that position us for expanded market opportunities and innovation.

Every day, we help our healthcare organization customers support their respective workforces to develop their clinical performance, optimize staff scheduling, and ensure that their staff maintains all required credentials. Our target market is comprised of the U.S. healthcare workforce of approximately 11.2 million healthcare professionals, which includes approximately 5.3 million employees working in the nation’s acute-care hospitals and 5.9 million employees in a more broadly defined continuum of care market. We define the continuum of care as ambulatory services—including physician offices, health & human services—including behavioral care facilities, and post-acute care—including skilled nursing facilities.

In 2022, several HealthStream products were, collectively, nationally recognized with five prestigious “Excellence Awards” from the Brandon Hall Group, the leading research organization focused on learning and technology. Included among these awards were top honors for the American Red Cross Resuscitation Suite and our nationwide, one-of-a-kind Customer Community site. Last year, HealthStream was also awarded a patent for its unique scheduling application algorithm, which brings our total number of patents to 18. We are already seeing early enthusiasm from healthcare providers for the

use of our ground-breaking, new technologies and their potential for empowering and managing the healthcare workforce more efficiently and effectively than ever before.

As we reflect back on 2022, our financial performance was solid. Year-end results for 2022 included annual revenues of \$266.8 million and adjusted EBITDA of \$53.4 million. We ended 2022 well capitalized with a cash and marketable securities balance of \$53.9 million and full availability of our \$65 million line of credit—which remains untapped.

During 2022, HealthStream made two acquisitions: CloudCME in May and eeds in December. Combined with the acquisition of Rievent Technology in December of 2021, these three companies and their applications each add an essential workforce solution for CE/CME management for our customers. These strategic acquisitions extend our offerings, add market share, and expand our customer channels and network. M&A has consistently been a part of our growth strategy, and we plan to continue pursuing additional inorganic growth opportunities and minority investments arising from our M&A pipeline. At the same time, we are continuing to invest in new products, as well as the integration and enhancement of existing product capabilities across our three application suites: Credentialing, Scheduling, and Learning.

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. HealthStream Scheduling™, with its primary SaaS-based application ShiftWizard and its acquired legacy scheduling applications, is now used by over 400 healthcare facilities. Among our portfolio of applications in HealthStream Learning™, our HealthStream Learning Center (HLC) is the market-leading SaaS-based application used in all 50 states where approximately 400,000 educational activities occur each day.

Within HealthStream Learning, we've 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 over 320,000 certifications were earned in 2022 alone with over 800,000 cumulatively earned as of March 2023 since its launch in early 2019.

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 increasingly powers integration with and activity in the HealthStream ecosystem. At year-end 2022, the cumulative total of hStream subscriptions was 5.54 million, which represents an addition of approximately a half-million newly contracted subscriptions during 2022.

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 November of 2022, HealthStream announced the launch of our hStream Developer Portal. The Portal delivers access to a modern and scalable architecture through APIs, which are smaller, reusable services that can be assembled to quickly add features and functionality into other applications, including HealthStream applications and third-party applications from customers and partners. I believe the launch of our Portal represents a significant marker in our longer-term plans to fully tap into the robust opportunities inherent in our ecosystem.

In February of 2023, HealthStream announced several updates. The Company had previously operated through two business segments: Workforce Solutions and Provider Solutions. Now, beginning January 1, 2023, we no longer have separate segments; our products and solutions are organized and offered under one segment from a unified, single platform, hStream. By making this update, operational efficiencies are realized, branding is simplified, and our management structure is delayed. All branding and contracting, for example, are being consolidated at the enterprise-level for the full array of the Company's products and solutions.

Consistent with CDC guidelines, HealthStream opened its offices in March of 2022 to all employees, who were given the option to work at a HealthStream office as they choose—or continue to work from home if they prefer. Our Hybrid Work Policy works well for everyone and, thanks to our employees, our culture continues to thrive. Based on over 12,000 anonymous ratings on the public website Comparably.com, HealthStream currently has an "A+" rating for "Work Culture." Our corporate social responsibility program, which we call "Streaming Good," held numerous events over the year 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 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*

Michael Shmerling*

*Chairman
Clearbrook Holdings Corporation*

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*

*On March 27, 2023, Mr. Shmerling notified the Company that he has decided not to stand for re-election to the Company's Board of Directors (the "Board") as a Class II director at the Company's 2023 annual meeting of shareholders and to retire from service on the Board effective concurrently with the annual meeting.

Executive Officers

Robert A. Frist, Jr.

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

J. Edward Pearson*

Chief Operating Officer and President

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

*On February 20, 2023, Mr. Pearson provided notice to the Company that he will be retiring from his current role as President and Chief Operating Officer effective at the end of the second quarter of 2023. Afterwards, it is contemplated that Mr. Pearson will continue to serve the Company in a multi-year, part-time leadership position as an Executive-in-Residence.

Corporate Data

Annual Meeting

The annual meeting of shareholders will be held on May 25, 2023, at 2:00 p.m. (CDT) in a virtual meeting format only, via live webcast.

Independent Auditors

Ernst & Young LLP
Nashville, Tennessee

Transfer Agent

Computershare Investor Services
150 Royall St., Suite 101
Canton, MA 02021
(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.

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 2020.

	High	Low
2020		
First Quarter	\$ 27.74	\$ 20.03
Second Quarter	\$ 25.89	\$ 20.96
Third Quarter	\$ 23.25	\$ 19.64
Fourth Quarter	\$ 22.01	\$ 18.18
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

As of February 17, 2023, HealthStream, Inc. had approximately 13,197 shareholders, including 1,264 shareholders of record and 11,933 persons or entities holding common stock in nominee name.

On February 20, 2023, we announced that our board of directors approved a dividend policy under which we intend to pay quarterly cash dividends on our common stock at an initial rate of \$0.025 per share per fiscal quarter. We also announced that our board has declared the initial quarterly dividend under the new policy in the amount of \$0.025 per share, which will be payable on April 28, 2023 to the holders of record of all of the issued and outstanding shares of common stock as of the close of business on April 17, 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 interests of our stockholders and are in compliance with applicable law and our credit agreement.

Cautionary Note Regarding Forward-looking Statement

This report contains forward-looking statements (all statements 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.