UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2024

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No.: 000-27701

HealthStream, Inc.
(Exact name of registrant as specified in its charter)

Tennessee **(State or other jurisdiction of incorporation or organization)**	**62-1443555** **(I.R.S. Employer Identification No.)**
500 11th Avenue North, Suite 1000, Nashville, Tennessee **(Address of principal executive offices)**	**37203** **(Zip Code)**

(615) 301-3100
(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (Par Value $0.00)	HSTM	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 22, 2024, there were 30,408,110 shares of the registrant’s common stock outstanding.

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HEALTHSTREAM, INC.

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,131	$ 40,333
Marketable securities	36,869	30,800
Accounts receivable, net of allowance for doubtful accounts of $978 and $781 at June 30, 2024 and December 31, 2023, respectively	31,801	34,346
Accounts receivable - unbilled	4,394	4,100
Prepaid royalties, net of amortization	9,043	10,202
Prepaid software maintenance and subscriptions	7,754	7,397
Other prepaid expenses and other current assets	3,120	3,032
Total current assets	139,112	130,210
Property and equipment, net of accumulated depreciation of $21,423 and $19,503 at June 30, 2024 and December 31, 2023, respectively	11,880	13,005
Capitalized software development, net of accumulated amortization of $139,063 and $127,009 at June 30, 2024 and December 31, 2023, respectively	41,540	40,643
Operating lease right of use assets, net	18,842	20,114
Goodwill	190,968	191,379
Customer-related intangibles, net of accumulated amortization of $61,107 and $57,095 at June 30, 2024 and December 31, 2023, respectively	50,569	54,742
Other intangible assets, net of accumulated amortization of $17,084 and $16,603 at June 30, 2024 and December 31, 2023, respectively	10,603	13,289
Deferred commissions	31,377	31,700
Non-marketable equity investments	4,053	4,134
Other assets	611	726
Total assets	$ 499,555	$ 499,942
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,805	$ 7,465
Accrued expenses	15,004	22,717
Accrued royalties	4,187	4,556
Deferred revenue	86,887	83,623
Total current liabilities	111,883	118,361
Deferred tax liabilities	15,568	16,132
Deferred revenue, noncurrent	1,891	2,169
Operating lease liability, noncurrent	18,780	20,247
Other long-term liabilities	2,219	2,281
Shareholders' equity:		
Common stock, no par value, 75,000 shares authorized; 30,408 and 30,298 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	250,368	249,075
Retained earnings	100,063	92,368
Accumulated other comprehensive loss	(1,217)	(691)
Total shareholders' equity	349,214	340,752
Total liabilities and shareholders' equity	$ 499,555	$ 499,942

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Revenues, net	$ 71,556	$ 69,198	$ 144,316	$ 138,144
Operating costs and expenses:				
Cost of revenues (excluding depreciation and amortization)	23,738	23,567	48,355	47,424
Product development	12,076	11,031	24,107	22,711
Sales and marketing	11,405	11,307	23,179	23,035
Other general and administrative expenses	9,556	9,063	17,868	17,927
Depreciation and amortization	10,370	10,222	20,706	20,148
Total operating costs and expenses	67,145	65,190	134,215	131,245
Operating income	4,411	4,008	10,101	6,899
Other income, net	889	492	1,741	742
Income before income tax provision	5,300	4,500	11,842	7,641
Income tax provision	1,132	367	2,448	885
Net income	$ 4,168	$ 4,133	$ 9,394	$ 6,756
Net income per share:				
Basic	$ 0.14	$ 0.13	$ 0.31	$ 0.22
Diluted	$ 0.14	$ 0.13	$ 0.31	$ 0.22
Weighted average shares of common stock outstanding:				
Basic	30,401	30,684	30,357	30,638
Diluted	30,526	30,775	30,472	30,717
Dividends declared per share	$ 0.028	$ 0.025	$ 0.056	$ 0.050

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Net income	$ 4,168	$ 4,133	$ 9,394	$ 6,756
Other comprehensive (loss) income, net of taxes:				
Foreign currency translation adjustments	(44)	177	(519)	144
Unrealized loss on marketable securities	(1)	(50)	(7)	(52)
Total other comprehensive (loss) income	(45)	127	(526)	92
Comprehensive income	$ 4,123	$ 4,260	$ 8,868	$ 6,848

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except per share data)

	Six Months Ended June 30, 2024				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2023	30,298	$ 249,075	$ 92,368	$ (691)	$ 340,752
Net income	—	—	5,227	—	5,227
Comprehensive loss	—	—	—	(481)	(481)
Dividends declared on common stock ($0.028 per share)	—	—	(849)	—	(849)
Stock-based compensation	—	1,060	—	—	1,060
Common stock issued under stock plans, net of shares withheld for employee taxes	100	(855)	—	—	(855)
Balance at March 31, 2024	30,398	$ 249,280	$ 96,746	$ (1,172)	$ 344,854
Net income	—	—	4,168	—	4,168
Comprehensive loss	—	—	—	(45)	(45)
Dividends declared on common stock ($0.028 per share)	—	—	(851)	—	(851)
Stock-based compensation	—	1,094	—	—	1,094
Common stock issued under stock plans, net of shares withheld for employee taxes	10	(6)	—	—	(6)
Balance at June 30, 2024	30,408	$ 250,368	$ 100,063	$ (1,217)	$ 349,214

	Six Months Ended June 30, 2023				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2022	30,579	$ 254,832	$ 80,213	$ (981)	$ 334,064
Net income	—	—	2,623	—	2,623
Comprehensive loss	—	—	—	(35)	(35)
Dividends declared on common stock ($0.025 per share)	—	—	(767)	—	(767)
Stock-based compensation	—	945	—	—	945
Common stock issued under stock plans, net of shares withheld for employee taxes	103	(791)	—	—	(791)
Balance at March 31, 2023	30,682	$ 254,986	$ 82,069	$ (1,016)	$ 336,039
Net income	—	—	4,133	—	4,133
Comprehensive income	—	—	—	127	127
Dividends declared on common stock ($0.025 per share)	—	—	(767)	—	(767)
Stock-based compensation	—	1,093	—	—	1,093
Common stock issued under stock plans, net of shares withheld for employee taxes	4	(6)	—	—	(6)
Balance at June 30, 2023	30,686	$ 256,073	$ 85,435	$ (889)	$ 340,619

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
OPERATING ACTIVITIES:		
Net income	$ 9,394	$ 6,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,706	20,148
Stock-based compensation	2,154	2,038
Amortization of deferred commissions	5,956	5,464
Provision for credit losses	1,802	371
Deferred income taxes	(542)	(490)
Loss on equity method investments	82	241
Other	(746)	(342)
Changes in operating assets and liabilities:		
Accounts and unbilled receivables	449	1,460
Prepaid royalties	1,158	(810)
Other prepaid expenses and other current assets	(1,211)	(2,408)
Deferred commissions	(5,632)	(5,830)
Other assets	116	315
Accounts payable and accrued expenses	(8,912)	(2,835)
Accrued royalties	(370)	(207)
Deferred revenue	2,985	1,618
Net cash provided by operating activities	27,389	25,489
INVESTING ACTIVITIES:		
Business combinations, net of cash acquired	—	(6,621)
Proceeds from maturities of marketable securities	29,196	10,000
Purchases of marketable securities	(34,526)	(31,983)
Proceeds from sale of non-marketable equity investments	765	—
Payments associated with capitalized software development	(13,552)	(13,309)
Purchases of property and equipment	(914)	(1,382)
Net cash used in investing activities	(19,031)	(43,295)
FINANCING ACTIVITIES:		
Taxes paid related to net settlement of equity awards	(861)	(797)
Payment of cash dividends	(1,700)	(1,534)
Net cash used in financing activities	(2,561)	(2,331)
Effect of exchange rate changes on cash and cash equivalents	1	(81)
Net increase (decrease) in cash and cash equivalents	5,798	(20,218)
Cash and cash equivalents at beginning of period	40,333	46,023
Cash and cash equivalents at end of period	$ 46,131	$ 25,805

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. OVERVIEW AND BASIS OF PRESENTATION

Company Overview

HealthStream provides primarily Software-as-a-Service ("SaaS") based applications for healthcare organizations—all designed to improve business and clinical outcomes by supporting the people who deliver patient care. The Company is focused on helping individuals and organizations in healthcare meet their ongoing learning, clinical development, credentialing, and scheduling needs. The Company also provides its solutions to nursing schools and nursing students.

