

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 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)

Securities Registered Pursuant To Section 12(b) Of The Act:

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

Securities Registered Pursuant To Section 12(g) Of The Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 the 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.

[Table of Contents](#)

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the Common Stock issued and outstanding and held by non-affiliates of the Registrant, based upon the closing sales price for the Common Stock on the Nasdaq Global Select Market on June 30, 2024 was \$673.6 million. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

As of February 21, 2025, there were 30,434,310 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

HEALTHSTREAM, INC.

TABLE OF CONTENTS
ANNUAL REPORT ON FORM 10-K

	<u>Page</u>
PART I	
Item 1.	Business
Item 1A.	Risk Factors
Item 1B.	Unresolved Staff Comments
Item 1C.	Cybersecurity
Item 2.	Properties
Item 3.	Legal Proceedings
Item 4.	Mine Safety Disclosures
PART II	
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Item 6.	Reserved
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk
Item 8.	Financial Statements and Supplementary Data
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Item 9A.	Controls and Procedures
Item 9B.	Other Information
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections
PART III	
Item 10.	Directors, Executive Officers and Corporate Governance
Item 11.	Executive Compensation
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Item 13.	Certain Relationships and Related Transactions, and Director Independence
Item 14.	Principal Accounting Fees and Services
PART IV	
Item 15.	Exhibits, Financial Statement Schedules
Item 16.	Form 10-K Summary
	Signatures

PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, among others, those statements including the words “expects,” “anticipates,” “intends,” “believes,” “may,” “will,” “should,” “continue,” and similar language or the negative of such terms or other comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by the forward-looking statements included herein. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section Risk Factors in Item 1A of this Annual Report on Form 10-K and elsewhere in this document. In addition, factors that we are not currently aware of, or that we currently deem immaterial, could harm our future operating results. You should carefully review the risks described in other documents HealthStream files from time to time with the Securities and Exchange Commission. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. HealthStream undertakes no obligation to publicly release any revisions to the forward-looking statements to reflect future events or circumstances after the date of this document.

Item 1. *Business*

OVERVIEW AND HISTORY

HealthStream’s focus is and has always been on improving the quality of healthcare through the development and support of the dedicated individuals who deliver care. Like healthcare itself, our mission remains constant, but how we accomplish that mission continues to evolve and improve over time. Originally, we pioneered the use of online learning to hospitals, which began with courses specifically tailored to educate healthcare professionals and meet hospitals’ required regulatory needs, and we remain a leading innovator in those areas today. Since our inception, the scope of HealthStream’s Software-as-a-Service (SaaS) solutions has expanded well beyond our governance, risk, and compliance (GRC) offerings to include a diverse ecosystem of applications that optimize and support the healthcare workforce and the students preparing to enter that workforce. Today, we are characterized by our single platform strategy, which is designed to create interoperability among the various applications in our ecosystem through our proprietary hStream technology platform. We believe that our single platform strategy, as represented by hStream, is the best way to realize our mission of improving the quality of care by developing the people who deliver care, and the best way to create value for our shareholders in the process.

For healthcare organizations—our primary customers—HealthStream’s solutions help to effectively onboard, retain, engage, educate, manage, and develop workforce talent; meet rigorous GRC requirements; optimize staff scheduling and capacity management; and automate the management of medical staff credentialing, privileging, and enrollment.

For healthcare professionals and students—our primary end users—HealthStream’s solutions help them to professionally develop their knowledge and skills, manage and fulfill their required continuing education and certifications, manage their schedules, including swapping and filling shifts, engage with peers, provide personalized competency development, and optimize their career pathways.

For both healthcare organizations and healthcare professionals and students, HealthStream’s solutions are generally accessed through SaaS application suites that are increasingly enhanced through our hStream technology platform. Our learning, credentialing, and scheduling application suites are designed to help solve the most critical problems facing the healthcare workforce today. They accomplish this by utilizing a combination of established and cutting-edge technologies, such as initiative and workflow management capabilities; proprietary taxonomy engines; dynamic engagement models; artificial intelligence and machine learning (AI/ML) driven clinical assessments; physical-based simulations; healthcare-specific benchmarks; and automated license monitoring and validation.

HealthStream’s success in offering the largest, most diverse ecosystem of workforce solutions in healthcare has made it a thought leader and barometer of innovation for the industry. From its roots in originating online learning for healthcare organizations to the Company’s more recent release of “Competency Suite” the first AI/ML-driven clinical competency development system, HealthStream continues to believe that the key to quality patient care lies in the people who deliver care. To that end, we are solely dedicated to providing solutions for the healthcare workforce and for those about to enter it.

The Company was incorporated in 1990. It began providing its SaaS-based workforce solutions in 1999, its provider solutions in 2012, and launched the hStream technology platform in 2018. Since January 2023, the Company’s operations have been streamlined around a consolidated, enterprise approach such that the Company ceased having two reportable business segments (Workforce Solutions and Provider Solutions). As such, beginning January 1, 2023, the Company has had a single reportable segment and presents financial information on a single segment basis. HealthStream is headquartered in Nashville, Tennessee and had 1,083 full-time and 10 part-time employees as of December 31, 2024.

INDUSTRY BACKGROUND

According to the Centers for Medicare & Medicaid Services (CMS), spending in the healthcare industry reached over \$4.9 trillion in 2023, or 17.6% of the U.S. gross domestic product. The growth in 2023 was an increase of 4.6% over the prior year and reflected growth in non-price factors, such as increased use and intensity of healthcare goods and services, influencing strong growth in both Medicare and private health insurance spending. Hospital care expenditures reached over \$1.5 trillion in 2023 accounting for over 30% of the \$4.9 trillion healthcare industry. Hospital care expenditures increased 10.4% over 2022, driven by strong growth in spending for hospital care by all major payors and the factors discussed above. According to the Bureau of Labor Statistics, as of January 2024, approximately 22 million professionals are employed in the healthcare and social assistance sector of the domestic economy, with approximately 5.4 million employed in acute-care hospitals and, according to CMS, approximately 5.9 million employed in other healthcare organizations throughout the continuum of care, the primary target markets for our products. Organizations in the continuum of care employ approximately 2.2 million employees in post-acute care facilities and over 0.9 million employees in health and human services facilities.

All of the approximately 5.65 million hospital-based healthcare professionals that work in the nation's approximately 6,100 inpatient hospitals that are registered with Medicare are required by federal and state mandates and accrediting bodies to complete training in a number of areas. This training includes safety training mandated by both the Occupational Safety and Health Administration (OSHA) and The Joint Commission (an independent, not-for-profit organization that accredits and certifies healthcare organizations and programs in the United States), as well as training on patient information confidentiality required under the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

In hospitals, staffing issues and personnel shortages have contributed to the need for more effective and efficient workflows, including scheduling and capacity management as well as credentialing and privileging. Staffing shortages have also increased the need for facility-based workforce development as well as additional assessment and competency-based training. The ongoing nursing shortage, for example, is resulting in skill gaps and rising costs. According to the National Center for Health Workforce Analysis (2024), there is a projected 10% shortage of registered nurses (RNs) in 2027. By 2037, the shortage projected is 6%, a shortage of 207,980 full-time equivalent RNs. We believe that offering training and education and other engagement solutions for hospital personnel is increasingly being utilized as a retention and recruitment incentive. We also believe that offering training to nursing schools and nursing students can help address personnel shortages and lead to more efficient and effective transition from school to employment.

Many healthcare professionals use continuing education to keep abreast of clinical and other industry developments as well as to meet licensing and certification requirements. Continuing education is required for nurses, emergency medical services personnel, first responder personnel, radiologic personnel, and physicians, among many other healthcare professionals. Pharmaceutical and medical device companies must also provide their medical industry sales representatives with training mandated for the healthcare industry and training for new products. Such companies also provide support and content for education and training of audiences that use their products in healthcare organizations.

The healthcare education and training industry is highly fragmented, varies significantly in delivery methods (i.e., online products, live events, written materials, and technology-enabled manikins for simulation-based training), and is composed of a wide variety of entities competing for customers. The sheer volume of healthcare information available to satisfy continuing education needs, rapid advances in medical developments, and the time constraints that healthcare professionals face can make it difficult to quickly and efficiently access the continuing education content most relevant to an individual's practice or profession. Historically, healthcare professionals have received continuing education and training through offline publications, such as medical journals or by attending conferences and seminars. Other healthcare workers and pharmaceutical and medical device manufacturers' sales and internal regulatory personnel usually fulfill their training from external vendors or internal training departments. While these approaches satisfy the ongoing education and training requirements, they are typically costly and inconvenient. In addition, live courses are often limited in the breadth of offerings and do not provide an automated method for tracking training completion. The effectiveness of these traditional methods, both from a business and compliance standpoint, is difficult to track and measure.

Provider data management has become more complex and arduous for healthcare organizations. Credentialing and privileging is now a continuous, evidence-driven analysis of professional competency and provider performance that requires automatic monitoring of licenses, sanctions, and exclusions, as well as a broad scope of review at initial credentialing and re-credentialing. In addition, provider enrollment processes have compounded in difficulty. For example, a single provider may need to enroll annually with some 30 to 40 payers, with each payer application often taking two to four hours to complete.

Healthcare organizations continue to operate under ongoing pressure to reduce costs as a result of actual and potential reductions in reimbursement rates and increased focus on cost containment consistent with participation of patients in managed care programs, among other factors. In addition, many care settings, including hospitals, surgery centers, telehealth companies, outpatient centers, and skilled nursing facilities, have experienced and may continue to experience rising operating costs and increased pressure to measure and report on the outcomes of the dollars spent on training. Our products and services are designed to meet these needs by reducing healthcare organizations' costs of training while improving learning outcomes, enhancing reporting capabilities, and supporting customers' business objectives.

HEALTHSTREAM'S SOLUTIONS

HealthStream's products, services, and operations are organized and managed under our One HealthStream approach. Through this One HealthStream approach, we collectively help healthcare organizations meet their ongoing learning, clinical development, credentialing, and scheduling needs. HealthStream's solutions are provided to a wide range of customers within the healthcare industry.

Our underlying solutions are comprised primarily of SaaS, subscription-based applications that are used by healthcare organizations to meet a broad range of their workforce development needs around learning, clinical development, credentialing, and scheduling. Nursing schools, nursing students, as well as individual healthcare professionals are also beginning to utilize our training and education solutions. Our numerous content libraries allow customers to subscribe to a wide array of courseware, which includes content from leading healthcare and nursing associations, medical and healthcare publishers, and other ecosystem partners. Our scheduling solutions provide customers with real-time visibility into clinical staff scheduling that enables them to optimize their workforce, reduce costs, and improve care. Our SaaS-based credentialing, privileging, and enrollment solution, CredentialStream, provides customers an intuitive, modern user experience, evidence-based content, and curated data, all which provides healthcare organizations with tools to support the provider lifecycle management from recruiting, application submission, verification of licensure and other credentials, privileging, appointments by credentialing committees, enrollment, network, management, onboarding, and performance evaluations of providers.

Pricing for hStream and HealthStream's products is primarily subscription-based, with fees based on the number of subscriptions, solutions provided, and other factors. We offer implementation, training, and account management services to facilitate adoption of our subscription-based solutions. Fees for implementation services are based on the time and efforts of the personnel involved. Training fees vary based on the size, scope, and complexity of the project. Our platform and subscription-based solutions are hosted on a combination of private-cloud infrastructure and public-cloud infrastructure, leveraging Amazon Web Services and Azure, which allows authorized personnel access to our services through the Internet, thereby eliminating the need for onsite local implementations of installed workforce development products. HealthStream also sells a growing number of products directly to individuals in the healthcare industry and these products are primarily based on per-unit retail price.

Other Applications on our Platform — HealthStream offers an array of other applications on our platform, each serving a unique function for healthcare customers. Each application on our platform has its own value. Examples of individual applications that are offered on our platform include applications for performance appraisal, competency management, disclosure management, clinical competency, assessment, development, simulation-based education, clinical rotation and onboarding management, quality management, and industry training.

BUSINESS ACQUISITIONS

As part of our overall growth strategy, we evaluate opportunities for mergers and acquisitions, and since the beginning of 2022, we have completed four acquisitions. In May 2022, we acquired the remaining ownership interest (representing approximately 82% of the outstanding equity interests) of CloudCME, LLC (CloudCME), and in December 2022, we acquired substantially all of the assets of Electronic Education Documentation System (d/b/a eeds) (eeds). In October and November 2024, we acquired substantially all of the assets of Total Clinical Placement System (d/b/a TCPS) (TCPS) and The Clinical Hub, Inc. (d/b/a The Clinical Hub) (The Clinical Hub), respectively. For additional information regarding acquisitions, please see Note 8 to the Consolidated Financial Statements included elsewhere in this report.

CUSTOMERS

We provide our solutions to customers across a broad range of individuals and entities within the healthcare industry, including private, not-for-profit, and government entities, as well as pharmaceutical and medical device companies and nursing schools and their students. We derive a substantial portion of our revenues from a relatively small number of customers that are healthcare providers. However, during the year ended December 31, 2024, no single customer accounted for 10 percent or more of our annual revenue.

SALES AND MARKETING

We market our products and services primarily through our direct sales teams, who are located throughout the United States and who reach out to a wide range of healthcare organizations throughout the full continuum of care. HealthStream has also expanded its e-commerce sales capabilities, building on its existing sales channels and establishing new online sales channels. This has enabled the Company to begin extending beyond its traditional business-to-business sales model to also include functionality to support sales made directly to healthcare professionals and students, including those direct sales that can be made by the buyer.

We conduct a variety of marketing programs to promote our products and services, including via our hStream content marketplace, user groups, trade shows, social media, Internet promotion and demonstrations, digital marketing campaigns, public relations, distribution of product-specific literature, direct mail, advertising, and in partnership with third parties. We have marketing teams that are responsible for these initiatives and for working with and supporting our product management and sales teams.

OPERATIONS AND TECHNOLOGY

We believe our ability to establish and maintain long-term customer relationships, obtain recurring sales, and develop and maintain new and existing products are dependent on the strength of our operations, customer service, product development and maintenance, training, and other support teams. Our operations teams are primarily associated with technical support, customer implementation and training, product management, software development and quality assurance, and other functions.

Our services are designed to be reliable, secure, and scalable. Our software is a combination of proprietary and commercially available software and operating systems. We designed the applications that provide our services to allow each component to be independently scaled by adding commercially available hardware and a combination of commercially available and proprietary software components.

Our software applications, servers, and network infrastructure that deliver our services are hosted by a combination of third-party data center providers and cloud-based infrastructure. We maintain redundant disaster recovery data centers that are located in geographically separate locations. Our technology equipment is maintained in secure, limited access environments, supported by redundant power, environmental conditioning, and network connectivity.