The Company is organized and operated according to its One HealthStream approach, with its hStream technology platform at the center of that approach. Increasingly, SaaS-based applications in the Company's diverse ecosystem of solutions utilize the Company's proprietary hStream technology platform to enhance the value proposition for customers by creating interoperability with and among other applications. As used in this Quarterly Report on Form 10-Q (“Form 10-Q”), “HealthStream,” “Company,” “we,” “us,” and “our” mean HealthStream, Inc. and its subsidiaries, unless the context indicates otherwise.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany transactions have been eliminated in consolidation. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

The Condensed Consolidated Balance Sheet at December 31, 2023 was derived from the audited Consolidated Financial Statements at that date but does not include all of the information and footnotes required by US GAAP for a complete set of financial statements. For further information, refer to the Consolidated Financial Statements and Notes thereto for the year ended December 31, 2023 (included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 26, 2024).

2. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The new guidance requires disclosures of significant reportable segment expenses that are regularly provided to the chief operating decision maker and other segment items on an interim and annual basis. Entities with a single reportable segment will also be required to apply the disclosure requirements in ASU 2023-07 on an interim and annual basis. ASU 2023-07 will be effective for the Company for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities to provide disclosure of disaggregated information in the entity’s tax rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

3. REVENUE RECOGNITION AND SALES COMMISSIONS

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled in exchange for transferring those goods or services. Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The following table represents revenues disaggregated by revenue source (in thousands). Sales taxes are excluded from revenues.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Subscription services	$ 69,013	$ 66,506	$ 139,218	$ 132,521
Professional services	2,543	2,692	5,098	5,623
Total revenues, net	$ 71,556	$ 69,198	$ 144,316	$ 138,144

For the three months ended June 30, 2024 and 2023, the Company recognized $1.6 million and $0.2 million in impairment losses on receivables and contract assets arising from the Company's contracts with customers, respectively. For the six months ended June 30, 2024 and 2023, the Company recognized $1.8 million and $0.4 million in impairment losses on receivables and contract assets arising from the Company's contracts with customers, respectively.

During the three months ended June 30, 2024 and 2023, the Company recognized revenues of $47.2 million and $43.6 million, respectively, from amounts included in deferred revenue at the beginning of the respective periods. During the six months ended June 30, 2024 and 2023, the Company recognized revenues of $65.2 million and $62.1 million, respectively, from amounts included in deferred revenue at the beginning of the respective periods. As of June 30, 2024, approximately $538 million of revenue is expected to be recognized from remaining performance obligations under contracts with customers. The Company expects to recognize revenue related to approximately 43% of these remaining performance obligations over the next 12 months, with the remaining amounts recognized thereafter.

Sales Commissions

Sales commissions earned by the Company's sales employees are considered incremental and recoverable costs of obtaining a contract with a customer. The Company recorded amortization of deferred commissions of $3.0 million and $2.8 million for the three months ended June 30, 2024 and 2023, respectively, and $6.0 million and $5.5 million for the six months ended June 30, 2024 and 2023, respectively, which is included in sales and marketing expenses in the accompanying Condensed Consolidated Statements of Income.

4. INCOME TAXES

Income taxes are accounted for using the asset and liability method, whereby deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities measured at tax rates that will be in effect for the year in which the differences are expected to affect taxable income.

The Company computes its interim period provision for income taxes by applying the estimated annual effective tax rate to year-to-date pretax income or loss and adjusts the provision for discrete tax items recorded in the period. During the three months ended June 30, 2024 and 2023, the Company recorded a provision for income taxes of $1.1 million and $0.4 million, respectively. During the six months ended June 30, 2024 and 2023, the Company recorded a provision for income taxes of $2.4 million and $0.9 million, respectively.

The Company’s effective tax rate was 21% and 12% for the six months ended June 30, 2024 and 2023, respectively. The Company’s effective tax rate primarily reflects the statutory corporate income tax rate, the net effect of state taxes, foreign income taxes, the effect of various permanent tax differences, and recognition of discrete tax items. The Company recognizes excess tax benefits and tax deficiencies associated with stock-based awards as a component of its provision for income taxes. During the six months ended June 30, 2024, the Company recorded discrete tax expense of $14,000, which consisted primarily of discrete tax expense of $0.2 million related to reserves for uncertain tax positions, partially offset by a $0.1 million discrete tax benefit associated with stock-based awards. During the six months ended June 30, 2023, the Company recorded discrete tax benefits of $0.5 million, which consisted primarily of tax benefits associated with changes in state apportionment rules in Tennessee upon the enactment of the Tennessee Works Tax Act in the amount of $0.6 million, and stock-based awards, in the amount of $0.1 million. This tax benefit for the six months ended June 30, 2023 was partially offset by $0.2 million of discrete tax expense related to reserves for uncertain tax positions.

5. SHAREHOLDERS’ EQUITY

Dividends on Common Stock

During the six months ended June 30, 2024, the Company's Board of Directors (“Board”) declared the following quarterly dividends under the Company's dividend policy:

Dividend Payment Date	Dividend Declaration Date	Dividend Per Share		Record Date	Cash Outlay	
March 22, 2024	February 19, 2024	$	0.028	March 11, 2024	$	849,000
May 17, 2024	April 22, 2024		0.028	May 6, 2024		851,000
Total dividends		$	0.056		$	1,700,000

Additionally, on July 22, 2024, the Board declared a quarterly cash dividend of $0.028 per share, payable on August 16, 2024 to holders of record on August 5, 2024.

Stock-Based Compensation

The Company has stock awards outstanding under its 2016 Omnibus Incentive Plan and 2022 Omnibus Incentive Plan. The Company accounts for its stock-based compensation plans using the fair-value based method for costs related to share-based payments, including restricted share units (“RSUs”) and stock options. During the six months ended June 30, 2024, the Company issued 69,784 RSUs subject to service-based time vesting, with a weighted average grant date fair value of $26.92 per share, measured based on the closing fair market value of the Company's stock on the date of the grant. During the six months ended June 30, 2023, the Company issued 72,923 RSUs subject to service-based time vesting, with a weighted average grant date fair value of $25.36 per share, measured based on the closing fair market value of the Company’s stock on the date of grant.

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

During the six months ended June 30, 2023, the Company granted 138,000 performance-based RSUs, the vesting of which occurs over a five-year period in increments of 15%, 20%, 20%, 20%, and 25% and is contingent upon continued service and achieving certain performance criteria established by the compensation committee of the Board (the “Compensation Committee”) on an annual basis based on performance in 2023, 2024, 2025, 2026, and 2027, respectively. The performance criteria for the second-year tranche, or 27,600 of these performance-based RSUs, is based on 2024 adjusted EBITDA. The measurement date for these 27,600 performance-based RSUs was established during the six months ended June 30, 2024 with a weighted average grant date fair value of $26.79 per share, measured based on the closing fair market value of the Company's stock on the date the performance criteria was established. The performance criteria for the remaining 89,700 performance-based RSUs has not yet been determined and will be established on an annual basis in 2025, 2026, and 2027, as applicable; therefore, the measurement date for these remaining 89,700 performance-based RSUs cannot be determined until the performance criteria have been established.

During the six months ended June 30, 2022, the Company approved the grant of 91,042 performance-based RSUs, the vesting of which occurs over a five-year period in increments of 15%, 20%, 20%, 20%, and 25% and is contingent upon continued service and achieving certain performance criteria established by the Compensation Committee on an annual basis based on performance in 2022, 2023, 2024, 2025, and 2026, respectively. The performance criteria and measurement date for the third-year tranche, or 18,211 of these performance-based RSUs, is based on 2024 adjusted EBITDA and was established during the six months ended June 30, 2024 with a grant date fair value of $26.79 per share, measured based on the closing fair market value of the Company's stock on the date the performance criteria was established. The performance criteria for the remaining 40,967 performance-based RSUs has not yet been determined and will be established on an annual basis in 2025 and 2026, as applicable; therefore, the measurement date for these remaining 40,967 performance-based RSUs cannot be determined until the performance criteria have been established.

Total stock-based compensation expense recognized in the Condensed Consolidated Statements of Income is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Cost of revenues (excluding depreciation and amortization)	$ 50	$ 50	$ 103	$ 99
Product development	202	187	399	354
Sales and marketing	140	131	276	243
Other general and administrative	702	725	1,376	1,342
Total stock-based compensation expense	$ 1,094	$ 1,093	$ 2,154	$ 2,038

6. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net income available to common shareholders for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income available to common shareholders for the period by the weighted average number of potentially dilutive common and common equivalent shares outstanding during the period. Common equivalent shares are composed of incremental common shares issuable upon the exercise of stock options and RSUs subject to vesting. The dilutive effect of common equivalent shares is included in diluted earnings per share by application of the treasury stock method. The total number of common equivalent shares excluded from the calculations of diluted earnings per share, due to their anti-dilutive effect or contingent performance conditions, was approximately 155,000 and 225,000 for the three months ended June 30, 2024 and 2023, respectively, and 166,000 and 246,000 for the six months ended June 30, 2024 and 2023, respectively.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income	$ 4,168	$ 4,133	$ 9,394	$ 6,756
Denominator:				
Weighted-average shares outstanding	30,401	30,684	30,357	30,638
Effect of dilutive shares	125	91	115	79
Weighted-average diluted shares	30,526	30,775	30,472	30,717
Net income per share:				
Basic	$ 0.14	$ 0.13	$ 0.31	$ 0.22
Diluted	$ 0.14	$ 0.13	$ 0.31	$ 0.22

7. MARKETABLE SECURITIES

The fair value of marketable securities, which were all classified as available for sale and which the Company does not intend to sell nor will the Company be required to sell prior to recovery of their amortized cost basis, included the following (in thousands):

	June 30, 2024			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
U.S. treasury securities	$ 36,867	$ 4	$ (2)	$ 36,869
Total	$ 36,867	$ 4	$ (2)	$ 36,869

	December 31, 2023			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
U.S. treasury securities	$ 30,791	$ 10	$ (1)	$ 30,800
Total	$ 30,791	$ 10	$ (1)	$ 30,800

The carrying amounts reported in the Condensed Consolidated Balance Sheets approximate fair value based on quoted market prices or alternative pricing sources and models utilizing market observable inputs. As of June 30, 2024, the Company did not recognize any allowance for credit impairments on its available for sale securities. All investments in marketable securities are classified as current assets on the Condensed Consolidated Balance Sheets because the underlying securities mature within one year from the balance sheet date.

8. DEBT

Revolving Credit Facility

On October 6, 2023, the Company entered into an Amended and Restated Revolving Credit Agreement (“Revolving Credit Facility”), amending the Revolving Credit Facility dated as of November 24, 2014, as amended, with certain lenders party thereto from time to time, and Truist, as Administrative Agent for the lenders. Under the Revolving Credit Facility, the Company may borrow up to $50.0 million, which includes a $5.0 million swingline sub-facility and a $5.0 million letter of credit sub-facility, as well as an accordion feature that allows the Company to increase the Revolving Credit Facility by a total of up to $25.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The Revolving Credit Facility has a maturity date of October 6, 2026.

The Company's obligations under the Revolving Credit Facility are unsecured. In addition, if the Company forms or acquires any domestic subsidiaries, the loans and other obligations under the Revolving Credit Facility will be guaranteed by such domestic subsidiaries.

At the Company’s election, the borrowings under the Revolving Credit Facility, other than the swingline loans, bear interest at either (1) a base rate defined as the highest of (a) the rate which the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time, or (b) the Federal Funds Rate, as in effect from time to time, plus one-half of one percent (0.50%) per annum (any changes in such rates to be effective as of the date of any change in such rate), plus in each case an applicable margin that varies with the company’s funded debt leverage ratio; or (2) a term secured overnight financing rate (“SOFR”) defined as the greater of (a)(i) the forward-looking term rate based on SOFR determined as of the reference time for such interest period with a term equivalent to such interest period plus (ii) a term SOFR adjustment equal to 0.10% per annum and (b) zero, plus, in each case, an applicable margin that varies with the Company’s consolidated total leverage ratio. The Company’s borrowings under the swingline loans bear interest at the base rate plus the applicable margin. The initial applicable margin for base rate loans is 0.50% and the initial applicable margin SOFR loans is 1.50%. The applicable margins will be adjusted quarterly, in each case two (2) business days after the Administrative Agent's receipt of the Company's quarterly financial statements. The Company is also required to pay a commitment fee accruing on the unused revolving commitment, which fee initially is 20 basis points per annum and a letter of credit fee, accruing at a rate per annum equal to the applicable margin for SOFR loans then in effect on the daily average amount of such lender’s letter of credit exposure.

Principal is payable in full at maturity on October 6, 2026, and there are no scheduled principal payments prior to maturity. Interest on base rate loans and swingline loans is payable quarterly in arrears, and interest on SOFR loans is payable at the end of each interest period, and in the case of interest periods longer than three months, on each day which occurs every three months after the initial date of such interest period.

The purpose of the Revolving Credit Facility is for general working capital needs, permitted acquisitions (as defined in the Amended and Restated Revolving Credit Agreement), and for stock repurchase and/or redemption transactions that the Company may authorize.

In addition, the Revolving Credit Facility required the Company to meet certain financial tests, including, without limitation:

- a funded debt leverage ratio (consolidated debt/consolidated EBITDA) of not greater than 3.0 to 1.0; and

- an interest coverage ratio (consolidated EBITDA/consolidated interest expense) of not less than 3.0 to 1.0.

In addition, the Revolving Credit Facility contains certain customary affirmative and negative covenants that, among other things, restrict additional indebtedness, liens and encumbrances, changes to the character of the Company’s business, acquisitions, asset dispositions, mergers and consolidations, sale or discount of receivables, creation or acquisitions of additional subsidiaries, and other matters customarily restricted in such agreements.

As of June 30, 2024, the Company was in compliance with all covenants. There were no balances outstanding on the Revolving Credit Facility as of or during the three and six months ended June 30, 2024.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Special Cautionary Notice Regarding Forward-Looking Statements

You should read the following discussion and analysis in conjunction with our Condensed Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q and our audited Consolidated Financial Statements and the Notes thereto for the year ended December 31, 2023, appearing in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission ("SEC") on February 26, 2024 (the "2023 Form 10-K"). Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that the Company intends to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend on or refer to future events or conditions, or that include words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," and similar expressions are forward-looking statements.