For information on our cybersecurity risk management, strategy, and governance, see Item 1C. *Cybersecurity*.

COMPETITION

A number of companies offer competitive learning, scheduling, and credentialing solutions, some of which are focused on multiple industries and some of which are focused on the healthcare industry. We compete with companies such as Cornerstone OnDemand, Ultimate Kronos Group, Degreed, Oracle, SAP, Infor, and Workday, which provide their services to multiple industries, including healthcare. We also compete with companies that are dedicated to, or have operating units focused on healthcare, such as Relias Learning, RLDatix, Symplr, Verisys, MD-Staff, AMN Healthcare, as well as with an array of smaller companies.

We believe our hStream technology platform and the interoperability it has begun to enable provides us a competitive advantage by facilitating education, training, assessment, engagement, scheduling, credentialing, privileging, validation, and development for healthcare professionals through a wide assortment of content, functionality, and applications. We also believe that our hStream platform technology is accelerating the scope and quality of our products, has the capability to connect medical staff credentialing with provider enrollment, and provide innovative predictive analytics, all of which we believe provide us with a competitive advantage. We believe that the principal competitive factors affecting the marketing of our solutions to the healthcare industry include:

- our hStream technology platform, which combines SaaS-based capabilities and certain Platform-as-a-Service (PaaS) capabilities to help capture, track, manage, and report on activities, such as learning, performance, scheduling, credentialing, and privileging across various modalities, provides interoperability with external systems such as HRIS and other systems utilized by our customers;
- scope and variety of Internet-based solutions available, including, without limitation, learning and education, clinical, GRC, resuscitation, revenue cycle, talent management, scheduling, credentialing, and privileging solutions;
- our singular focus on the healthcare industry and our deep healthcare expertise;
- scope and quality of professional services offered, including implementation, benchmarking, and training;
- competitive pricing, which supports a return on investment to customers;
- customer service and support;
- mobility, security, uniqueness, and value of underlying data sets and embedded content;
- effectiveness of sales and marketing efforts; and
- company reputation.

We believe these factors provide us with the ability to improve the quality of healthcare by developing the people who deliver care.

GOVERNMENT REGULATION OF THE INTERNET AND THE HEALTHCARE INDUSTRY

Regulation of the Internet and the Privacy and Security of Personal Information

We are subject to various legal requirements related to the Internet and the privacy and security of personal information, which legal requirements may change rapidly. The following are areas of law in this regard that are significant to our business:

- *Privacy and Security Laws.* Federal, state, and foreign privacy and security laws and regulations governing the collection, use, retention, deletion, security, disclosure, and other processing of personal information limit our ability to collect information or use and disclose the information in our databases or that we derive from other sources to generate revenues. These laws and regulations are rapidly evolving and could have an adverse effect on our operations. For example, various states have passed privacy laws that restrict the use and disclosure of personal information, some of which were recently enacted and will be implemented over the course of 2025. Additional states are considering similar legislation, and privacy laws have been proposed at the federal level as well. We have expanded our business in recent years into new markets and jurisdictions (including foreign jurisdictions), which may subject our business to additional privacy and data protections laws and regulations, such as the Family Educational Rights and Privacy Act (FERPA), the Canadian Personal Information Protection and Electronic Documents Act, the New Zealand Privacy Act 2020, the Australia Privacy Act 1988, and the European Union's General Data Protection Regulation. Many of the data privacy requirements in foreign jurisdictions are more stringent than those imposed by the U.S. federal and state governments. The significant differences among various privacy and security laws introduce complexity in our compliance efforts. It may be costly to implement measures (such as certain security requirements, contracting terms, assessments, and registrations with authorities) that are designed to comply with new legal requirements, changes to existing legal requirements, or legal requirements in jurisdictions into which we have recently expanded or are planning to expand. The obligations and requirements applicable to companies under these laws and regulations are subject to uncertainty in how they may be interpreted by government authorities and regulators. We may be audited or subject to an investigation by a federal, state, or foreign regulator regarding our compliance with privacy and security laws and regulations and may incur substantial costs as a result. If a court or other governmental authority determines the Company has failed to comply with such laws and regulations, the Company may become subject to penalties, and the Company's business and reputation could be negatively impacted.
- *Content Regulation and Artificial Intelligence.* Both foreign and domestic governments have adopted and proposed laws and regulations governing content and materials transmitted over the Internet. These include laws relating to obscenity, indecency, libel, and defamation. We could be liable if content we create, store, or deliver is determined to be in violation of these laws and regulations. In addition, various U.S. and foreign jurisdictions have enacted and/or are considering laws and regulations applicable to the use of AI/ML applications and tools, particularly on the use of AI to facilitate healthcare, education, employment, or hiring decisions. Any failure to comply with those laws and regulations may result in the Company being subject to fines, penalties, or negative publicity.
- *Information Security Accountability Regulation.* As a HIPAA business associate of certain of our customers, we are required to report breaches of protected health information to our customers, who must in turn notify affected individuals, the U.S. Department of Health and Human Services (HHS) and/or other governmental agencies, and, in certain situations, the media. In addition, we are subject to various foreign and state laws and regulations that relate to data security, some of which require reporting of security breaches. For example, California law requires notification of security breaches involving personal information and medical information. We may incur costs to comply with these notification requirements that are difficult to estimate.
- *Sales and Use Tax.* We collect sales, use, or other taxes on taxable transactions in states and foreign jurisdictions in which we have employees, have a significant level of sales activity, or otherwise determine that such collection is appropriate. While HealthStream believes that this approach is appropriate, other states or foreign jurisdictions may seek to impose tax collection obligations on companies like us that engage in online commerce. If they do, these obligations could limit the growth of electronic commerce in general and adversely impact our business.

Laws and regulations directly applicable to content regulation, e-commerce, Internet communications, the privacy and security of personal information, and artificial intelligence are becoming more prevalent and/or broader in scope. The dynamic nature of this regulatory environment increases the uncertainty regarding the marketplace impact of such regulation. New or changes to existing laws or regulations may increase our cost of conducting business or otherwise harm our business, financial condition, and operating results.

Regulation of Education, Training, and Other Services for Healthcare Professionals and Students

Occupational Safety and Health Administration. OSHA regulations require certain employers to provide training to certain employees to minimize the risk of injury from various potential workplace hazards. Employers in the healthcare industry may be required to provide training with respect to various topics, including, but not limited to, blood borne pathogens exposure control, laboratory safety, proper use of personal protective equipment, and tuberculosis infection control. OSHA regulations further require employers to keep records of their employees' completion of training with respect to these workplace hazards, as applicable.

The Joint Commission. The Joint Commission accreditation and certification standards require employers in the healthcare industry to provide certain workplace safety and patient interaction training to employees. Training required by The Joint Commission may include programs on infection control, patient bill of rights, medication safety, radiation safety, and incident reporting. Healthcare organizations are required to provide and document training on these topics to receive accreditation from The Joint Commission. In addition, The Joint Commission imposes continuing education requirements on physicians that relate to each physician's specific staff appointments.

HIPAA. HIPAA and its implementing regulations restrict how certain organizations (known as covered entities), including most healthcare providers and health plans, use and disclose protected health information. HIPAA requires these organizations to provide reasonable and appropriate safeguards to protect the privacy, integrity, and confidentiality of protected health information, whether in paper, oral, or electronic form. Covered entities are required to establish, maintain, and provide training with regard to their policies and procedures for protecting the integrity and confidentiality of protected health information and must document training on these topics to support their compliance. Certain HIPAA privacy and security requirements apply to entities (known as business associates) that handle protected health information on behalf of covered entities or other business associates. Covered entities, business associates, and their subcontractors may be directly subject to criminal and civil sanctions for violations of HIPAA privacy and security standards.

FERPA. FERPA and its implementing regulations prohibit institutions of higher learning that receive funds through an applicable program of the U.S. Department of Education, such as nursing schools, from disclosing personally identifiable information from a student's record without the student's consent. Third parties acting on behalf of an educational institution are indirectly subject to FERPA and, as such, may not transfer or otherwise disclose any personally identifiable information from a student's record to another party other than as permitted by FERPA. Institutions and organizations subject to FERPA may be subject to an enforcement action by the U.S. Department of Education, which may include, among other things, financial penalties.

The American Nurses Credentialing Center (ANCC). ANCC, a subsidiary of the American Nurses Association (ANA), provides individuals and organizations throughout the nursing profession with resources intended to assist with achieving practice excellence. ANCC's credentialing programs certify nurses in specialty practice areas; recognize healthcare organizations for promoting safe, positive work environments through the Magnet Recognition Program® and the Pathway to Excellence® Program; and accredit providers of continuing nursing education. ANCC maintains seventeen certification exams to validate nurses' skills, knowledge, and abilities. The ANCC Magnet Recognition Program recognizes healthcare organizations that provide the best in nursing care and professionalism in nursing practice. The program also provides a vehicle for disseminating best practices and strategies among nursing systems. The ANCC Magnet Recognition Program is a highly regarded standard for nursing excellence. The Pathway to Excellence Program recognizes the essential elements of a high standard nursing practice environment. The designation is earned by healthcare organizations that create work environments where nurses can develop professionally. The award substantiates the professional satisfaction of nurses and identifies best places to work.

Continuing Nursing Education (CNE). State nurse practice laws generally authorize a state's board of nursing to establish CNE requirements for professional nurses to maintain valid licensure. CNE requirements vary widely from state to state, with reporting generally required on a bi-annual basis. In some states, the CNE requirement only applies to re-licensure of advance practice nurses, while in other states, additional CNEs may be required of this category of nurses. Board certifications (e.g., Certified Nurse Operating Room (CNOR) – certification of perioperative nursing) also require CNE hours/credits, with certain percentages required in specific categories based on the certification type. Failure to obtain the requisite CNE could result in non-renewal of the license or certification. The ANCC Commission on Accreditation is responsible for accrediting or approving organizations to award ANCC nursing continuing professional development (NCPD) credit (contact hours) to activities for a national audience of nurses. State boards of nursing approve individual CNE activities or continuing education providers that offer CNE activities primarily for nurses within the state. ANCC NCPD credit for online activities is accepted by all state boards of nursing within the United States and each of its territories. Our HealthStream CNE Provider Unit is accredited as a provider of NCPD by ANCC. We are also approved by the California Board of Registered Nursing and the Florida Board of Nursing.

Continuing Medical Education (CME). State licensing boards, professional organizations, and employers require physicians to certify that they have accumulated a minimum number of CME hours to maintain their licenses. Generally, each state's medical practice laws authorize the state's board of medicine to establish and track CME requirements. Medical licensing boards in most U.S. states and territories currently have CME requirements, and certain state medical societies and practice specialty boards also require CME. The failure to obtain the requisite amount and type of CME could result in non-renewal of the physician's license to practice medicine and/or membership in a medical or practice specialty society. The American Medical Association (AMA) classifies CME activities as either Category 1, which includes formal CME activities, or Category 2, which includes self-designated credit for informal activities that meet certain requirements. Most boards of medical examiners nationwide that require CME participation specify *AMA PRA Category 1 Credit*. Only institutions and organizations accredited to provide CME can designate an activity for *AMA PRA Category 1 Credit*. The Accreditation Council for Continuing Medical Education (ACCME) is responsible for awarding accreditation status to state medical societies, medical schools, and other institutions and organizations that provide CME activities, typically for a national audience of physicians. State medical societies, operating under the aegis of the ACCME, accredit institutions and organizations that provide CME activities primarily for physicians within the state or bordering states. We are recognized as an accredited provider of CME for physicians by the ACCME.

Centers for Medicare & Medicaid Services (CMS) Quality Efforts. CMS is increasingly focused on arrangements, which generally aim to hold providers accountable for delivering high quality, efficient clinical care in part by tying provider reimbursement to patient outcomes or related measures. Through a number of public reporting programs, demonstration projects, pilot programs, and other initiatives, some voluntary and some mandatory, CMS has implemented value-based care programs for various provider-types, including hospitals, physician offices, nursing homes, home health providers, and dialysis facilities. CMS promotes innovation and modernization of quality measures, which are central to value-based care, through its Meaningful Measures Initiative.

Interoperability Initiatives. CMS interoperability programs encourage eligible professionals, eligible hospitals, and critical access hospitals to adopt electronic health record (EHR) technology by imposing payment reductions for failure to demonstrate meaningful use of certified EHR technology. EHR technology can be used to reduce errors, increase the availability of records and data, and provide reminders, alerts, clinical decision support, and e-prescribing/refill automation. Further, healthcare providers and industry participants are subject to a growing number of requirements intended to promote interoperability and the exchange of patient health information. For example, under the 21st Century Cures Act, healthcare providers, health IT developers, and certain other entities are subject to information blocking restrictions. Information blocking is generally defined as engaging in activities that are likely to interfere with the access, exchange, or use of electronic health information, subject to limited exceptions. Violations may result in penalties or other significant disincentives.

Allied Disciplines. Various allied health professionals are required to obtain continuing education to maintain their licenses. For example, emergency medical technician (EMT) personnel may be required to attain a minimum number of continuing education hours per year, all or a portion of which can be fulfilled online. These requirements vary by state and depend on the professional classification of the individual. HealthStream is an organization accredited and/or approved by the Commission on Accreditation for Prehospital Continuing Education (CAPCE) and the Florida Department of Health.

Regulation of Educational Program Sponsorship and Support

There are a variety of laws and regulations that affect the relationships between our medical device and pharmaceutical customers and the users of our products and services, including the sponsorship and support of educational programs. For example, the Physician Payments Sunshine Act (Sunshine Act) requires manufacturers of drugs, biological devices, and medical devices covered by Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS payments and other transfers of value given by such manufacturers to physicians, certain other healthcare professionals, and teaching hospitals, including educational programs, with limited exceptions. CMS regulations generally require manufacturers to report the recipient's name, business address, and national provider identifier as well as other information about the payment or transfer of value including the amount, date, form, and nature of what is offered. CMS publishes the information on its Open Payments website. Manufacturers that do not meet the reporting obligations are subject to significant monetary penalties.

Further, the Office of Inspector General (OIG) has issued Compliance Program Guidance for Pharmaceutical Manufacturers and for the Durable Medical Equipment, Prosthetics, Orthotics, and Supply Industry (collectively, the Guidelines). The Guidelines address compliance risks raised by the support of continuing educational activities by pharmaceutical and medical device companies. The Guidelines have affected and may continue to affect the type and extent of commercial support we receive for our continuing education activities. The trade associations for the pharmaceutical and medical device industries (PhRMA and AdvaMed, respectively) have also promulgated their own codes of ethics that further restrict the interactions between industry and health care professionals. In addition, the AMA has established its own code of ethics that provides standards of conduct for physicians, addressing professional-self regulation and including a policy regarding *Gifts to Physicians from Industry*.