The Company cautions that forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

In evaluating any forward-looking statement, you should specifically consider the information regarding forward-looking statements set forth above and the risks set forth under the caption Part I, Item 1A. Risk Factors in our 2023 Form 10-K and other disclosures in our 2023 Form 10-K, earnings releases, and other filings with the SEC from time to time, as well as other cautionary statements contained elsewhere in this Form 10-Q, including our critical accounting policies and estimates as discussed in this Form 10-Q and our 2023 Form 10-K. We undertake no obligation to update or revise any forward-looking statements. You should read this Form 10-Q and the documents that we reference in this Form 10-Q and have filed as exhibits to this Form 10-Q completely and with the understanding that our actual future results may be materially different from what we currently expect.

Business Overview

HealthStream provides primarily SaaS based applications for healthcare organizations—all designed to improve business and clinical outcomes by supporting the people who deliver patient care. We are focused on helping individuals and organizations in healthcare meet their ongoing learning, clinical development, credentialing, and scheduling needs. We also provide our solutions to nursing schools and nursing students.

Our business is managed and organized around a single platform strategy, also referred to as our One HealthStream approach. At the center of this single platform strategy is our hStream technology platform. By enabling our applications through hStream, we believe that stand-alone applications, which already provide a powerful value proposition on their own, are beginning to leverage each other to more efficiently and effectively empower our customers to manage their business and improve their outcomes. Further, the Company's internal structure and executive leadership are likewise shaped by the organizing principle of a single platform, including with regard to technology, operations, accounting, internal reporting (including the nature of information reviewed by our key decision makers), organizational structure, compensation, performance assessment, and resource allocation.

Significant financial metrics for the second quarter of 2024 are set forth in the bullets below.

- Revenues of $71.6 million in the second quarter of 2024, up 3.4% from $69.2 million in the second quarter of 2023

- Operating income of $4.4 million in the second quarter of 2024, up 10.1% from $4.0 million in the second quarter of 2023

- Net income of $4.2 million in the second quarter of 2024, up 0.8% from $4.1 million in the second quarter of 2023

- Earnings per share ("EPS") of $0.14 per share (diluted) in the second quarter of 2024, up from $0.13 per share (diluted) in the second quarter of 2023

- Adjusted EBITDA[1] of $15.8 million in the second quarter of 2024, up 3.3% from $15.3 million in the second quarter of 2023

[1] Adjusted EBITDA is a non-GAAP financial measure. A reconciliation of adjusted EBITDA to net income and disclosure regarding why we believe adjusted EBITDA provides useful information to investors is included later in this Form 10-Q.

Recent Developments

Macroeconomic conditions in the U.S. continue to be challenging in various respects, including as the result of inflationary conditions, elevated interest rate levels, and uncertain geopolitical conditions. In this regard, we have experienced in certain recent periods, and believe that many of our customers have experienced, increased labor, supply chain, capital, and other expenditures associated with inflationary conditions. These conditions impacting the U.S. economy and our customers in the healthcare industry have adversely affected, and may continue to adversely impact, our business and results of operations.

While the COVID-19 pandemic continues to cause some level of uncertainty, the impact of the pandemic itself on public health and economic conditions has significantly lessened and normalized to the point of reaching an endemic stage. As our business is focused on providing solutions to healthcare organizations, we continue to closely monitor any developments related to COVID-19 and remain prepared to modify our operating approaches to address COVID 19-related developments or other public health related events as they may arise.

Key Financial Metrics

Our management utilizes the following financial metrics in connection with managing our business.

- *Revenues, net*. Revenues, net, reflect income generated by the sales of goods and services related to our operations and, for businesses acquired prior to the adoption of ASU 2021-08 on January 1, 2022, reflects deferred revenue write-downs associated with fair value accounting for such acquired businesses. Revenues, net, were $71.6 million and $144.3 million for the three and six months ended June 30, 2024, respectively, compared to $69.2 million and $138.1 million for the three and six months ended June 30, 2023, respectively. Management utilizes revenue in connection with managing our business and believes that this metric provides useful information to investors as a key indicator of the growth and success of our products.

- *Adjusted EBITDA*. Adjusted EBITDA, calculated as set forth below under “Reconciliation of Non-GAAP Financial Measures,” is utilized by our management in connection with managing our business and provides useful information to investors because adjusted EBITDA reflects net income adjusted for certain GAAP accounting, non-cash, and/or non-operating items, as more specifically set forth below, which may not fully reflect the underlying operating performance of our business. We also believe that adjusted EBITDA is useful to investors to assess the Company’s ongoing operations. Additionally, certain short-term cash incentive bonuses and performance-based equity award grants are based on the achievement of adjusted EBITDA (as defined in applicable bonus and equity grant documentation) targets. Adjusted EBITDA was $15.8 million and $32.9 million for the three and six months ended June 30, 2024, respectively, compared to $15.3 million and $29.1 million for the three and six months ended June 30, 2023, respectively.

- *Capital Expenditures*. Capital expenditures represent cash payments incurred for purchases of property and equipment and during the development phase for projects to develop software and content. Capital expenditures were $6.7 million and $14.5 million for the three and six months ended June 30, 2024, respectively, compared to $6.2 million and $14.7 million for the three and six months ended June 30, 2023, respectively. Management utilizes this metric in connection with managing the allocation of capitalized expenditures in which the Company invests related to the development of its products and believes that this metric is a key indicator of investment in products relative to their current and expected performance.

- *Net Income*. Net income represents revenues, net less all expenses. Net income was $4.2 million and $9.4 million for the three and six months ended June 30, 2024, respectively, compared to $4.1 million and $6.8 million for the three and six months ended June 30, 2023. Management utilizes net income in connection with managing our business, including with regard to our capital deployment strategies.

Critical Accounting Policies and Estimates

The Company's Condensed Consolidated Financial Statements are prepared in accordance with US GAAP. These accounting principles require us to make certain estimates, judgments, and assumptions during the preparation of our Condensed Consolidated Financial Statements. We believe the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time they are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the Condensed Consolidated Financial Statements, as well as the reported amounts of revenues and expenses during the periods presented and related disclosures. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our Condensed Consolidated Financial Statements will be affected.

The accounting policies and estimates that we believe are the most critical in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Accounting for income taxes
- Goodwill

In many cases, the accounting treatment of a particular transaction is specifically dictated by US GAAP and does not require management's judgment in its application. There are also areas where management's judgment in selecting among available alternatives would not produce a materially different result. See Notes to the Consolidated Financial Statements in our 2023 Form 10-K and the Notes to the Condensed Consolidated Financial Statements herein which contain additional information regarding our accounting policies and other disclosures required by US GAAP. There have been no changes in our critical accounting policies and estimates from those reported in our 2023 Form 10-K.

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Revenues, net. Revenues increased $2.4 million, or 3%, to $71.6 million for the three months ended June 30, 2024 from $69.2 million for the three months ended June 30, 2023. Subscription revenues increased $2.5 million, or 4%, but were partially offset by $0.1 million of declines from professional services revenues.

A comparison of revenues by revenue source is as follows (in thousands):

	Three Months Ended June 30,		
	2024	**2023**	**Percentage Change**
Subscription services	$ 69,013	$ 66,506	4%
Professional services	2,543	2,692	-6%
Total revenues, net	$ 71,556	$ 69,198	3%
% of Revenues			
Subscription services	96%	96%	
Professional services	4%	4%	

Cost of Revenues (excluding Depreciation and Amortization). Cost of revenues increased $0.1 million, or 1%, to $23.7 million for the three months ended June 30, 2024, from $23.6 million for the three months ended June 30, 2023. Cost of revenues as a percentage of revenues were 33% and 34% for the three months ended June 30, 2024 and 2023, respectively. The increase in expense is primarily associated with higher costs for software and cloud hosting, which were partially offset by a reduction in royalties and labor costs.

Product Development. Product development expenses increased $1.1 million, or 9%, to $12.1 million for the three months ended June 30, 2024, from $11.0 million for the three months ended June 30, 2023. Product development expenses as a percentage of revenues were 17% and 16% for the three months ended June 30, 2024 and 2023, respectively. The increase is primarily due to an increase in labor costs, partially offset by an increase in labor capitalized for internally developed software.

Sales and Marketing. Sales and marketing expenses, including personnel costs, increased $0.1 million, or 1%, to $11.4 million for the three months ended June 30, 2024, from $11.3 million for the three months ended June 30, 2023. Sales and marketing expenses were 16% of revenues for both the three months ended June 30, 2024 and 2023. The increase in expense is primarily due to increases in general marketing expenses, travel expenses, and commissions, which were partially offset by a decrease in labor costs.

Other General and Administrative Expenses. Other general and administrative expenses increased $0.5 million, or 5%, to $9.6 million for the three months ended June 30, 2024, from $9.1 million for the three months ended June 30, 2023. Other general and administrative expenses were 13% of revenues for both the three months ended June 30, 2024 and 2023, respectively. The increase in expense is primarily due to a $1.5 million increase in bad debt expense during the three months ended June 30, 2024 associated primarily with a customer bankruptcy, partially offset by lower labor costs and rent expense.

Depreciation and Amortization. Depreciation and amortization expense increased $0.2 million, or 1%, to $10.4 million for the three months ended June 30, 2024, from $10.2 million for the three months ended June 30, 2023. This increase is primarily a result of an increase in amortization associated with capitalized software.

Other Income, Net. Other income, net was $0.9 million for the three months ended June 30, 2024, compared to $0.5 million for the three months ended June 30, 2023. The increase is primarily the result of an increase in interest income earned on cash and investments during the three months ended June 30, 2024.

Income Tax Provision. The Company recorded a provision for income taxes of $1.1 million for the three months ended June 30, 2024, compared to $0.4 million for the three months ended June 30, 2023. The Company's effective tax rate was 21% for the three months ended June 30, 2024, compared to 8% for the three months ended June 30, 2023. The Company's effective tax rate primarily reflects the statutory corporate income tax rate, the net effect of state taxes, foreign income taxes, the effect of various permanent tax differences, and recognition of discrete tax items. During the three months ended June 30, 2024, the Company recorded discrete tax expense of $31,000, which consisted primarily of discrete tax expense related to reserves for uncertain tax positions. During the three months ended June 30, 2023, the Company recorded discrete tax benefits of $0.5 million, which consisted primarily of tax benefits in the amount of $0.6 million resulting from changes in apportionment rules in Tennessee upon the enactment of the Tennessee Works Tax Act, partially offset by $0.1 million of discrete tax expense related to reserves for uncertain tax positions.

Net Income. Net income was $4.2 million and $4.1 million for the three months ended June 30, 2024 and 2023, respectively. EPS was $0.14 per share (diluted) and $0.13 per share (diluted) for the three months ended June 30, 2024 and 2023, respectively.

Adjusted EBITDA was $15.8 million for the three months ended June 30, 2024, compared to $15.3 million for the three months ended June 30, 2023. See "Reconciliation of Non-GAAP Financial Measures" below for our reconciliation of adjusted EBITDA to the most directly comparable measure under US GAAP and disclosure regarding why we believe adjusted EBITDA provides useful information to investors.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenues, net. Revenues increased $6.2 million, or 4%, to $144.3 million for the six months ended June 30, 2024 from $138.1 million for the six months ended June 30, 2023. Subscription revenues increased $6.7 million, or 5%, but were partially offset by $0.5 million of declines from professional services revenues.

A comparison of revenues by revenue source is as follows (in thousands):

	Six Months Ended June 30,		
	2024	**2023**	**Percentage Change**
Subscription services	$ 139,218	$ 132,521	5%
Professional services	5,098	5,623	-9%
Total revenues, net	$ 144,316	$ 138,144	4%
% of Revenues			
Subscription services	96%	96%	
Professional services	4%	4%	

Cost of Revenues (excluding Depreciation and Amortization). Cost of revenues increased $1.0 million, or 2%, to $48.4 million for the six months ended June 30, 2024, from $47.4 million for the six months ended June 30, 2023. Cost of revenues as a percentage of revenues were 34% for both the six months ended June 30, 2024 and 2023. The increase in expense is primarily associated with higher software expenses and cloud hosting costs, partially offset by lower labor costs. Labor costs recognized during the six months ended June 30, 2023 included severance costs incurred in connection with the Company's previously disclosed restructuring under a single platform strategy.

Product Development. Product development expenses increased $1.4 million, or 6%, to $24.1 million for the six months ended June 30, 2024, from $22.7 million for the six months ended June 30, 2023. Product development expenses as a percentage of revenues were 17% and 16% for the six months ended June 30, 2024 and 2023, respectively. The increase is primarily due to an increase in labor costs, partially offset by an increase in labor capitalized for internally developed software.

Sales and Marketing. Sales and marketing expenses, including personnel costs, increased $0.2 million, or 1%, to $23.2 million for the six months ended June 30, 2024, from $23.0 million for the six months ended June 30, 2023. Sales and marketing expenses were 16% and 17% of revenues for the six months ended June 30, 2024 and 2023, respectively. The increase in expense is primarily due to increases in general marketing expenses, commissions, and travel expenses, which were partially offset by a decrease in labor costs.

Other General and Administrative Expenses. Other general and administrative expenses decreased $60,000 to $17.9 million for the six months ended June 30, 2024, from $17.9 million for the six months ended June 30, 2023. Other general and administrative expenses were 12% and 13% of revenues for the six months ended June 30, 2024 and 2023, respectively. The decrease is primarily due to lower labor costs, professional service fees, and rent expense, which were partially offset by an increase in bad debt expense of $1.4 million, which was primarily associated with a customer bankruptcy.

Depreciation and Amortization. Depreciation and amortization expense increased $0.6 million, or 3%, to $20.7 million for the six months ended June 30, 2024, from $20.1 million for the six months ended June 30, 2023. This increase is primarily a result of an increase in amortization associated with capitalized software.

Other Income, Net. Other income, net was $1.7 million for the six months ended June 30, 2024, compared to $0.7 million for the six months ended June 30, 2023. The increase is primarily the result of an increase in interest income earned on cash and investments during the six months ended June 30, 2024.

Income Tax Provision. The Company recorded a provision for income taxes of $2.4 million for the six months ended June 30, 2024, compared to $0.9 million for the six months ended June 30, 2023. The Company’s effective tax rate was 21% for the six months ended June 30, 2024, compared to 12% for the six months ended June 30, 2023. The Company’s effective tax rate primarily reflects the statutory corporate income tax rate, the net effect of state taxes, foreign income taxes, the effect of various permanent tax differences, and recognition of discrete tax items. During the six months ended June 30, 2024, the Company recorded discrete tax expense of $14,000, which consisted primarily of discrete tax expense of $0.2 million related to reserves for uncertain tax positions, partially offset by a $0.1 million discrete tax benefit associated with stock-based awards. During the six months ended June 30, 2023, the Company recorded discrete tax benefits of $0.5 million, which consisted primarily of tax benefits associated with changes in state apportionment rules in Tennessee upon the enactment of the Tennessee Works Tax Act in the amount of $0.6 million and stock-based awards in the amount of $0.1 million. This tax benefit was partially offset by $0.2 million of discrete tax expense related to reserves for uncertain tax positions.