Some continuing education organizations issue related standards applicable to our services. For example, we comply with the ACCME's *Standards for Integrity and Independence in Accredited Continuing Education* to ensure that our CME and CNE activities are evidence-based, designed to improve patient care and/or community health, and free from commercial influence. We follow all standards/criteria/guidelines set-forth by ACCME, ANCC, and other continuing education organizations regarding the regulation of educational program sponsorship and support.

The U.S. Food and Drug Administration (FDA) and the Federal Trade Commission (FTC)

Current FDA and FTC rules and enforcement actions and regulatory policies, or those that the FDA or the FTC may develop in the future, could have a material adverse effect on our ability to provide existing or future applications or services to our end users or obtain the necessary corporate sponsorship to do so. The FDA and the FTC regulate the form, content, and dissemination of labeling, advertising, and promotional materials, including direct-to-consumer prescription drug and medical device advertising, prepared by, or for, pharmaceutical, biotechnology, or medical device companies. The FTC regulates over-the-counter drug advertising and, in some cases, medical device advertising. Generally, regulated companies must limit their advertising and promotional materials to discussions of the FDA-approved indications. Therefore, any information that promotes the use of pharmaceutical or medical device products that is presented with our services is subject to the FDA and FTC requirements and regulatory oversight including criminal, civil, and administrative actions. We believe that banner advertisements, sponsorship links, and any educational programs we may present with our services, even if we lack independent editorial control over it, could subject us to FDA or FTC regulation. While the FDA and the FTC place the principal burden of compliance with advertising and promotional regulations on the advertiser, if the FDA or FTC finds that any regulated information presented with our services violates FDA or FTC regulations, they may take regulatory action against us or the advertiser or sponsor of that information. In addition, the FDA may adopt new regulatory policies that more tightly regulate the format and content of promotional information on the Internet.

ENVIRONMENTAL MATTERS

We are subject to a number of federal, state, and local environmental laws, rules, and regulations. In addition, we could be affected by climate change to the extent that climate change results in severe weather conditions or other disruptions impacting the communities in which we have office locations and/or where we have network infrastructure or adversely impacts general economic conditions. Moreover, legal requirements regulating greenhouse gas emissions and energy inputs or otherwise associated with the transition to a lower carbon economy could increase in the future, which could increase our costs associated with compliance and otherwise disrupt and adversely affect our operations.

At the current time, our compliance with environmental legal requirements, including legal requirements relating to climate change, does not have a material effect on our capital expenditures, financial results, or operations, and we did not incur material capital expenditures with respect to environmental matters during the year ended December 31, 2024. However, future environmental-related developments may impact us, including as a result of climate change and/or legal requirements associated with the transition to a lower carbon economy in a manner that we are currently unable to predict.

INTELLECTUAL PROPERTY AND OTHER PROPRIETARY RIGHTS

To protect our proprietary rights, we rely generally on copyright, trademark, patent, and trade secret laws; confidentiality agreements, contracts, and procedures with employees, consultants and other third parties; contractual provisions in license agreements with consultants, vendors, and customers; and use measures designed to control access to our software, documentation, and other proprietary information. We own federal trademark and service mark registrations for several marks, including, without limitation “HEALTHSTREAM”, “HSTREAM”, “HEALTHSTREAM LEARNING CENTER”, “CREDENTIALSTREAM”, “JANE”, “HEALTHSTREAM EPORTFOLIO”, and “COMPLYQ”. We also have obtained registration of the “HEALTHSTREAM” mark in certain other countries. Additionally, we hold a number of patents related to the solutions we provide. Applications for several trademarks and patents are currently pending. However, there can be no assurance that we will be successful in obtaining registration of trademarks and patents for which we have applied.

The content we license to our customers is developed through a combination of license agreements with publishers and authors, assignments and work-for-hire arrangements with third parties, and development by employees. We require publishers, authors, and other third parties to represent and warrant that their content does not infringe on or misappropriate any third-party intellectual property rights and that they have the right to provide their content and have obtained all third-party consents necessary to do so. Our publishers, authors, and other third parties also agree to indemnify us against certain liability we might sustain due to the content they provide.

If a third party asserts a claim that we or our third party partners have infringed its patents or other intellectual property right, we may incur costs to defend against that claim, and we may be required to redesign or discontinue products that we currently offer or enter into royalty or licensing agreements, which may result in negative publicity, harm to our reputation, or an adverse effect on our results of operations. In addition, we license technologies from third parties for incorporation into our services. Licensing agreements with these third parties may not be available on terms acceptable to us, if at all. Additionally, despite the steps we have taken to protect our intellectual property and proprietary rights, our efforts may not be adequate. Third parties may infringe or misappropriate our intellectual property, and such violations of our intellectual property are difficult to detect and police. Competitors may also independently develop technologies that are substantially equivalent or superior to the technologies we employ in our products or services. If we are unable to safeguard our proprietary rights adequately, our competitors could offer similar services, potentially significantly harming our competitive position and decreasing our revenues.

We hold inbound licenses for certain intellectual property that is used internally, and in some cases, utilized in HealthStream’s products or services. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products and services, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our operations and products and services are not materially dependent on any single license or other agreement with any third party.

AVAILABLE INFORMATION

The Company files reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and other reports from time to time. The SEC maintains an Internet site at <http://www.sec.gov> that contains the reports, proxy, and other filings made by us electronically. Our website address is www.healthstream.com. Please note that our website address is provided as an inactive textual reference only. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports, and other filings made by us with the SEC, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on our website is not part of this report and is not incorporated by reference herein.

HUMAN CAPITAL RESOURCES

As of December 31, 2024, the Company had 1,083 full-time and 10 part-time employees.

The Company operates under a hybrid work policy that allows employees to work remotely if they so choose and if the scope of their job duties is suitable for remote work. As of December 31, 2024, approximately 39% of employees worked within a commutable distance from one of the Company's two offices, while the remaining 61% did not.

HealthStream's culture is both exemplified and driven by our Constitution, which is a living document and the lens through which we endeavor to view and shape our actions. Our Constitution is comprised of the Company's vision statement, values, and business principles. Upon being hired at HealthStream, each employee completes a course on our Constitution, which we view to be an important step in engagement, development, and training of our employees. Our Constitution is available on our website on the Investor Relations page. This and other information on our website are not a part of this Annual Report on Form 10-K and is not incorporated by reference herein.

HealthStream is committed to recruiting, maintaining, and growing a diverse, equitable, and inclusive workforce that helps us live our Constitutional values as we strive to achieve positive results for our shareholders, employees, customers, and community.

The labor market for personnel, including technical personnel, continues to be competitive. For additional information regarding risks related to the current competitive labor market, see Item 1A. Risk Factors — "We operate in a challenging market for talent and may fail to attract and retain qualified personnel, including key management personnel."

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following is a brief summary of the business experience of each of the executive officers of the Company. Executive officers of the Company are elected by the Board of Directors and serve at the pleasure of the Board of Directors. The following table sets forth certain current information regarding the executive officers of the Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert A. Frist, Jr.	57	Chief Executive Officer and Chairman of the Board of Directors
Michael M. Collier	49	Executive Vice President, Corporate Strategy, Development, and Operations
Michael Sousa *	56	Executive Vice President, Enterprise Applications
Trisha L. Coady	49	Executive Vice President, Workforce Solutions
Kevin O'Hara	55	Executive Vice President, Enterprise Workforce Platform
Scott A. Roberts	48	Senior Vice President and Chief Financial Officer
Jeffrey D. Cunningham	58	Senior Vice President and Chief Technology Officer
M. Scott McQuigg	57	Senior Vice President, Digital & Network Development
Scott Fenstermacher	56	Senior Vice President, Sales

* As previously announced in the Company's Form 8-K filed February 24, 2025, Michael Sousa will be resigning from his position as EVP, Enterprise Applications effective March 31, 2025.

Robert A. Frist, Jr., one of our co-founders, has served as our chief executive officer and chairman of the board of directors since 1990. Mr. Frist is the company's chief operating decision maker. He graduated with a Bachelor of Science in Business with concentrations in Finance, Economics, and Marketing from Trinity University.

Michael M. Collier joined the Company in August 2011 as vice president and general counsel, began serving as the vice president of business development and general counsel shortly thereafter, was promoted to senior vice president in July 2017, and was promoted to executive vice president, corporate strategy and development in April 2022. As of February 2025, Mr. Collier was promoted to executive vice president, corporate strategy, development, and operations. From August 2011 through the end of 2022, Mr. Collier also served as the Company's Corporate Secretary. He graduated with both a Bachelor of Arts and Master of Arts in Philosophy and Religion from University of Tennessee-Knoxville and earned a Juris Doctorate (J.D.) from University of California, Berkeley – School of Law.

Michael Sousa joined the Company in October 2004 and served as senior vice president of sales from January 2010 to June 2014. In June 2014, he was promoted to senior vice president of business development. In February 2015, he was named president of HealthStream's Provider Solutions business segment, while continuing to serve as a senior vice president of the Company. In February 2023, he was promoted to executive vice president, Enterprise Applications. He earned a Bachelor of Science degree from Boston College and a Master of Business Administration from Boston University.

Trisha L. Coady joined the Company in January 2014 and served as associate vice president and subsequently vice president and general manager of clinical development solutions from June 2015 to November 2018. In November 2018, she was promoted to senior vice president and general manager of clinical solutions. As of February 2025, Ms. Coady was promoted to executive vice president, workforce solutions. She earned a Bachelor of Science in Nursing degree from Université de Moncton.

Kevin O'Hara joined the Company in January 2021 as senior vice president and general manager of platform solutions and was promoted in August 2024 to senior vice president of Platform Solutions and Product Strategy. As of February 2025, Mr. O'Hara was promoted to executive vice president, Enterprise Workforce Platform. Prior to joining the Company, he served as chief product officer for Caresyntax for one year and as chief executive officer for Syus, a predecessor entity, for eight years. He earned a Bachelor of Arts in Public Policy Studies and a J.D. from Vanderbilt University.

Scott A. Roberts joined the Company in January 2002 and served as vice president of accounting and finance beginning in January 2015, following service in multiple positions to which he was promoted. Thereafter, Mr. Roberts was appointed as interim chief financial officer in February 2019 and was appointed as chief financial officer and senior vice president of the Company in September 2019. He earned a Bachelor of Business Administration degree from Middle Tennessee State University.

Jeffrey D. Cunningham joined the Company in July 2017 as senior vice president and chief technology officer. Prior to joining the Company, he founded and served as chief technology officer and chief strategy officer for Informatics Corporation of America for twelve years. He earned a Bachelor of Science in Computer Science from University of North Texas.

M. Scott McQuigg joined the Company in January 2019 as senior vice president of hStream solutions and then served as general manager of scheduling solutions. Mr. McQuigg currently serves as senior vice president of digital & network development. Prior to joining the Company, he co-founded and served as chief executive officer for GoNoodle for thirteen years. Before this role, he co-founded and served as chief executive officer of HealthLeaders.

Scott Fenstermacher joined the Company in 2012 and served as vice president of sales beginning in 2017 and was promoted to senior vice president of sales in January 2021. He graduated from University of Pittsburgh with a Bachelor of Arts and a Bachelor of Science.

Item 1A. Risk Factors

We believe that the risks and uncertainties described below are the material risks facing the Company as of the date of this Annual Report on Form 10-K. Our business, reputation, financial condition, results of operations, and/or prospects could be materially and adversely affected by the occurrence of any of the following risks and uncertainties. The considerations and risks that follow are organized within relevant headings but may be relevant to other headings as well. Additional risks or uncertainties not presently known to us, or that we currently deem immaterial, also may adversely affect our business, reputation, financial condition, results of operations, and prospects. Therefore, the risk factors below should not be considered a complete list of potential risks we may face. The trading price of our common stock could also decline due to the occurrence of any of the following risks, as well as risks and uncertainties not presently known to us, or that we currently deem immaterial.

Risks Related to Our Business Model

Unfavorable conditions in our industry or the U.S. economy, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our operating results.

The U.S. has experienced challenging macroeconomic conditions in recent periods in certain respects, including as the result of significant inflationary pressures, ongoing elevated interest rate levels, and challenging labor market conditions. Continued global economic uncertainty, political conditions, and fiscal challenges in the U.S. and abroad, such as inflation and potential recessionary conditions, have, among other things, limited our ability to forecast future demand for our products and services, contributed to increased volatility in customer demand, and could constrain future access to capital for ourselves, our suppliers, customers, and partners. While inflationary conditions have decreased in comparison to recent periods, we believe that many of our customers have experienced increased labor, supply chain, capital, and other expenditures associated with recent inflationary pressures. Moreover, 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. In addition, if current economic conditions in the U.S. significantly deteriorate, including as a result of the impact of increased tariffs or trade restrictions, our results of operations, financial position, and/or cash flows could be materially and adversely affected.

Our operating results may vary based on the impact of changes in our industry or the economy on us or our clients. The revenue growth and potential profitability of our business depends on demand for our solutions by healthcare providers. We sell our products and services to large, mid-sized, and small organizations whose businesses fluctuate based on general economic and business conditions. In addition, a portion of our revenue is attributable to the number of users of our products at each of our clients, which in turn is influenced by the employment and hiring patterns of our clients and potential clients. To the extent that economic uncertainty or weak economic conditions cause our clients and potential clients to freeze or reduce their headcount or operations, demand for our products may be negatively affected. Moreover, prior economic downturns and the current economic circumstances have resulted in overall reductions in spending by some healthcare providers as well as pressure from some clients and potential clients for extended payment terms. If current economic conditions deteriorate, our clients and potential clients may elect to decrease their budgets for our solutions by deferring or reconsidering purchases or could file for bankruptcy, which has occurred from time to time. Such budget decreases or bankruptcy filings would limit our ability to grow our business and negatively affect our operating results.

Moreover, other economic, regulatory, or other developments that adversely or disproportionately impact the healthcare industry may reduce spending on information technology by healthcare organizations and otherwise adversely affect our customer base. Furthermore, the margins of many healthcare providers are modest, and potential decreases in reimbursement for healthcare costs may reduce the overall solvency of our customers or cause further deterioration in their financial or business condition. These developments could reduce our sales or adversely impact the ability of our customers to pay for our products and services.