Net Income. Net income was $9.4 million and $6.8 million for the six months ended June 30, 2024 and 2023, respectively. EPS was $0.31 per share (diluted) and $0.22 per share (diluted) for the six months ended June 30, 2024 and 2023, respectively.

Adjusted EBITDA was $32.9 million for the six months ended June 30, 2024, compared to $29.1 million for the six months ended June 30, 2023. See “Reconciliation of Non-GAAP Financial Measures” below for our reconciliation of adjusted EBITDA to the most directly comparable measure under US GAAP and disclosure regarding why we believe adjusted EBITDA provides useful information to investors.

Reconciliation of Non-GAAP Financial Measures

This Form 10-Q presents adjusted EBITDA, which is a non-GAAP financial measure used by management in analyzing our financial results and ongoing operational performance.

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, as discussed below, for periods ended on or prior to December 31, 2023, adjusted EBITDA excludes the impact of deferred revenue write-downs associated with fair value accounting for acquired businesses. We believe that adjusted EBITDA is useful to investors to assess the Company’s ongoing operating performance and to compare the Company’s operating performance between periods. Additionally, certain short-term cash incentive bonuses and performance-based equity awards are based on the achievement of adjusted EBITDA (as defined in applicable bonus and equity grant documentation) targets.

As previously disclosed, prior to the Company early adopting ASU 2021-08 effective January 1, 2022, following the completion of any acquisition by the Company, the Company was required to record the acquired deferred revenue at fair value as defined in GAAP, which typically resulted in a write-down of the acquired deferred revenue. In connection therewith, management determined that including an adjustment in the definition of adjusted EBITDA for the impact of the deferred revenue write-downs associated with fair value accounting for businesses acquired prior to the January 1, 2022 effective date of the Company's adoption of ASU 2021-08 (the “Pre-2022 Acquisitions”) provided useful information to investors because the deferred revenue write-down recognized in periods after any such Pre-2022 Acquisition could, given the nature of this non-cash accounting impact, cause our GAAP financial results during such periods to not fully reflect our underlying operating performance. Following the adoption of ASU 2021-08, contracts acquired in an acquisition completed on or after January 1, 2022 have been measured as if the Company had originated the contract (rather than the contract being measured at fair value) such that, for such acquisitions, the Company no longer records deferred revenue write-downs associated with acquired businesses. With respect to periods ended on or prior to December 31, 2023, the Company has included an adjustment in the calculation of adjusted EBITDA for the impact of deferred revenue write-downs associated with the Pre-2022 Acquisitions consistent with this prior accounting standard, given the ongoing impact of such deferred revenue on the Company's financial results under GAAP over this time period. With respect to periods beginning on or after January 1, 2024, the Company no longer recognizes any deferred revenue write-downs associated with the Pre-2022 Acquisitions under GAAP, and accordingly such deferred revenue write-downs are not an adjustment in connection with the calculation of adjusted EBITDA for periods on and after January 1, 2024.

Adjusted EBITDA is a non-GAAP financial measure and should not be considered as a measure of financial performance under GAAP. Because adjusted EBITDA is not a measurement determined in accordance with GAAP, adjusted EBITDA is susceptible to varying calculations. Accordingly, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies and has limitations as an analytical tool.

A reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net income, is set forth below (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
GAAP net income	$ 4,168	$ 4,133	$ 9,394	$ 6,756
Deferred revenue write-down	—	48	—	98
Interest income	(944)	(550)	(1,848)	(913)
Interest expense	25	33	49	65
Income tax provision	1,132	367	2,448	885
Stock-based compensation expense	1,094	1,093	2,154	2,038
Depreciation and amortization	10,370	10,222	20,706	20,148
Adjusted EBITDA	$ 15,845	$ 15,346	$ 32,903	$ 29,077

Liquidity and Capital Resources

Net cash provided by operating activities increased by $1.9 million to $27.4 million during the six months ended June 30, 2024, from $25.5 million during the six months ended June 30, 2023. The increase in net cash provided by operating activities is primarily due to higher cash collections compared to the prior year period, but was partially offset by a $3.0 million increase in income tax payments. Our days sales outstanding ("DSO") was 45 days for the second quarter of 2024 compared to 50 days for the second quarter of 2023. The Company calculates DSO by dividing the average accounts receivable balance for the quarter by average daily revenues for the quarter. The Company's primary sources of cash were receipts generated from the sales of our products and services. The primary uses of cash to fund operations included personnel expenses, sales commissions, royalty payments, payments for contract labor and other direct expenses associated with delivery of our products and services, income tax payments, and general corporate expenses.

Net cash used in investing activities was $19.0 million for the six months ended June 30, 2024, compared to $43.3 million for the six months ended June 30, 2023. During the six months ended June 30, 2024, the Company invested in marketable securities of $34.5 million, made payments for capitalized software development of $13.6 million, and purchased property and equipment of $0.9 million. These uses of cash were partially offset by $29.2 million in maturities of marketable securities and $0.8 million received upon the settlement and release of escrowed proceeds related to a prior sale of a non-marketable equity investment. During the six months ended June 30, 2023, the Company spent $6.6 million for the acquisition of substantially all of the assets of Electronic Education Documentation System, LLC ("eeds") (note: the eeds acquisition was consummated on December 31, 2022, but was funded in January 2023 such that the purchase price for eeds impacted net cash used in investing activities during the six months ended June 30, 2023), invested in marketable securities of $32.0 million, made payments for capitalized software development of $13.3 million, and purchased property and equipment of $1.4 million. These uses of cash were partially offset by $10.0 million in maturities of marketable securities.

Net cash used in financing activities was $2.6 million for the six months ended June 30, 2024, compared to $2.3 million for the six months ended June 30, 2023. The uses of cash for the six months ended June 30, 2024 included $1.7 million for the payment of cash dividends and $0.9 million for the payment of employee payroll taxes in relation to the vesting of RSUs. The uses of cash for the six months ended June 30, 2023 included $1.5 million for the payment of cash dividends and $0.8 million for the payment of employee payroll taxes in relation to the vesting of RSUs.

Our balance sheet reflects working capital of $27.2 million at June 30, 2024, compared to $11.8 million at December 31, 2023. The increase in working capital is primarily a result of an increase in cash and cash equivalents. The Company's primary source of liquidity as of June 30, 2024 was $46.1 million of cash and cash equivalents and $36.9 million of marketable securities.

The Company also has a $50.0 million revolving credit facility. There currently are no outstanding borrowings under the revolving credit facility. The revolving credit facility expires on October 6, 2026, unless earlier renewed or amended. For additional information regarding our revolving credit facility, see Note 8 to the Condensed Consolidated Financial Statements included herein.

On September 13, 2023, the Company announced a share repurchase program approved by the Company's Board under which the Company was authorized to purchase up to $10.0 million of the Company's outstanding shares of common stock. The share repurchase program expired according to its terms on March 31, 2024, and no repurchases occurred during the three months ended March 31, 2024. During the term of this program, the Company repurchased a total of 404,188 shares under this program at an aggregate fair value of $8.9 million, based on an average price per share of $22.07 (excluding the cost of broker commissions). We may elect in the future to adopt a new share repurchase program.

On February 20, 2023, we announced that our Board approved a quarterly dividend policy. Under this dividend policy, our Board declared, and the Company paid, quarterly cash dividends on our common stock at the rate of $0.025 per share during the year ended December 31, 2023. On February 19, 2024, our Board approved a quarterly dividend under this dividend policy at a rate 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. On April 22, 2024, the Board approved a quarterly cash dividend of $0.028 per share, which was paid on May 17, 2024 to holders of record of our common stock on May 6, 2024. Moreover, on July 22, 2024, the Board approved a quarterly cash dividend of $0.028 per share, which will be payable on August 16, 2024 to holders of record of our common stock on August 5, 2024.

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 and payment of dividends thereunder are in the best interests of our shareholders and are in compliance with applicable law and our credit agreement. Our Board retains the power to modify, suspend, or cancel the dividend policy and quarterly dividends thereunder in any manner and at any time that our Board may deem necessary or appropriate.

We believe that our existing cash and cash equivalents, marketable securities, cash generated from operations, and available borrowings under our revolving credit facility will be sufficient to meet anticipated working capital needs, new product development, dividend payments, any repurchases of shares we may elect to make under any future share repurchase program, and capital expenditures for at least the next 12 months and for the foreseeable future thereafter.

In addition, the Company's growth strategy includes acquiring businesses or making strategic investments in businesses that complement or enhance our business. It is anticipated that future acquisitions or strategic investments, if any, would be effected through cash consideration, stock consideration, or a combination of both. The issuance of our stock as consideration for an acquisition or to raise additional capital could have a dilutive effect on earnings per share and could adversely affect our stock price. Our revolving credit facility contains financial covenants and availability calculations designed to set a maximum leverage ratio of outstanding debt to adjusted EBITDA and an interest coverage ratio of adjusted EBITDA to interest expense. Therefore, the maximum borrowings against our new revolving credit facility would be dependent on the covenant calculations at the time of borrowing. As of June 30, 2024, we were in compliance with all covenants under our revolving credit facility. There can be no assurance that amounts available for borrowing under our revolving credit facility will be sufficient to consummate any possible acquisitions, and we cannot provide assurance that if we need additional financing that it will be available on terms favorable to us, or at all. Failure to generate sufficient cash flow from operations or raise additional capital when required in sufficient amounts and on terms acceptable to us could harm our business, financial condition, and results of operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to market risk from changes in interest rates, foreign currency risk, and investment risk. We do not have any commodity price risk.

Interest Rate Risk

As of June 30, 2024, and during the three months then ended, the Company had no outstanding debt. We may become subject to interest rate market risk associated with any future borrowings under our revolving credit facility. The interest rate under the revolving credit facility varies depending on the interest rate option selected by the Company plus a margin determined in accordance with a pricing grid. We are also exposed to market risk with respect to our cash and investment balances, which were $83.0 million at June 30, 2024. Assuming a hypothetical 10% decrease in interest rates for invested balances, interest income from cash and investments would decrease on an annualized basis by $0.4 million.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the US dollar, including Canadian dollar, New Zealand dollar, and Australian dollar. Increases or decreases in our foreign-denominated revenue from movements in foreign exchange rates are often partially offset by the corresponding increases or decreases in our foreign-denominated operating expenses.

To the extent that our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to assess our approach to managing this risk. In addition, currency fluctuations or a weakening US dollar can increase the costs of our international operations. To date, we have not entered into any foreign currency hedging contracts although we may do so in the future.

Investment Risk

The Company's investment policy and strategy is focused on investing in highly rated securities with the objective of minimizing the potential risk of principal loss. The Company's policy limits the amount of credit exposure to any single issuer and sets limits on the average portfolio maturity.

We have an investment portfolio that includes strategic investments in privately held companies, which primarily include early-stage companies. We primarily invest in healthcare technology companies that we believe can help expand our ecosystem. We may continue to make these types of strategic investments as opportunities arise that we find attractive. We may experience additional volatility to our Consolidated Financial Statements due to changes in market prices, observable price changes, and impairments to our strategic investments. These changes could be material based on market conditions and events.

The above market risk discussion and the estimated amounts presented are forward-looking statements of market risk assuming the occurrence of certain adverse market conditions. Actual results in the future may differ materially from those projected as a result of actual developments in the market.

Item 4. ***Controls and Procedures***

Evaluation of Controls and Procedures

HealthStream's chief executive officer and principal financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Form 10-Q. Based on that evaluation, the chief executive officer and principal financial officer have concluded that HealthStream's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and the information required to be disclosed in the reports the Company files or submits under the Exchange Act was accumulated and communicated to the Company's management, including its chief executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in HealthStream's internal control over financial reporting that occurred during the second quarter of 2024 that has materially affected, or that is reasonably likely to materially affect, HealthStream's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. ***Legal Proceedings***

None.

Item 1A. ***Risk Factors***

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A of the 2023 Form 10-K.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None. Without limiting the generality of the foregoing, the Company did not have any share repurchase program in effect and did not purchase any shares of common stock of the Company during the three months ended June 30, 2024.

Item 5. ***Other Information***

None. Without limiting the generality of the foregoing, during the three months ended June 30, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement," or any "non-Rule 10b-5 trading arrangement," as such terms are defined in Item 408 of Regulation S-K.

Item 6. *Exhibits*

(a)Exhibits

10.1	HealthStream, Inc. 2024 Cash Incentive Bonus Plan
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1 INS	Inline XBRL Instance Document – The instant document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.1 SCH	Inline XBRL Taxonomy Extension Schema
101.1 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.1 DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.1 LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.1 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, has been formatted in Inline XBRL

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTHSTREAM, INC.

July 25, 2024

By: /s/ Scott A. Roberts
Scott A. Roberts
Chief Financial Officer

HealthStream, Inc.
2024 Cash Incentive Bonus Plan

Overview:

Pursuant to the HealthStream, Inc. 2022 Omnibus Incentive Plan, the Compensation Committee (the "Committee") of the Board of Directors of HealthStream, Inc. (the "Company") hereby establishes this 2024 Cash Incentive Bonus Plan (the "Plan"). The Plan is the cash-based, short-term incentive portion of HealthStream's incentive compensation structure for certain executive officers, as well as the vice presidents, associate vice presidents, senior directors, and directors of the Company (such individuals referred to collectively as "Management"). The purpose of the Plan is to specify appropriate opportunities to earn a cash bonus with respect to the Company's 2024 fiscal year in order to reward Management for facilitating the Company's achievement of certain levels of financial performance during fiscal year 2024 and to further align their interests with those of the shareholders of the Company.

Definitions:

- **Annual Bonus –** The annual bonus paid to Management after the Committee determines the applicable financial measure has been achieved.

- **Adjusted EBITDA** – The Company's Adjusted EBITDA for the 2024 fiscal year calculated as set forth in the "Reconciliation of Non-GAAP Financial Measures" in the Company's annual report on Form 10-K and as updated under subsequent quarterly filings under Form 10-Q or the Company's quarterly earnings releases filed under Forms 8-K; provided the following are excluded from the calculation of Adjusted EBITDA: (i) acquisition and divestiture expenses incurred within the calendar year to the extent such expenses are in excess of the amount originally allocated to such purpose in the Company's 2024 budget; and (ii) Adjusted EBITDA (profit/loss) from acquisitions and divestitures consummated during 2024 (collectively, the "Excluded Expenses").

- **Revenue –** The Company's GAAP revenue for the 2024 fiscal year as reported in the Company's annual report on Form 10-K; minus the GAAP revenue recognized by the Company from acquisitions and divestitures consummated during 2024 (the "Revenue Adjustment Amount").

- **Revenue Growth Percentage –** The Company's Revenue Growth Percentage for the 2024 fiscal year is the percentage increase in 2024 Revenue compared to the Company's GAAP revenue for the 2023 fiscal year as reported in the Company's annual report on Form 10-K.

- **Incremental Threshold Adjusted EBITDA** – the amount of Adjusted EBITDA before bonuses less Threshold Adjusted EBITDA; as such Threshold Adjusted EBITDA amount is established by the Committee. Incremental Threshold Adjusted EBITDA funds the Threshold Bonus Pool as set forth in the "Payout" section below.