In addition, budget pressures at the federal and state levels have had and may continue to have a negative impact on spending for many health and human services programs, including Medicare and Medicaid, which represent significant payor sources for our customers. We anticipate that federal and state budget deficits and growing governmental healthcare expenditures will continue to place pressure on governmental healthcare programs. Any reductions in government healthcare spending, including as a result of deficit reduction initiatives, could result in reduced demand for our products or additional pricing pressure. Further, there is ongoing uncertainty regarding the federal budget and federal spending levels, including the possible impacts of a failure to increase the "debt ceiling." Additionally, the current presidential administration has announced a planned advisory commission, the "Department of Government Efficiency," to reform federal government process and reduce expenditures, which could reduce federal spending or give rise to separate efforts at the state level to reduce governmental spending, in a manner that could adversely impact our healthcare clients and, ultimately, us. Moreover, any U.S. government default on its debt could have broad macroeconomic effects. In addition, pressures on and uncertainty surrounding the U.S. Federal government's budget and potential changes in spending levels, as well as any shutdown of the federal government, failure to enact annual appropriations, or holds on congressionally authorized spending, could adversely affect our financial results due to the reliance of many of our customers on payments from third-party healthcare payors, including Medicare, Medicaid, and other government-sponsored programs.

We may be unable to effectively execute our business strategy, which could have an adverse effect on our business and competitive position in the industry.

Our business strategy includes increasing our market share and presence through sales to new customers, additional sales to existing customers, introductions of new products and services, participation in our ecosystem, interoperability and integration with our platform, and maintaining strong relationships with our existing customers. Risks that we may encounter in executing our growth strategy include:

- expenses, delays, and difficulties in identifying and developing new products or services and integrating such new products or services into our existing organization;
- inability to leverage or evolve our customer and partner facing technology platform and applications;
- inability to leverage our operational and financial systems and processes sufficiently to support our growth;
- inability to generate sufficient revenue from our products to offset investment costs;
- inability to effectively identify, manage, and benefit from existing and emerging market opportunities;
- inability to maintain our existing customer relationships;
- inability to identify, attract, and retain partners;
- inability to maintain our corporate culture;
- increased competition from new and existing competitors;
- lengthy sales cycles, or customers delaying purchasing decisions or payments due to economic conditions;
- reduced spending by customers within our target markets;
- the loss of a significant customer, including through acquisitions or consolidations;
- a negative change in the financial condition or creditworthiness of our customers;
- failure of the market for our products and services to grow to a sufficient size or at a sufficient rate; and
- inability to hire sufficient number of qualified employees to execute and support the growth of the Company.

If any of these risks are realized, our business, and our competitive position in the industry, could suffer.

In addition, we may be unable to effectively execute on our One HealthStream approach of operating and managing the Company on a consolidated, enterprise basis. Our ability to effectively execute this strategy is dependent upon various factors, including our ability to achieve anticipated operational efficiencies and to effectively implement the operational and management changes associated with this strategy without adversely impacting the services we provide. In the event that we are unable to effectively execute on this strategy or are otherwise adversely affected by our shift to this One HealthStream approach, our business and financial results may be adversely affected.

A deterioration of public health conditions associated with a future pandemic, epidemic, or public health event, or a future catastrophic event, could adversely affect our business and financial results.

We face a wide variety of risks related to the emergence and effects of potential future epidemics, pandemics, outbreaks of infectious disease or other public health crises. Our primary customers are healthcare organizations, which are particularly vulnerable to health and economic effects of public health conditions. The potential impact of a future public health crisis on our customers could, in turn, adversely impact our business, including in a similar or more extensive manner to how our business was adversely impacted by COVID-19. It is difficult to predict how and when a future public health crisis may evolve, and we may not be able to predict or effectively respond to any such future developments. If a new public health crisis emerges or if public health conditions in the U.S. significantly deteriorate, our business and financial results could be adversely affected.

Our business could also be adversely impacted by catastrophic events (particularly in areas where we have office locations and/or where we have network infrastructure), such as fires, earthquakes, hurricanes, natural disasters, social or civil unrest, military conflicts or warfare (such as the war in the Ukraine or the conflict in the Middle East), geographic instability, terrorist attacks, or the effects of climate change (such as drought, flooding, wildfires, increased storm severity and sea level rise).

We may be unable to effectively identify, complete, or integrate the operations of acquisitions, joint ventures, collaborative arrangements, or other strategic investments, which would inhibit our ability to execute upon our growth strategy.

As part of our growth strategy, we actively review possible acquisitions, joint ventures, collaborative arrangements, or strategic investments that complement or enhance our business. For example, in 2024, we completed the acquisitions of TCPS and The Clinical Hub. However, we may be unable to source or complete future acquisitions, joint ventures, collaborative arrangements, or other strategic investments on acceptable terms or at all. In addition, if we finance acquisitions, joint ventures, collaborative arrangements, or other strategic initiatives by issuing equity securities, our existing shareholders may be diluted, which could affect the market price of our stock. As a result, if we fail to properly evaluate and execute acquisitions, joint ventures, collaborative arrangements, or strategic investments, our performance or prospects may be seriously harmed. Risks that we may encounter in implementing our acquisition, joint venture, collaborative arrangement, or strategic investment strategies include:

- expenses, delays, or difficulties in identifying and integrating acquired companies or joint venture operations, collaborative arrangements, or other strategic investments into our organization and to otherwise realize expected synergies;
- the possibility that we may become responsible for substantial contingent or unanticipated liabilities as the result of an acquisition, joint venture, collaborative arrangement, or other strategic investment;
- inability to retain key personnel associated with acquired companies, joint ventures, collaborative arrangements, or other strategic investments;
- loss of material customers or contracts and other key business relations associated with acquired companies, joint ventures, collaborative arrangements, or other strategic investments;
- diversion of management's attention from other initiatives and/or day-to-day operations to effectively execute our growth strategy;
- the incorporation of products associated with acquired companies, joint ventures, collaborative arrangements, or other strategic investments into our product lines;
- the increasing demands on our operational and informational technology systems which may arise from any such acquired companies or joint venture operations, collaborative arrangements, or other strategic investments;
- potentially insufficient internal controls over financial activities or financial reporting at any such acquired company that could impact us on a consolidated basis;
- the financial performance of acquired entities, joint ventures, collaborative arrangements, or other strategic investments may have a negative impact on our financial performance; and
- an inability to generate sufficient revenue, profit, and cash flow from acquisitions, joint ventures, collaborative arrangements, or other strategic investments to offset our investment costs.

Moreover, although we conduct what we believe to be a prudent level of investigation regarding the operating, financial, and information security conditions of acquired companies, joint ventures, collaborative arrangements, or other strategic investments, an unavoidable level of risk remains regarding the operating performance, financial condition and potential liabilities of, and the information and cyber security risks associated with, these businesses, and we may not be able to fully assess these risks until a transaction has been completed.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill, which must be assessed for impairment at least annually, or to intangible assets, which are assessed for impairment upon certain triggering events. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our operating results.

We are subject to risks associated with our equity investments, including partial or complete loss of invested capital, and significant changes in the fair value of these investments could adversely impact our financial results.

We have invested in, and may continue to invest in, early-to-late stage companies for strategic reasons and to support key business initiatives, and we may not realize a return on our equity investments. Many such companies generate net losses and the market for their products, services, or technologies may be slow to develop or never materialize.

Further, valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data. We may experience additional volatility to our financial results due to changes in market prices of our marketable equity investments, the valuation and timing of observable price changes or impairments of our non-marketable equity investments, including impairments to such investments as a result of challenging conditions or other developments, and changes in the proportionate share of earnings and losses or impairment of our equity investments accounted for under the equity method. This volatility could be material to our results in any particular period.

Our financial performance may be difficult to predict as the result of lengthy and widely varying sales cycles and other factors.

The period from our initial contact with a potential customer and such customer's first purchase of our solutions typically ranges from three to nine months, and in some cases may be significantly longer. Sales of additional solutions to existing customers may also experience sales cycles ranging from three to nine months, or longer. The range in the sales cycle can be impacted by multiple factors, including customer size, an increasing trend towards more formal request for proposal processes and more competition within our industry, increased customer-driven security assessments, as well as formal budget timelines which impact timing of purchases by target customers. New products, including those that may compete with or replace our former product offerings, tend to have a longer and more unpredictable revenue ramp period because of varying customer adoption rates. As a result of these factors, our ability to accurately predict the timing and type of initial sales may be limited. Moreover, while the revenue we receive from particular products and services in our subscription business may be predictable during the term of the applicable contract, the performance of our subscription business may become more subject to fluctuations between quarterly periods as our solution offerings are increasingly diversified and become more sophisticated. Certain professional services contracts are subject to the customers' involvement in the provision of the product or service. The timing and magnitude of these product and service contracts may vary widely from quarter to quarter and year to year, and thus may affect our ability to accurately forecast our financial performance. In addition, some products can require significant implementation lead times and resources and may require a level of change management efforts from our clients, which may also limit our ability to accurately predict our financial performance. Additionally, our ability to accurately predict our financial performance may be further limited as we expand our revenue generating model such that third parties may pay network connection fees based on sales they make.

We may not be able to maintain our competitive position against current and potential competitors, especially those with significantly greater financial, technical, marketing, or other resources.

Many of our competitors and potential competitors have longer operating histories and significantly greater financial, technical, marketing, or other resources than we do. We encounter direct competition from both large and small companies focused on providing solutions that compete with those we offer. Given the profile and growth of the healthcare industry and the ongoing need for training, simulation, scheduling, credentialing, and other information products and services, it is likely that additional competitors will continue to emerge. Additionally, mergers of or other strategic transactions by our competitors could weaken our competitive position. Moreover, our lack of market diversification resulting from our concentration on the healthcare industry may make us susceptible to losing market share to our competitors who also offer solutions, and in some cases a more robust suite of solutions, to a cross-section of industries. These companies may be able to respond more quickly than we can to new or changing opportunities, technologies, standards, or customer requirements. Additionally, the development of AI/ML and other emerging technologies is complex and uncertain and presents various risks and uncertainties, including as the result of the rapidly evolving legal, regulatory, and ethical landscape associated with the use of AI/ML, and could subject us to competitive harm, legal and regulatory risk, and increase our cybersecurity, intellectual property, and privacy risks. Further, given the evolving nature of technology, our technology enabled offerings may be disrupted by innovative or emerging technologies, such as AI/ML, blockchain, Web3, or quantum computing technologies, and such disruption could adversely impact our ability to compete. Further, most of our customer agreements are for terms ranging from one to five years, with no obligation to renew. The terms of these agreements may enable customers to more easily shift to one of our competitors following the expiration of the agreement.

Expanding our business model such that third parties may pay network connection fees in exchange for the ability to deliver their products through our technology platform and have them featured as part of our ecosystem may result in unpredictability and/or harm to the operational and financial performance of our business.

The Company has expanded its business model by offering third parties the ability to utilize their sales teams to market and sell their third-party products and have such products delivered through the Company's technology platform, provided such third parties pay a network connectivity fee when such products are sold to customers in our network. Given that these third parties are responsible for their products and the marketing and selling thereof, the Company may not always be able to ensure the operational, financial, or security-related performance or impact of products controlled by a third party, as has occurred to a limited extent from time to time. While we have contractual protections with third parties regarding their products, including but not limited to service levels, information security, confidentiality, data rights, and indemnification against certain breaches, these may not be sufficient to ensure the predictability or performance of such products, or potential negative impacts related thereto.

The failure to maintain and strengthen our relationships with ecosystem partners or significant changes in the terms of the agreements we have with ecosystem partners may have an adverse impact on our ability to successfully market, sell, and deliver certain product and service offerings.

We have entered into contracts with ecosystem partners, including content, application, infrastructure, technology, and retail channel vendors. Our ability to increase the sales of our products and services depends in part upon maintaining and strengthening relationships with these current and future ecosystem partners. Certain ecosystem partners may offer multiple products and services, including, in some instances, products or services which may compete with other products and services we offer. Moreover, under contracts with some of our ecosystem partners, we may be bound by provisions that restrict our ability to market and sell our products and services to certain potential customers. The success of these contractual arrangements will depend in part upon the ecosystem partners' own competitive, marketing, and strategic considerations, including the relative advantages for such ecosystem partners in using alternative products being developed and marketed by them or our competitors, rather than our products and services.

Moreover, most of our agreements with ecosystem partners are for initial terms of three or more years. These partners may choose not to renew their agreements with us or may terminate their agreements early if we do not fulfill our contractual obligations. If our partners terminate or fail to renew their agreements with us on as favorable terms, such as through a reduction in our revenue share arrangement, it could result in a reduction in the number of solutions we are able to distribute, declines in the number of subscribers to our platform, and decreased revenues. Some of our agreements with our ecosystem partners are non-exclusive, and our competitors offer, or could offer, solutions that are similar to or the same as those we offer. If our current partners offer or otherwise make available their products and services to users or our competitors on more favorable terms than those offered to us or increase our license fees, our competitive position, revenue, and our profit margins and prospects could be harmed.

We cannot guarantee that we will be able to maintain and strengthen our relationships with ecosystem partners, that we will be successful in effectively integrating or enhancing such partners' products and technology, including without limitation through our single platform strategy, with, into, or through our own, or that such relationships will be successful in generating additional revenue. If any of these ecosystem partners have negative experiences with our products and services, or seek to amend or terminate the financial or other terms of the contracts or arrangements we have with them, we may need to increase our organizational focus on the types of services and solutions they sell and alter our development, integration, and/or distribution strategies, which may divert our planned efforts and resources from other projects.

We could also be subject to claims and liability or related expenses as a result of the activities, products, or services of these ecosystem partners and/or our actual or alleged acts or omissions with regard to these ecosystem partners, which could adversely impact our business.

We may not be able to develop new products and services or enhancements to our existing products and services, or be able to achieve widespread acceptance of new products, services, or features, or keep pace with technological developments.

Our growth strategy depends in part on our ability to generate revenue growth through sales to new customers as well as increasing sales of additional subscriptions and other products and services to existing customers. Our identification of additional features, content, products, and services may not result in timely development of complementary products. In addition, the success of certain new products and services may be dependent on continued growth in our customer base. Furthermore, we are not able to accurately predict the volume or speed with which existing and new customers may adopt such new products and services. Because healthcare technology continues to evolve and regulatory and industry requirements and standards are subject to change, we may be unable to accurately predict and develop new products, features, content, and other products to address the needs of the healthcare industry. We may not be able to develop such new products, features, content, and other products, in a cost-effective and competitive manner. Further, the new products, services, and enhancements we develop may introduce significant defects into or otherwise negatively impact our technology platform. While all new products and services are subject to testing and quality control, all software and software-based services are subject to errors and malfunctions. If we release new products, services, and/or enhancements with bugs, defects, or errors or that cause bugs, defects, or errors in existing products, it could result in lost revenues and/or reduced ability to meet contractual obligations and would be detrimental to our business and reputation. If new products, features, or content are not accepted or integrated by new or existing customers, we may not be able to recover the cost of this development, and our financial performance may be adversely affected. Continued growth and maintenance of our customer population is dependent on our ability to continue to provide relevant products and services in a timely manner. The success of our business will depend on our ability to continue providing our products and services as well as enhancing our content, product, and service offerings that address the needs of healthcare organizations in a timely manner.

We may be unable to continue to license our third-party software, on which a portion of our product and service offerings rely, or we may experience errors in this software, which could adversely impact our business.

We use technology components in some of our products that have been licensed from third parties. Future licenses to these technologies may not be available to us on commercially reasonable terms or at all. The loss of or inability to obtain or maintain any of these licenses could result in delays in the introduction of new products and services or could force us to discontinue offering portions of solutions until equivalent technology, if available, is identified, licensed, and integrated. In addition, customers may choose not to renew their agreements with us or to terminate their agreements early if we lose or are unable to maintain licenses to some of our product components. If our customers terminate or fail to renew their agreements with us on as favorable terms, it could result in a reduction in the number of content and solutions we are able to distribute, declines in the number of subscribers to our offerings, and decreased revenues. The operation of our products would be impaired if errors occur in third party technology or content that we incorporate, and we may incur additional costs to repair or replace the defective technology or content. It may be difficult for us to correct any errors in third party products because the products are not within our control. Accordingly, our revenue could decrease, and our costs could increase in the event of any errors in this technology. Furthermore, we may become subject to legal claims related to licensed technology based on product liability, infringement of intellectual property, or other legal theories. Even if these claims do not result in liability to us, investigating and defending these claims could be expensive and time-consuming and could result in suspension of or interference with certain offerings to our clients and/or adverse publicity that could harm our business.

Financial Risks

A significant portion of our revenue is generated from a relatively small number of customers.

We derive a substantial portion of our revenues from a relatively small number of customers. A termination or material modification of our agreements with any of our significant customers or a failure of these customers to renew their contracts on favorable terms, or at all, could have an adverse effect on our business. However, during the years ended December 31, 2024, 2023, and 2022, no single customer accounted for 10 percent or more of our annual revenue.

A significant portion of our business is subject to renewal. Therefore, renewals have a significant impact on our revenue and operating results.

For the year ended December 31, 2024, approximately 96% of our net revenue was derived from SaaS-based subscriptions and software licensing agreements. Our product and service contracts typically range from one to five years in length, and customers are not obligated to renew their contract with us after their contract term expires; in fact, some customers have elected not to renew their contract, and this risk has increased as the result of current negative macroeconomic conditions. In addition, our customers may renew at a lower price or volume level. Our customers' renewals may decline or fluctuate as a result of a number of factors, including but not limited to, their dissatisfaction with our service, a dissipation or cessation of their need for one or more of our products or services, pricing, or competitive product offerings. If we are unable to renew a substantial portion of the contracts that are up for renewal or maintain our pricing, our results of operations and financial condition could be adversely affected.

Failure to adequately optimize our direct sales infrastructure will impede our growth.

We continue to need to optimize our sales infrastructure in order to grow our customer base and our business. Identifying and recruiting qualified personnel and training them in our sales methodology, our sales systems, and the use of our software requires significant time, expense, and attention. Moreover, the current competitive labor market has increased the challenge of recruiting and retaining qualified sales representatives. It can take significant time before our sales representatives are fully trained and productive. Our business may be adversely affected if our efforts to expand and train our direct sales teams do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop, and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

We may be unable to accurately predict the timing of revenue recognition from sales activity as it is often dependent on achieving certain events or performance milestones, and this inability could impact our operating results.

Our ability to recognize revenue is dependent upon several factors in order for us to implement customers on our subscription-based platform and applications. If customers do not provide us with the information required to complete implementations in a timely manner, our ability to recognize revenue may be delayed, which could adversely impact our operating results. Moreover, some products can require significant implementation lead times and the rate at which customer orders move from backlog to revenue generation in connection with these products may significantly affect the timing of revenue recognition.

Because we recognize revenue from subscriptions for our products and services over the term of the subscription period, downturns or upturns in new sales and renewals may not be immediately reflected in our operating results.

During the year ended December 31, 2024, we recognized approximately 96% of our revenue from customers over the terms of their subscription or software licensing agreements, which generally have contract terms ranging from one to five years. As a result, much of the revenue we report in each quarter is related to subscription or licensing agreements entered into during previous quarters. Consequently, a decline in new or renewed subscription or licensing agreements in any one quarter will not necessarily be reflected in the revenue in that quarter and will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our cost structure in a timely manner, or at all, to reflect this reduced revenue. Accordingly, the effect of significant downturns in new sales, renewals, and market acceptance of our products and services may not be reflected in our results of operations until future periods. Additionally, our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

Moreover, as noted above, we generally have contract terms ranging from one to five years, and the fees payable under a majority of contracts were often determined without reference to any increases in the consumer price index or similar inflation-related metric over the term of such contract, although we have begun to implement such provisions in contracts executed in 2024. As such, particularly for longer term contracts, we have been, and may continue to be, adversely impacted by inflationary conditions such as those that the U.S. economy has experienced in recent periods given that the fees that we are receiving during the outstanding term of such contracts will not be impacted by general price increases resulting from inflation whereas such inflationary conditions may increase the amount of labor, capital, and other expenditures we incur in connection with the operation of our business.

We may not be able to meet our strategic business objectives unless we obtain additional financing, which may not be available to us on favorable terms or at all.

We may need to raise additional funds for various purposes, including to:

- develop new or enhance existing products, services, and technology;
- respond to competitive pressures;
- finance working capital requirements;
- acquire or invest in complementary businesses, technologies, content, or products; or
- otherwise effectively execute our growth strategy.

At December 31, 2024, we had approximately \$97.2 million in cash, cash equivalents, and marketable securities. We also have up to \$50.0 million of availability under our Revolving Credit Facility, subject to certain covenants and minimum liquidity requirements, which expires in October 2026.

We cannot be assured that if we need additional financing, it will be available on terms favorable to us or at all. Moreover, elevated interest rate levels and current economic uncertainty have led to disruption and volatility in financial and capital markets and could lead to future disruption and/or volatility. Moreover, if elevated interest rate levels persist, this could increase the costs associated with any future financing activities. If adequate funds are not available or are not available on acceptable terms, our ability to fund expansion, take advantage of available opportunities, develop or enhance services or products, or otherwise respond to competitive pressures would be significantly limited. If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our existing shareholders may be reduced.

Goodwill, identifiable intangible assets, long-lived assets, and strategic investments recorded on our balance sheet may be subject to impairment losses that could reduce our reported assets and earnings.

There are inherent uncertainties in the estimates, judgments, and assumptions used in assessing recoverability of goodwill, intangible assets, long-lived assets, and strategic investments. Economic, legal, regulatory, competitive, reputational, contractual, and other factors could result in future declines in the operating results of our business units or market values that do not support the carrying value of goodwill, identifiable intangible assets, long-lived assets, and strategic investments. Moreover, the risk of such declines in operating results and market values, and thus, potential goodwill impairment, may be increased as the result of negative macroeconomic conditions. If the value of our goodwill, intangible assets, long-lived assets, or strategic investments is impaired, accounting principles require us to reduce their carrying value and report an impairment charge, which would reduce our reported assets and earnings for the period in which an impairment is recognized.

We may be affected by healthcare reform efforts and other changes in the healthcare industry that impact us and our clients.

Our clients are concentrated in the healthcare industry, which is subject to changing regulatory, economic, and political conditions. The healthcare industry has been and continues to be impacted by healthcare reform effects at the federal and state levels. Many recent changes have been aimed at reducing costs and government spending and increasing access to health insurance. For example, the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act of 2010 (collectively, the ACA), increased health insurance coverage through a combination of public program expansion and private sector insurance reforms. However, changes in the law's implementation, subsequent legislation and regulations, state initiatives, and other factors have affected and may continue to affect health insurance coverage and various other elements of the ACA.

In addition, the Medicare and Medicaid programs are subject to change, including as a result of the recent change in the presidential administration. For example, some members of Congress have proposed measures intended to accelerate the shift from traditional Medicare to Medicare Advantage, or repealing the Affordable Care Act or eliminating some of its consumer protections. Changes in governmental administration, including changes in agency structures and staffing, such as reduction or elimination of personnel and agencies, may also result in changes to established rulemaking conventions and timelines, including for regularly issued reimbursement rules, among other effects.

Other recent health reform initiatives and proposals at the federal and state levels include those focused on price transparency and out-of-network charges, such as the No Surprises Act, and those intended to advance value-based payment efforts. At the state level, there has been increasing acceptance of interstate licensure compacts and uniformity in licensure requirements, which may reduce continuing education requirements for some professionals and impact demand for our services. Other industry participants, such as large employer groups and their affiliates, may also introduce financial or delivery system reforms or otherwise intensify competitive pressures. Some of the recent changes in the healthcare industry have driven consolidation, particularly among health insurance providers, which could affect the size of our customer base. Other reforms or industry changes may reduce payments from third-party healthcare payers, including Medicare and Medicaid, to our customers.

There is uncertainty regarding whether, when, and what other public policy initiatives will be adopted through governmental avenues and/or the private sector, the timing and implementation of any such efforts, and the impact of those efforts on providers and other healthcare industry participants. It is difficult to predict the nature and/or success of current and future public policy changes, any of which may have an adverse effect on the operations, business, or financial condition of our clients. If our clients or potential clients are adversely affected by public policy developments, it could reduce the amount of business we receive from such clients, negatively impact our ability to attract new clients, or require us to make changes to our operations or consider price concessions or other less favorable contract terms, which could reduce our revenues and otherwise have an adverse effect on our results of operations.

We may discover weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on and requires our independent public accounting firm to attest to, the effectiveness of our internal controls over financial reporting. The rules governing the standards to be met are complex and may require significant process review, documentation, and testing, as well as remediation efforts for any identified deficiencies. This process of review, documentation, testing, and remediation may result in increased expenses and require significant attention from management and other internal and external resources. These requirements may also extend to acquired entities and our efforts to integrate those operations into our system of internal controls. Any material weaknesses identified during this process may preclude us from asserting the effectiveness of our internal controls. This may negatively affect our stock price if we cannot effectively remediate the issues identified in a timely manner.

Risks Related to Operations

Our operating margins could be affected if our ongoing refinement to pricing models for our products and services is not accepted by our customers and the market.

We continue to make changes in the pricing of our offerings so as to increase revenue and meet the needs of our customers. We cannot predict whether the current pricing of our offerings or any ongoing refinements we make will be accepted by our existing customer base or by prospective customers. If our customers and potential customers decide not to accept our current or future pricing or offerings, it could have an adverse effect on our business and results of operations. Additionally, ecosystem partners establish the price for some of the products we market and sell, and we do not have control over such price setting or customer acceptance thereof or reaction thereto.

We may be unable to adequately develop our systems, processes, and support in a manner that will enable us to meet the demand for our products and services.

We have provided our online products and services for a significant period of time and continue to expand our ability to provide our solutions on both a subscription and transactional basis over the Internet or otherwise. Our future success will depend on our ability to effectively develop and maintain our infrastructure, including procurement of additional hardware and software, integrate and interoperate with third party systems, and implement the services, including customer support, necessary to meet the demand for our offerings. Our inability from time to time to successfully develop the necessary systems and implement the necessary services on a timely basis may result in our customers experiencing delays, interruptions, and/or errors in their service. Such delays or interruptions may cause customers to become dissatisfied with our service and move to competing providers. If this happens, our reputation, results of operations, and financial condition could be adversely affected.

We operate in a challenging market for talent and may fail to attract and retain qualified personnel, including key management personnel.

Our future performance is substantially dependent on the continued services of our management team and our ability to attract, retain, and motivate them. The loss of the services of any of our officers or senior managers, or the inability to attract additional officers or senior managers as appropriate, could harm our business, as we may not be able to find suitable replacements. Moreover, current competitive labor market conditions may make it more difficult for us to attract and retain key management personnel.

In addition, our future success will depend on our ability to attract, train, motivate, and retain other highly skilled technical, managerial, marketing, sales, and customer support personnel. We continue to face competition for certain personnel, especially for software developers, web designers, user experience and interaction designers, and sales personnel, and we may be unable to successfully attract sufficiently qualified personnel where needed. Additionally, current competitive labor market conditions have increased, and may continue to increase, our labor costs as well as the difficulty of hiring and retaining qualified personnel where needed. We have experienced in the past, and continue to experience, difficulty hiring qualified personnel in a timely manner for certain positions, and we may not be able to fill certain positions in desired geographic areas or at all. The pool of qualified technical personnel, in particular, is limited. Many of the companies with which we compete for experienced personnel have greater resources than we have and some of these companies may offer more lucrative compensation packages. We anticipate needing to continue to maintain or increase the size of our staff to support our anticipated growth, without compromising the quality of our offerings or customer service. Our inability to locate, attract, hire, integrate, and retain qualified personnel in sufficient numbers may reduce the quality of our services and impair our ability to grow and adversely impact our financial performance.

A significant portion of our workforce have been working remotely since 2020 and we expect a significant portion to continue working remotely under our hybrid workplace model. If we are unable to effectively maintain this hybrid work environment long-term, then we may experience increased attrition, a less cohesive workforce, reduced performance, and less innovation, which may adversely impact our business and financial results.

We may not be able to upgrade our hardware and software technology infrastructure quickly enough to effectively meet demand for our services or our operational needs.

We must continue to obtain reasonably priced, commercially available hardware, operating software, and hosting services, as well as continue to enhance our software and systems to accommodate the increased use of our platform, the increased content in our library, the expanding amount and type of data we store on behalf of our customers, and the resulting increase in operational demands on our business, including as imposed by new and changing legal and regulatory requirements applicable to our business. Decisions about hardware and software enhancements are based in part on estimated forecasts of the growth in demand for our services. This growth in demand for our services is difficult to forecast and the potential audience for our services is widespread and dynamic. If we are unable to increase the data storage and processing capacity of our systems at least as fast as the growth in demand, our customers may encounter delays or disruptions in their service. Unscheduled downtime or reduced response time of our platforms could harm our business and could discourage current and potential customers from using or continuing to use our services and reduce future revenue. If we are unable to acquire, update, or enhance our technology infrastructure and systems quickly enough to effectively meet increased operational demands on our business, that may also have an adverse effect on our results of operations or financial condition. Further, our applications necessarily must integrate with a variety of systems and technologies. As we develop our platform and applications and rely on ever changing and improving technologies, we may be impeded by our customers' and ecosystem partners' inability to adopt new technologies and technology standards upon which new platform enhancements may be based.

Our network infrastructure and computer systems and software may fail.