- **Incremental Target Adjusted EBITDA** – the amount of Adjusted EBITDA before bonuses less Target Adjusted EBITDA; as such Target Adjusted EBITDA amount is established by the Committee. Incremental Target EBITDA funds the Target Bonus Pool as set forth below.

2024 Financial Measure and Plan Principles:

1. **Financial Measure** – For purposes of the Threshold and Target Bonus Pools, Adjusted EBITDA before bonuses will be the financial measure for 2024. For the Stretch Bonus Pool (as defined below), the Revenue Growth Percentage will be the financial measure for 2024.

2. **Funding Principle** – The Annual Bonus will be funded: (i) first from the amount of Incremental Threshold Adjusted EBITDA that exceeds Threshold Adjusted EBITDA, (ii) then from the amount of Incremental Target Adjusted EBITDA that exceeds Target Adjusted EBITDA, and (iii) finally, for Executives and Vice Presidents only, according to the achievement of Revenue Growth Percentage targets established by the Committee. For purposes of this Plan, the Committee has the negative discretion to include the Excluded Expenses in the calculation of Adjusted EBITDA and/or to include the Revenue Adjustment Amount in the calculation of Revenue.

The Plan

Eligibility

Five groups are eligible for participation in the Plan:

- **Executive Team** – The maximum Annual Bonus (prior to giving effect to any payment of any Stretch Bonus Amount) that (i) the Chief Executive Officer of HealthStream and Executive Vice Presidents shall be eligible to receive under the Plan shall be an amount equal to 40% of such member's base salary; and (ii) Senior Vice Presidents shall be eligible to receive under the Plan shall be an amount equal to 35% of such member's base salary. Unless otherwise excluded below, the Executive Team eligible for participation includes the Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents of the Company (collectively, the "Executives").

- **Vice Presidents** – The maximum Annual Bonus that Vice Presidents shall be eligible to receive under the Plan shall be an amount equal to 20% of such Vice President's base salary.

- **Associate Vice Presidents –** The maximum Annual Bonus that Associate Vice Presidents shall be eligible to receive under the Plan shall be an amount equal to 18% of such Associate Vice President's base salary.

- **Senior Directors –** The maximum Annual Bonus that Senior Directors shall be eligible to receive under the Plan shall be an amount equal to 10% of such Senior Director's base salary. For purposes of clarity, Directors do not include members of the Board of Directors, but are management-level employees of the Company.

- **Directors** – The maximum Annual Bonus that Directors shall be eligible to receive under the Plan shall be an amount equal to 8% of such Director's base salary. For purposes of clarity, Directors do not include members of the Board of Directors, but are management-level employees of the Company.

- **Employment Requirements** – Participants in the Plan who were employed with the Company through December 31, 2024 shall be eligible to receive bonus payments, if any, under the Plan regardless of whether such employees are employed on the date such payments are actually made. Notwithstanding the foregoing, in the case of death or disability, the participant's pro rata share from January 1, 2024 through the date of participant's death or disability shall be awarded.

- **Exclusions** – Members of the Executive Team and of Management with a commission-based incentive compensation plan shall not be eligible to participate in the Plan.

Payout

Payouts under the Plan shall be determined as follows:

1. The Annual Bonus payable to any participant in this Plan will be determined as follows:

    - In the event that Adjusted EBITDA before bonuses is less than or equal to Threshold Adjusted EBITDA, a participant will receive no Annual Bonus.

    - To the extent Incremental Threshold Adjusted EBITDA funds the Threshold Bonus Pool, a participant will receive a percentage of his or her maximum Annual Bonus payable as set forth above under "The Plan-Eligibility" (the "Maximum Annual Bonus") in an amount between 0% and 25% of the Maximum Annual Bonus payable to such participant, based on the amount of bonus pool that is funded for that range (the "Threshold Bonus Pool"). The Threshold Bonus Pool shall be funded by every dollar of Incremental Threshold Adjusted EBITDA until the Threshold Pool is fully funded. The Threshold Bonus Pool is fully funded at the point in which the Threshold Adjusted EBITDA is reached after bonus payments equal to 25% of the Maximum Annual Bonus for all participants is achieved.

- In the event that the Threshold Bonus Pool is fully funded, a participant will then be eligible to receive an Annual Bonus in an amount between 26% and 100% of the Maximum Annual Bonus payable to such participant, based on the amount of bonus pool that is funded for that range (the "Target Bonus Pool"). The Target Bonus Pool shall be funded by forty-six cents of every dollar of Incremental Target Adjusted EBITDA until the Target Bonus Pool is fully funded. The Target Bonus Pool is fully funded at the point in which the Target Adjusted EBITDA is reached after bonus payments equal to the remaining 75% of the Maximum Annual Bonus amount (at which point 100% of the Maximum Annual Bonus in the aggregate would be earned); provided Executives and Vice Presidents shall also be eligible to receive a Stretch Bonus Amount as set forth below.

- Solely for Executives and Vice Presidents, in the event that Target Bonus Pool is fully funded, each Executive and Vice President will then be eligible to receive—in addition to their Maximum Annual Bonus, which has already been earned—an additional payment (the "Stretch Bonus Amount") in an amount equal to a percentage between (i) 0% and 20% of the base salary payable to such Executive and (ii) 0% and 8% of the base salary payable to such Vice President, based on the amount of bonus pool that is funded for that range (the "Stretch Bonus Pool"). The Stretch Bonus Pool shall be funded according to the achievement of Revenue Growth Percentage targets established by the Committee. For purposes of clarity, Executives and Vice Presidents shall become eligible to begin achieving the Stretch Bonus Amount after 100% of the Maximum Annual Bonus is achieved, and payment for any Stretch Bonus Amount an Executive or Vice President achieves shall be in addition to the 100% Maximum Annual Bonus.

2. Any Annual Bonus payouts made to the Executive Team, Vice Presidents, Associate Vice Presidents, Senior Directors, or Directors pursuant to the Plan shall be payable at such time as bonuses are paid generally to executive officers of the Company.

3. Any Annual Bonus paid or payable to any recipient pursuant to the Plan shall be subject to forfeiture, repayment, reimbursement or other recoupment (i) to the extent provided in the Company's Amended and Restated Compensation Recoupment Policy, as it may be amended from time to time (the "Current Recoupment Policy"), (ii) to the extent that such recipient in the future becomes subject to any other recoupment or clawback policy hereafter adopted by the Company, including any such policy (or amended version of the Current Recoupment Policy) adopted by the Company to comply with the requirements of any applicable laws, rules or regulations, including pursuant to final SEC rules and/or final Nasdaq listing standards with respect to recoupment adopted in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act (such final rules and final Nasdaq listing standards, the "Dodd-Frank Clawback Requirements") (such policies referenced in clause (i) or this clause (ii), collectively, the "Policies"), and (iii) to the extent otherwise provided under applicable legal requirements, SEC rules or Nasdaq listing standards which impose mandatory recoupment, as in effect from time to time (including pursuant to the Dodd-Frank Clawback Requirements). The Company may utilize any method of recovery specified in the Policies in connection with any such recoupment pursuant to the terms of the Policies.

EXHIBIT 31.1

CERTIFICATION

I, Robert A. Frist, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024

/s/ Robert A. Frist, Jr.
Robert A. Frist, Jr.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Scott A. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024	/s/ SCOTT A. ROBERTS
	Scott A. Roberts
	Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Robert A. Frist, Jr., Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert A. Frist, Jr.
Robert A. Frist, Jr.
Chief Executive Officer
July 25, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Scott A. Roberts, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Roberts
Scott A. Roberts
Chief Financial Officer
July 25, 2024