The performance of our information systems is critical to our business operations. An unexpected event (including but not limited to a cyber-security incident, such as a ransomware attack, denial-of-service attack, security compromise, or other attempts to misappropriate our confidential information; telecommunications failure; vandalism; fire; earthquake; public health crisis; or other catastrophic loss) at or impacting our Internet service providers' facilities, our on-site data center facilities, or our public-cloud infrastructure providers, could cause the loss of critical data and prevent us from offering our products and services for an unknown period of time. Although we have taken measures intended to prevent potential problems that could affect our information systems, our or a third party's disaster recovery planning cannot account for all eventualities, or may not be sufficient to mitigate against or recover from any of these events. We also may incur increased operating expenses to recover data, including ransom payments made to cyber-attackers, repair or remediate systems, equipment or facilities, and to protect ourselves from such disruptions. In addition, we may encounter challenges as a result of reliance on remote work environments. For example, the daily activities and productivity of our workforce is tied to key vendors, such as video conference services, consistently delivering their services without material disruption. Our ability to deliver information using the Internet and to operate in a remote working environment may be impaired because of infrastructure failures, service outages at third party Internet providers, malicious attacks or other factors. System downtime could negatively affect our reputation and ability to sell our products and services and may expose us to significant third-party claims. Our cyber liability and business interruption insurance may not adequately compensate us for losses that may occur. In addition, we rely on third parties to securely store our archived data, house our infrastructure and network systems, and connect us to the Internet. While our service providers have planned for certain contingencies, the failure by any of these third parties to provide these services satisfactorily and our inability to find suitable replacements would impair our ability to access archives and operate our systems and software, and our customers may encounter delays. Such disruptions could harm our reputation, cause customers to become dissatisfied and possibly take their business to a competing provider, and negatively impact our ability to attract new customers, which would adversely affect our financial performance.

A data breach or cybersecurity incident could result in a loss of confidential data, give rise to remediation and other expenses, expose us to liability, subject us to litigation and governmental inquiries and actions, damage our reputation, and otherwise adversely impact our financial results and business.

We collect and store personal data and sensitive information, including intellectual property, protected health information (PHI) as defined under HIPAA and other individually identifiable health information, provider credentialing and privileging data, education records, and other sensitive personal information, on our networks. We are directly subject to certain HIPAA privacy and security requirements.

The secure maintenance of personal data and sensitive information is critical to our business operations. As a result, the continued development and enhancement of controls, processes, and practices designed to protect our information systems from attack, damage, or unauthorized access remain a priority for us. If the security measures that we use to protect personal data, sensitive information, or other data of our customers and business relations, are ineffective, we may lose users of our services, which could reduce our revenue, tarnish our reputation, and subject us to significant liability. In addition, if our subcontractors, subprocessors, or various other vendors and service providers on which we rely fail to use adequate security or data protection processes or use personal data and sensitive information in an unpermitted or improper manner, we may be liable for losses as a result of their breach and, as a result, we may incur damage to our reputation. Additionally, we may encounter challenges obtaining and maintaining certifications related to data privacy and protection, or the costs and efforts associated with maintaining these certifications may increase.

The current cyber threat environment presents increased risk for all companies, including companies in our industry, and cyberattacks have become increasingly frequent, sophisticated, and difficult to detect. While we have implemented multiple layers of security measures to protect our information technology structure and the personal data and sensitive information that we collect and store, there is no assurance that these security measures will not be circumvented, including by new technological developments. Moreover, advanced new attacks that may be directed at us or our third-party vendors create risk of cybersecurity incidents, including ransomware, malware, and phishing incidents. We may also be subject to attacks in which malicious actors seek to, and potentially succeed in, exploiting our products or services as a vector to compromise the security or integrity of our customers, partners, or vendors. Additionally, in the current environment, it has become increasingly prevalent for malicious actors to target vendors, such as ourselves, as a means through which to gain unauthorized access to the systems and sensitive information of organizations such as healthcare providers, which comprise our primary customer base. In addition, the rapid evaluation and increased adoption of AI and other emerging technologies may heighten our cybersecurity risks by making cybersecurity attacks more difficult to detect, contain, and mitigate. Further, the audit processes, penetration and vulnerability testing, and controls used within our production platforms may not be sufficient to identify and prevent errors or deliberate misuse. Moreover, our software, databases, and servers may contain vulnerabilities or irregularities that lead to computer viruses, physical or electronic attacks, and similar disruptions. Further, we may be at increased risk because we outsource certain services or functions to, or have systems that interface with, third parties. Our contracts with service providers typically require them to implement and maintain adequate security controls, but we may not have the ability to effectively monitor these security measures. As a result, inadequacies of third-party security controls may not be detected until after a cybersecurity incident has occurred. For example, third-party IT vendors may not provide us with fixes or updates to hardware or software in a manner as to avoid an unauthorized loss, access, or disclosure of data or to address a known vulnerability, which may subject us to known threats and cause system failures or disruptions. Third-party vendors that store or have access to our data, or operate networks or services on which we rely, may not have effective controls, processes, or practices to protect our information or systems from attack, damage, or unauthorized access. These risks may be heightened in connection with employees and service providers working from remote work environments, as our dependency on certain service providers, such as video conferencing and web conferencing services, has significantly increased. In addition, to access our network, products, and services, customers and other third parties may use personal mobile computing devices that are outside of our network environment and subject to their own security risks.

We are regularly the target of cybersecurity attacks and other threats that could have a security impact, and we expect to continue to experience an increase in cybersecurity threats in the future. Moreover, in spite of our security measures, we have experienced data and cybersecurity incidents from time to time in the course of our business and have handled those incidents in accordance with our internal policies and our understanding of applicable laws.

There is no assurance that we, or the third parties with which we interact, will not experience a cybersecurity incident or data breach in the future bypassing our security measures that materially affects us, including as the result of a loss of personal data or other confidential information, or the disruption of our information systems or business. In the future, data breaches or security incidents could result from a variety of circumstances and events, including third party action or inaction, system errors or downtime, employee negligence or error, malfeasance, failures during the process of upgrading or replacing software, databases, or components thereof, power outages, hardware failures, telecommunication failures, user errors, catastrophic events, or threats from malicious persons and groups, new vulnerabilities, and advanced new attacks against information systems, including those against our vendors and customers. Moreover, because the techniques used in cybersecurity attacks change frequently and may not be immediately recognized, we may experience cybersecurity incidents that remain undetected for an extended time. Any such security incidents and data breaches involving us or third parties with which we interact could result in business and operational interruptions and delays; the loss, unauthorized access, misappropriation, acquisition, use, disclosure, or corruption of data; result in our inability to access data; damage or adversely impact our information systems; damage our reputation; adversely impact our relationship with key customers and other business relations; and otherwise adversely impact our business. In addition, data and cybersecurity incidents, particularly if a large number of individuals are affected or if the compromised information is highly sensitive, could expose us and our customers to litigation and liability under federal, state, and foreign privacy, security, and consumer protection laws and regulations, such as HIPAA and FERPA or common law theories. Such incidents could also subject us to federal and state governmental disclosure requirements, inquiries, or enforcement, result in civil monetary penalties, settlement agreements, corrective action plans, and monitoring requirements, require us to devote significant management resources to address and respond to any such cybersecurity events, interfere with the pursuit of other important business strategies, and/or cause us to incur additional expenditures, which could be material, including to investigate such events, remedy cybersecurity problems, recover lost data, and adapt systems and practices in response to such events. Moreover, there is no assurance that any remedial actions will meaningfully limit the success of future attempts to breach our information systems or the information systems of third parties with which we interact. Further, we are subject to an increasing number of cybersecurity reporting obligations in different jurisdictions that vary in their scope and application, which may create conflicting reporting obligations and inhibit our ability to quickly provide complete and reliable information about cybersecurity incidents to customers, counterparties, and regulators, as well as the public. In addition, our cyber liability and business interruption insurance may not cover or adequately compensate us for losses that may occur in connection with any cybersecurity incident.

Furthermore, we have acquired a number of companies, products, services, and technologies in recent years. Although we devote resources to address any security issues with respect to such acquisitions, we still may inherit additional security risks when we integrate those companies within HealthStream. Moreover, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may lose trust in the security of our solutions in general.

As threats to personal data, sensitive information, and our confidential information continue to evolve and increase, we may be required to continue to expend significant resources to maintain, modify, or enhance our internal processes, governance, or protective measures, or to investigate and remediate any security vulnerabilities.

For information on our cybersecurity risk management, strategy, and governance, see Item 1C. *Cybersecurity*.

We may experience errors or omissions in our software products or processes, including those that deliver credentialing, privileging, and payer enrollment services for our healthcare customers and those that administer and report on healthcare facility performance, and these errors could result in action taken against us that could harm our business.

Hospitals and medical practices use our credentialing, privileging, and payer enrollment software to manage, validate, and maintain their providers' and other staff credentials and authorization to practice in a particular facility and to maintain authorization to perform care covered by insurance providers. In some instances, we rely on sources outside the Company for information that we use in our credentialing and privileging products. If errors or omissions occur that inaccurately validate or invalidate the credentials of a provider or staff, or improperly deny or authorize a provider or staff to practice in a hospital or medical practice, these errors or omissions could result in litigation brought against us either by our customers, the provider or staff member, or other interested parties. For example, an important element in a malpractice case brought against a hospital or other provider could be the validation of proper credentialing for the provider, and any errors or omissions in our products that provide these services could subject us to claims. Further, a list of providers' privileges may be made available to the general public by hospitals and medical practices, and errors in credentialing and privileging may result in damage to the hospital, medical practice, or provider. We may also be required to indemnify against such claims and defending against any such claims could be costly, could negatively affect our business, and may not be fully insured.

Risks Related to Government Regulation, Content, and Intellectual Property

Government regulation may subject us to investigation, litigation, or liability or require us to change the way we do business.

The laws and regulations that govern our business change rapidly, are often inconsistent between jurisdictions, and in certain respects have become, and may continue to become, more complex and restrictive. Evolving areas of law that are relevant to our business include privacy and security laws, proposed encryption laws, content regulation, information security accountability regulation, sales and use tax laws, laws related to the use of AI/ML applications, and regulations and attempts to regulate activities on the Internet. For example, we are directly subject to certain requirements of the HIPAA privacy and security regulations. In addition, we are required through business associate agreements with our customers to protect the privacy and security of protected health information. Further, government laws and regulations that directly affect our customers can have an indirect impact on our business. In addition, there are a variety of other national, foreign, and international laws and regulations that apply to the collection, use, retention, protection, security, disclosure, transfer, and other processing of personal data, including, but not limited to: FERPA, the European Union's General Data Protection Regulation (GDPR), the United Kingdom's General Data Protection Regulation (which implements the GDPR into U.K. law), Canada's Personal Information Protection and Electronic Documents Act (PIPEDA), Australia's Privacy Act 1988, and New Zealand's Privacy Act 2020. In addition, many states have passed consumer data privacy laws, and federal lawmakers have proposed additional legislation. The laws and regulations to which we are subject are rapidly evolving and changing and could have an adverse effect on our operations. The obligations and requirements under these laws and regulations are subject to uncertainty in how they may be interpreted by government authorities and regulators. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may increase our operational costs, affect our customers' willingness to permit us to use and store personal data and sensitive information, prevent us from selling our products or services, and/or affect our ability to invest in or jointly develop products. We may be exposed to litigation, including through private rights of action, regulatory fines, penalties, or other sanctions and damage to our reputation if the personal, confidential, or proprietary information of our customers is not handled in compliance with these laws or is otherwise mishandled or misused by us or any of our suppliers, ecosystem partners, counterparties, or other third parties, or if such third parties do not have appropriate controls in place to protect such personal, confidential, or proprietary information. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. We may also be required to develop features, enhancements, or modifications to our products to support our customers' evolving compliance obligations. This may require us to divert development and other resources from other areas, incur significant expenditures, or, if we are unsuccessful in delivering these features, enhancements, or modifications, result in monetary damages, loss of revenue or customers, reputational harm, or other adverse impacts to our business.

We may lose sales from existing or potential customers or incur significant expenses if states impose or assess sales and use taxes on our services to a greater degree than is currently the case or we inherit potential state sales and use tax compliance issues in connection with acquisitions we may make from time to time. A successful assertion by one or more states that we should collect sales or uses taxes on the sale of our services to a greater degree than is our current practice could result in substantial tax liabilities for past sales, decrease our ability to compete on pricing with other vendors, and otherwise harm our business. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. There can be no assurance that we will not be subject to sales and use taxes or related interest or penalties for past sales in states where we believe we are not subject to such taxes.

We are also subject to income and other taxes in the United States as well as in those states and foreign jurisdictions in which we do business. Changes in federal tax laws applicable to U.S. corporations and/or other laws, or interpretations of tax laws by taxing authorities or other standard setting bodies, could increase our tax obligations and adversely impact our results of operations. Additionally, we may be subject to taxes and tax laws in foreign jurisdictions where we do business.

The rapidly evolving and uncertain regulatory and technology environment could require us to change how we do business or incur additional costs. It may be difficult to predict how changes to applicable laws and regulations and current and future initiatives related to technology might affect our business. Different interpretations or enforcement of, or changes to, relevant laws and regulations in the future could subject our current or past practices to allegations of impropriety or illegality and could require us to alter to our operations. While we strive to adhere our practices and procedures to the laws that are applicable to our business, we may not be able to timely adapt to evolving rules and regulations, interpretations, and regulator determinations. Further, a regulator or court could disagree with our interpretation of these laws and regulations. Failure to comply with applicable legal or regulatory requirements in the U.S. or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, subject us to administrative, civil, and contractual penalties (including termination of our customer agreements), adversely affect our ability to retain clients and attract new clients, or otherwise have a material adverse effect on our business operations, financial condition, and results of operations.

Any reduction or change in the regulation of continuing education and training in the healthcare industry may adversely affect our business.

A portion of our business model is dependent in part on required training and continuing education for healthcare professionals and other healthcare workers resulting from regulations of state and federal agencies, state licensing boards, and professional organizations. Any change in these regulations and professional standards that reduce the requirements for continuing education and training for the healthcare industry could reduce the demand for our services and harm our business. In addition, a portion of our business with pharmaceutical and medical device manufacturers and hospitals is predicated on our ability to maintain accreditation status with organizations such as the ACCME and ANCC. The failure to maintain status as an accredited provider of educational and other services could have a detrimental effect on our business.

We may be liable to third parties for content that is sold or made available by us.

We may be liable to third parties for the content sold or made available by us if the text, graphics, software, or other content therein violates copyright, trademark, or other intellectual property rights, if our ecosystem partners violate their contractual obligations to others by providing content that we sell or make available, or if the content is inaccurate, incomplete, or does not conform to accepted standards of care in the healthcare profession. Further, we may be liable to these ecosystem partners if we allow access or release and lose control of their intellectual property stored on our platform either due to security issues or through improper release to customers who have not paid for access to such intellectual property. We attempt to minimize these types of liabilities by requiring representations and warranties relating to our intellectual property partners' ownership of the rights to distribute as well as the accuracy of their intellectual property. We also take measures to review this intellectual property ourselves. Although our agreements with our ecosystem partners in most instances contain provisions providing for indemnification by the ecosystem partners in the event of inaccurate intellectual property, our ecosystem partners may not have the financial resources to meet these indemnification obligations. Alleged liability could harm our business by damaging our reputation, requiring us to incur legal costs in defense, exposing us to awards of damages and costs, and diverting management's attention away from our business.

Protection of certain intellectual property may be difficult and costly, and our inability to protect our intellectual property could reduce the value of our products and services or reduce our competitive advantage.

Despite our efforts to protect our intellectual property rights, as well as the intellectual property rights of our ecosystem partners, a third party could, without authorization, copy or otherwise misappropriate our content, information from our databases, or other intellectual property, including that of our third-party ecosystem partners. Our agreements with employees, consultants, and others who participate in development activities could be breached and result in our trade secrets becoming known. Alternatively, competitors and other third parties may independently develop or create content or systems that do not infringe our intellectual property rights. We may not have adequate remedies for such breaches or protections against such competitor developments. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and effective intellectual property protection may not be available in those jurisdictions.

Our business could be harmed if unauthorized parties infringe upon or misappropriate our intellectual property, proprietary systems, content, platform, applications, services, or other information or the intellectual property of our ecosystem partners. Our efforts to protect our intellectual property through copyright, trademarks, trade secrets, patents, and other forms of protection, as well as our efforts to protect the intellectual property of our ecosystem partners, may not be adequate. For instance, we may not be able to secure trademark or service mark registrations for marks in the United States or in foreign countries or to secure patents for our proprietary products and services, and even if we are successful in obtaining patent and/or trademark registrations, these registrations may be opposed or invalidated by a third party. We also have certain contractual obligations to protect the intellectual property of our ecosystem partners and could be required to indemnify such ecosystem partners if we do not adequately provide such protections.

There has been substantial litigation in the software services and healthcare technology industries regarding intellectual property assets, particularly patents. Third parties may claim infringement by us with respect to current and future products, trademarks, or other proprietary rights, and we may counterclaim against such third parties in such actions. Any such claims or counterclaims could be time-consuming, result in costly litigation, divert management's attention, cause product release delays, require us to redesign our products, restrict our use of the intellectual property subject to such claim, or require us to enter into royalty or licensing agreements, any of which could have an adverse effect upon our business, financial condition, and operating results. Such royalty and licensing agreements may not be available on terms acceptable to us, if at all.

We may be liable for infringing the intellectual property rights of others.

Our competitors may develop similar intellectual property, duplicate our offerings, or design around any patents or other intellectual property rights we hold. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the patents, intellectual property, or other proprietary rights of third parties, which could be time consuming and costly and have an adverse effect on our business and financial condition. Intellectual property infringement claims could be made against us and our ecosystem partners, especially as the number of our competitors grows. These claims, even if not meritorious, could be expensive and divert our attention from operating our company and result in a temporary inability to use the intellectual property subject to such claim. In addition, if we, our ecosystem partners, and/or our customers become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and develop comparable non-infringing intellectual property, to obtain a license, or to cease providing the content or services that contain the infringing intellectual property. We may be unable to develop non-infringing intellectual property or obtain a license on commercially reasonable terms, if at all.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products and may use more open source software in the future. From time to time, there have been claims challenging the use of open source software against companies that incorporate it into their products. As a result, we could be subject to suits by parties claiming rights in our proprietary products that include certain open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition, or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software products to the public. If we inappropriately use open source software, we may be required to re-engineer our products, discontinue the sale of our products, or take other remedial actions.

Our sources of data might restrict our use of or refuse to license data, which could adversely impact our ability to provide certain products or services.

A portion of the data that we use is either purchased or licensed from third parties or public records or is obtained from our customers for specific customer engagements. We believe that we have all rights necessary to use the data that is incorporated into our products and services. However, if new laws or regulations impose restrictions on our use of the data or regulators' or courts' interpretations result in restrictions of the data that we currently use in our products and services, or a large number of data providers withdraw their data from us, our ability to provide our products and fulfill our contractual obligations to our customers could be materially adversely impacted.

Risks Related to International Operations

We face risks arising from our international operations.

We have international operations in several countries outside of the United States, including Canada, Australia, and New Zealand. Conducting our business internationally, particularly with expansion into countries in which we have limited experience, subjects us to a variety of risks that that we do not necessarily face to the same degree in the U.S. These risks include, among others:

- unexpected changes or differences in regulatory requirements, including with respect to taxes, trade laws, tariffs, export quotas, custom duties, or other trade restrictions;
- differing labor regulations;
- differing income and non-income based tax rates and laws;
- regulations relating to data privacy and security, cross-border data transfers, and the unauthorized use of, or access to, commercial and personal information;
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the U.S. Foreign Corrupt Practices Act;
- greater difficulty in supporting and localizing our products;
- unrest and/or changes in a specific country's or region's social, political, legal, health, or economic conditions or other geopolitical developments (such as developments arising from the ongoing conflict between Russia and Ukraine, increasing tensions between China and Taiwan, and the ongoing conflict in the Middle East);
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, controls, policies, benefits, and compliance programs;
- currency exchange rate fluctuations;
- uncertainties regarding the interpretation and enforceability of legal requirements, including limited or unfavorable intellectual property protection and the enforceability of contract rights;
- competition with companies or other services that may understand local markets better than we do;
- increased financial accounting and reporting burdens and complexities associated with implementing and maintaining adequate internal controls;
- potential regulations, health guidelines, and safety protocols in foreign jurisdictions related to public health emergencies within those jurisdictions; and
- restrictions on repatriation of earnings.

Risks Related to Ownership of Our Common Stock

It may be difficult for a third party to acquire our company.

Tennessee corporate law and our charter and bylaws contain provisions that could delay, defer, or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. These provisions in our organizational documents:

- authorize us to issue "blank check" preferred stock, which is preferred stock that can be created and issued by the board of directors, without prior shareholder approval, with rights senior to those of common stock;
- provide for a staggered board of directors comprised of three classes such that it would take three successive annual meetings to replace all directors;
- prohibit shareholder action by written consent;
- do not provide shareholders with the right to call a special shareholders meeting; and
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by shareholders at a meeting.

In addition, we are subject to certain provisions of Tennessee law which limit, in some cases, our ability to engage in certain business combinations or transactions with significant shareholders.

These provisions, either alone or in combination with each other, give our current directors a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our shareholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

There is no assurance that we will not discontinue or reduce the amount of our current quarterly dividend.

Our payment of dividends, as well as the rate at which we pay dividends, is subject to the discretion of our board of directors and compliance with applicable legal requirements and our credit agreement, and our board of directors retains the power to modify, suspend, or cancel our dividend policy in any manner and at any time that our board may deem necessary or appropriate.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management Program

The Company's cybersecurity risk management program, aligned with the National Institute of Standards and Technology Cybersecurity Framework (CSF) domains and HITRUST CSF, is designed to employ industry best practices, including ongoing enhancement of governance, risk, and compliance management, regular updates to our response planning and protocols, security policy and standards maintenance, and new technology implementation to proactively monitor vulnerabilities and reduce risk, including processes designed to identify material cybersecurity risks associated with our use of third-party service providers. This program includes the engagement of consulting firms and other third parties.

A key component of our cybersecurity risk management program is our incident response policy, which provides for evaluation, response, and reporting procedures in connection with a cybersecurity incident. Under this policy, we have established an incident response team (IRT), a multi-disciplinary management-level team led by the Company's Chief Technology Officer (CTO) and comprised of the Company's Chief Executive Officer (CEO), General Counsel/Compliance Officer, Chief Financial Officer, and EVP, Corporate Strategy. The policy provides that the IRT will conduct an initial assessment in the event of a cybersecurity incident meeting certain criteria elevated for the review of the IRT. In such event, the policy provides that the IRT will assess whether a cybersecurity incident has the potential to materially impact the Company and whether public disclosure is required or advisable in connection therewith, and further provides that, if appropriate, any such cybersecurity incident may be further elevated for the review of senior management, the Audit Committee and/or the Board of Directors.

The Company maintains cyber liability insurance to help mitigate potential liabilities resulting from cybersecurity matters. While we maintain cybersecurity insurance, the costs related to cybersecurity threats or disruptions may not be fully insured. We do not believe that any risks we have identified to date, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. However, despite our security measures, there is no assurance that we or the third parties with which we interact have not identified or experienced, or will not experience, a cybersecurity incident in the future that will materially affect us. For additional information regarding the risks to us associated with cybersecurity incidents, see "A data breach or cybersecurity incident could result in a loss of confidential data, give rise to remediation and other expenses, expose us to liability, subject us to litigation and governmental inquiries and actions, damage our reputation, and otherwise adversely impact our financial results and business" included in Part I, Item 1A of this Form 10-K.

Cybersecurity Governance

The Company's cybersecurity risk management processes are integrated into the Company's overall risk management program. In this regard, our Board of Directors has designated the Audit Committee as being primarily responsible for overseeing risk management at a board level, and has delegated certain specific categories of risk oversight matters to the Audit Committee as well as to the other standing committees of the Board, within their respective areas of responsibilities. Additionally, the Audit Committee makes periodic reports to the Board regarding briefing and reports provided by management and advisors regarding various risk oversight matters as well as the Audit Committee's own analysis and conclusions regarding the adequacy of the Company's risk management program.

As part of its board-level risk oversight responsibilities, the Audit Committee provides oversight of the Company's privacy, data, cyber security, and information security risk exposures. Further, at a management level, the Company's cybersecurity risk management program is led by our CTO, who reports to the Company's CEO. Our CTO was appointed as the Company's senior vice president and chief technology officer in July 2017. Our CTO has expertise in cybersecurity risk management through his more than 20 years of experience in healthcare technology, including his service with us as well as his service as chief technology officer at other organizations prior to joining the Company in 2017. On a quarterly basis, the Company's CTO reports to the Audit Committee regarding the Company's cybersecurity program. The CTO also reports to the Audit Committee on a quarterly basis regarding remediation activities, if any, along with related security metrics, in connection with any areas where cybersecurity threats have been identified.

Item 2. *Properties*

Our principal office is located in Nashville, Tennessee, which is primarily used to support our corporate functions. Our lease for approximately 92,000 square feet at this location will end in October 2031. As of December 31, 2024, we leased other facilities in Nashville, Tennessee; and San Diego, California.

Item 3. *Legal Proceedings*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the Nasdaq Global Select Market under the symbol "HSTM". Our common stock began trading on the Nasdaq National Market on April 14, 2000.

As of February 14, 2025, the Company had a total of 12,806 shareholders, including 1,019 registered holders and 11,787 beneficial holders.

DIVIDEND POLICY

On February 20, 2023, we announced that our board of directors approved a quarterly dividend policy (the "Dividend Policy"). During the year ended December 31, 2024, the Board of Directors authorized the following quarterly dividends under the 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
August 16, 2024	July 22, 2024	0.028	August 5, 2024	851,000
November 15, 2024	October 21, 2024	0.028	November 4, 2024	852,000
Total dividends		\$ 0.112		\$ 3,403,000

Additionally, as previously announced, on February 24, 2025, the Board approved a quarterly cash dividend of \$0.031 per share, representing an increase of eleven percent (11%) over the previous quarter's dividend payment, payable on March 21, 2025 to holders of record on March 10, 2025.

The Dividend Policy and the declaration and payment of each quarterly cash dividend will be subject to our board's continuing determination that the policy and the declaration of dividends thereunder are in the best interests of our stockholders and are in compliance with applicable law and our credit agreement. Our board retains the power to modify, suspend, or cancel the dividend policy in any manner and at any time that our board may deem necessary or appropriate.

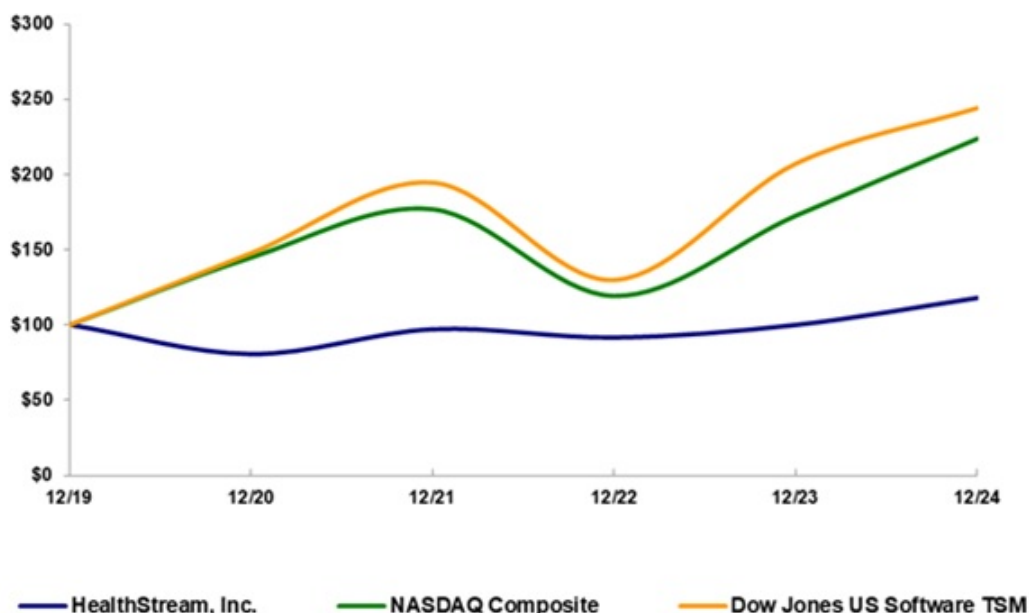
STOCK PERFORMANCE GRAPH

The graph below matches HealthStream, Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the Dow Jones US Software TSM index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2019 to December 31, 2024.

The comparisons in the graph below are based on historical data and are not necessarily indicative of future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among HealthStream, Inc., the NASDAQ Composite Index and the Dow Jones US Software TSM Index



*\$100 invested on 12/31/19 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Copyright© 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

	12/19	12/20	12/21	12/22	12/23	12/24
HealthStream, Inc.	\$ 100.00	\$ 80.29	\$ 96.91	\$ 91.32	\$ 99.78	\$ 117.87
NASDAQ Composite	100.00	144.92	177.06	119.45	172.77	223.87
Dow Jones US Software TSM	100.00	147.65	194.54	129.99	207.07	243.89

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

RECENT SALES OF UNREGISTERED SECURITIES

None.

ISSUER PURCHASES OF EQUITY SECURITIES

On September 13, 2023, the Company announced a share repurchase program authorized by the Company's Board of Directors under which the Company may purchase up to \$10.0 million of its common stock. Pursuant to this authorization, repurchases may be made in the open market, including under a Rule 10b5-1 plan, through privately negotiated transactions, or otherwise. Under this program, during 2023, the Company repurchased 404,188 shares of common stock at an aggregate fair value of \$8.9 million, reflecting an average price per share of \$22.07 (excluding the cost of broker commissions). The share repurchase program expired according to its terms on March 31, 2024, and no repurchases occurred during 2024.

Item 6. *Reserved*

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion of the financial condition and results of operations of HealthStream should be read in conjunction with HealthStream's Consolidated Financial Statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. HealthStream's actual results may differ significantly from the results discussed and those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described under Risk Factors and elsewhere in this report, as well as additional risks or uncertainties not presently known to us or that we currently deem immaterial.

The following discussion addresses our 2024 and 2023 results and year-to-year comparisons between 2024 and 2023. A discussion of year-to-year comparisons between 2023 and 2022 can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 26, 2024, under Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

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 our 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 businesses 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. Ongoing progress towards One HealthStream is exemplified by our recent refinement and adoption of a standardized, enterprise-wide implementation, onboarding, and customer success operational model.

Our solutions are powered by our hStream technology platform that enables activity across HealthStream's diverse ecosystem of applications. These underlying solutions are comprised primarily of SaaS, subscription-based applications that are used by healthcare organizations to meet a broad range of their workforce development needs around learning, clinical development, credentialing, and scheduling. Our solutions are also utilized by nursing schools as they prepare the healthcare workforce of tomorrow and by nursing students as they prepare to enter that workforce. Our numerous content libraries allow customers to subscribe to a wide array of courseware, which includes content from leading healthcare and nursing associations, medical and healthcare publishers, and other ecosystem partners. Our scheduling solutions provide organizations with the tools to visualize and manage real-time clinical staff scheduling to enable them to optimize their workforce, reduce costs, and improve care. Our flagship credentialing, privileging, and enrollment solution, CredentialStream, provides customers an intuitive, modern user experience with a continual stream of enhancements, evidence-based content, and curated data, all of which provides healthcare organizations with tools to support the provider lifecycle management from recruiting, application submission, verification of licensure and other credentials, privileging, appointments by credentialing committees, enrollment, network, management, onboarding, and performance evaluations of providers.

As HealthStream's business continues to evolve, we remain solely dedicated to the healthcare market and our primary customers continue to be healthcare organizations across the continuum of care and other participants in the healthcare industry, such as nursing schools and nursing students.

Revenues for the year ended December 31, 2024 were \$291.6 million, compared to \$279.1 million for the year ended December 31, 2023, an increase of 5%. The contributions to growth were \$12.4 million in subscription revenues and were \$0.2 million in professional services revenues. Subscription revenue increases resulted from growth in several products, including CredentialStream, ShiftWizard, and Competency Suite, but were partially offset by declines in our legacy credentialing, scheduling, and quality management solutions. Operating income increased by 33% to \$21.3 million for 2024, compared to \$16.0 million for 2023. Net income increased to \$20.0 million for 2024, compared to \$15.2 million for 2023. Earnings per share were \$0.66 per share (diluted) for 2024, compared to \$0.50 per share (diluted) for 2023. The Company paid \$3.4 million and \$3.1 million in cash dividends in 2024 and 2023, respectively. As of December 31, 2024, cash, cash equivalents, and marketable securities balances were \$97.2 million, and the Company maintained full availability under its \$50.0 million revolving credit facility.

Since the beginning of 2024, we completed two acquisitions. In October 2024 and November 2024, we acquired substantially all of the assets of Total Clinical Placement System (d/b/a TCPS) (TCPS) and The Clinical Hub, Inc. (d/b/a The Clinical Hub) (The Clinical Hub), respectively. For additional information regarding acquisitions, please see Note 8 of the Consolidated Financial Statements included elsewhere in this report.

RECENT DEVELOPMENTS

Macroeconomic conditions in the U.S. have been challenging in recent periods in certain respects, including as the result of inflationary pressures, ongoing elevated interest rate levels, which, despite recent declines, remain elevated, 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. In addition, given our focus on customers in the healthcare industry, adverse developments impacting such customers, including downward pressure on federal and state governmental spending, may adversely impact our business and financial results.

CRITICAL ACCOUNTING ESTIMATES

Preparation of our Consolidated Financial Statements requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements, reported amounts of revenues and expenses during the reporting period, and related disclosures. In the Notes to our Consolidated Financial Statements, we describe our significant accounting policies used in preparing the Consolidated Financial Statements. Our policies are evaluated on an ongoing basis and are drawn from historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results could differ under different assumptions or conditions. Our management has identified the following critical accounting policies for the areas that are materially impacted by estimates and assumptions.

Revenue Recognition

Revenues are recognized when or as 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. Our contracts with customers often contain promises for multiple goods and services. For these contracts, the Company accounts for the promised goods and services in its contracts as separate performance obligations if they are distinct. The contract price, which represents transaction price when the contract reflects a fixed fee arrangement, or management's estimate of variable consideration including application of the constraint when the contract does not have a fixed fee, is allocated to the separate performance obligations on a relative standalone selling price basis. We generally determine standalone selling prices based on the standard list price for each product, taking into consideration certain factors, including contract length and the number of subscriptions or licenses purchased within the contract. Judgment is required in determining whether performance obligations are distinct, standalone selling prices, and the amount of variable consideration to reflect as transaction price.

Accounting for Income Taxes

The Company accounts for income taxes 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 reverse. Management evaluates all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed. We assess the realizability of our deferred tax assets, and to the extent that we believe a recovery is not likely, we establish a valuation allowance to reduce the deferred tax asset to the amount we estimate will be recoverable. As of December 31, 2024, the Company established a valuation allowance of \$1.9 million for the portion of its deferred tax assets that are not more likely than not expected to be realized, compared to a valuation allowance of \$2.0 million as of December 31, 2023.

RESULTS OF OPERATIONS

Revenues and Expense Components

The following descriptions of the components of revenues and expenses apply to the comparison of results of operations.

Revenues, net. The products and services generating revenues are increasingly oriented around and drive value in relation to our hStream technology platform. Subscription or software licensing services primarily consist of the provision of services through our platform, learning management application, a variety of training and development tools and content subscriptions, our applications that help facilitate provider credentialing, privileging, and enrollment administration, and staff scheduling applications. Professional services primarily consist of training, implementation and onboarding, and consulting services to serve professionals that work within healthcare organizations.

Cost of Revenues (excluding depreciation and amortization). Cost of revenues (excluding depreciation and amortization) consist primarily of salaries and employee benefits, stock-based compensation, employee travel and lodging, materials, contract labor, hosting costs, third party software licensing costs, and other direct expenses associated with revenues, as well as royalties paid by us to ecosystem partners. Personnel costs within cost of revenues are associated with individuals that facilitate product delivery, provide services, handle customer support calls or inquiries, manage the technology infrastructure for our applications, manage content, and provide training or implementation services.

Product Development. Product development consists primarily of salaries and employee benefits, contract labor, stock-based compensation, employee travel and lodging, costs associated with the development of new software and feature enhancements, new products, third party software licensing costs, and costs associated with maintaining and developing our products. Personnel costs within product development include our systems teams, application development, quality assurance teams, product managers, and other personnel associated with software and product development.

Sales and Marketing. Sales and marketing consist primarily of salaries and employee benefits, commissions and amortization of deferred commissions, stock-based compensation, employee travel and lodging, third party software licensing costs, advertising, trade shows, customer conferences, promotions, and related marketing costs. Personnel costs within sales and marketing include our sales teams and marketing personnel.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and employee benefits, stock-based compensation, employee travel and lodging, facility expenses, office expenses, fees for professional services, business development and acquisition-related costs, third party software licensing costs, provision for credit losses, and other operational expenses. Personnel costs within general and administrative expenses include individuals associated with normal corporate functions, including accounting, legal, business development, human resources, administrative, internal information systems, and executive management.

Depreciation and Amortization. Depreciation and amortization consist of fixed asset depreciation, amortization of intangibles considered to have definite lives, and amortization of capitalized software development.

Interest Income. Interest income consists of interest earned on cash, cash equivalents, and marketable securities.

Other (Expense) Income, Net. The primary components of other (expense) income are interest expense, the income or loss attributed to equity method investments, fair value adjustments related to non-marketable equity investments, foreign currency gains and losses, and sublease income.

2024 Compared to 2023

Revenues, net. Revenues increased approximately \$12.6 million, or 5%, to \$291.6 million for 2024 from \$279.1 million for 2023. Subscription revenues increased \$12.4 million, or 5%, and professional services revenues increased by \$0.2 million, or 2%. Subscription revenue increases resulted from growth in several products, including CredentialStream, ShiftWizard, and Competency Suite, but were partially offset by declines in our legacy credentialing, scheduling, and quality management solutions.

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

	Year Ended December 31,		Percentage Change
	2024	2023	
Subscription services	\$ 280,316	\$ 267,935	5%
Professional services	11,330	11,128	2%
Total revenues, net	<u>\$ 291,646</u>	<u>\$ 279,063</u>	5%
% of Revenues			
Subscription services	96%	96%	
Professional services	4%	4%	

Cost of Revenues (excluding depreciation and amortization). Cost of revenues increased \$2.9 million, or 3%, to \$97.9 million for 2024 from \$95.0 million for 2023. Cost of revenues as a percentage of revenues were 34% of revenues for both 2024 and 2023. The increase in expense is primarily associated with higher costs for third-party software, cloud hosting, and royalties, partially offset by a decrease in severance costs incurred in connection with the Company's previously disclosed restructuring under a single platform strategy in 2023.

Product Development. Product development expenses increased \$3.4 million, or 7%, to \$48.9 million for 2024 from \$45.5 million for 2023. Product development expenses as a percentage of revenues were 17% and 16% of revenues for 2024 and 2023, respectively. The increase is primarily due to increases in labor and benefits.

Sales and Marketing. Sales and marketing expenses increased \$1.5 million, or 3%, to \$47.2 million for 2024 from \$45.7 million for 2023. Sales and marketing expenses as a percentage of revenues were 16% of revenues for both 2024 and 2023. The increase in expense is primarily due to increased sales commissions, general marketing expenses, software expenses, and travel, which were partially offset by a decrease in labor and benefits.

General and Administrative Expenses. General and administrative expenses decreased \$0.6 million, or 1%, to \$35.1 million for 2024 from \$35.7 million for 2023. General and administrative expenses as a percentage of revenues were 12% and 13% of revenues for 2024 and 2023, respectively. The decrease is primarily due to decreases in labor and benefits, professional service fees, facilities costs, and telecom expenses, which were partially offset by an increase in bad debt expense primarily related to customer bankruptcies during the second and fourth quarters of 2024.

Depreciation and Amortization. Depreciation and amortization increased \$0.1 million, or 1%, to \$41.2 million for 2024 from \$41.1 million for 2023. The increase resulted from higher amortization of capitalized software, partially offset by lower depreciation expense.

Interest Income. Interest income was \$3.8 million for 2024 compared to \$2.4 million for 2023. The increase resulted from higher cash, cash equivalent, and marketable securities balances on which the interest was earned.

Other (Expense) Income, Net. Other (expense) income, net was an expense of \$0.3 million for 2024 compared to income of \$0.1 million for 2023. Other expense for 2024 consisted primarily of interest expense, losses attributable to equity method investments, and foreign currency losses, partially offset by sublease income. Other income for 2023 consisted of a \$0.4 million gain recognized upon the settlement and release of escrowed proceeds related to a prior sale of a non-marketable equity investment coupled with sublease income, partially offset by interest expense and losses attributed to equity method investments.

Income Tax Provision. The Company recorded a provision for income taxes of \$4.8 million and \$3.3 million for 2024 and 2023, respectively. The Company's effective tax rate was 19% for 2024 compared to 18% for 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 research & experimentation tax credits.

Net Income. Net income increased \$4.8 million, or 32%, to \$20.0 million for 2024 compared to \$15.2 million for 2023 as a result of the factors mentioned above. The increase in net income for 2024 compared to 2023 was driven by an increase in revenue as well as from revenue increasing at a higher rate than expenses. Earnings per diluted share were \$0.66 per share (diluted) for 2024, compared to \$0.50 per share (diluted) for 2023.

Adjusted EBITDA increased 9% to \$66.8 million for 2024 compared to \$61.3 million for 2023. The increase resulted from the factors mentioned above. Adjusted EBITDA is a non-GAAP financial measure which we define as net income excluding the impact of the deferred revenue write-downs associated with fair value accounting for acquired businesses and before interest, income taxes, stock-based compensation, depreciation and amortization, and changes in fair value of, including gains (losses) on the sale of, non-marketable equity investments. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of this calculation to the most comparable measure under U.S. GAAP and information regarding why this non-GAAP financial measure provides useful information to investors.

Key Business Metrics

Our management utilizes the following key financial and non-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. Revenues, net, were \$291.6 million for the year ended December 31, 2024 compared to \$279.1 million for the year ended December 31, 2023. 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.
- *Net Income.* Net income represents revenues, net less all expenses. Net income was \$20.0 million for the year ended December 31, 2024 compared to \$15.2 million for the year ended December 31, 2023. Management utilizes net income in connection with managing our business, including with regard to our capital deployment strategies.
- *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 many investors to assess the Company's ongoing results from operations. Additionally, short-term cash incentive bonuses and certain 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 \$66.8 million for the year ended December 31, 2024, compared to \$61.3 million for the year ended December 31, 2023.
- *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 \$28.1 million for the year ended December 31, 2024 compared to \$28.0 million for the year ended December 31, 2023. 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.

Reconciliation of Non-GAAP Financial Measures

This Annual Report on Form 10-K 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, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, 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 Acquisitions 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).

	2024	2023
GAAP net income	\$ 20,007	\$ 15,213
Deferred revenue write-down	—	212
Interest income	(3,834)	(2,356)
Interest expense	100	124
Income tax provision	4,796	3,298
Stock-based compensation expense	4,470	4,153
Depreciation and amortization	41,243	41,076
Change in fair value of non-marketable equity investments	—	(425)
Adjusted EBITDA	<u>\$ 66,782</u>	<u>\$ 61,295</u>

Liquidity and Capital Resources

Net cash provided by operating activities was \$57.7 million during 2024, compared to \$64.0 million during 2023, a decrease of 10%. The decrease in net cash provided by operating activities is primarily due to a \$6.1 million increase in income tax payments and higher cash disbursements at the end of 2024 as compared to the end of 2023, while cash receipts increased modestly compared to the prior year. Our days sales outstanding (DSO) was 40 days and 46 days for 2024 and 2023, respectively. The Company calculates DSO by dividing the average accounts receivable balance (excluding unbilled and other receivables) by average daily revenues for the year. 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 \$34.0 million during 2024, compared to \$56.6 million during 2023. During 2024, the Company spent \$1.3 million for the acquisitions of TCPS and The Clinical Hub, invested in marketable securities of \$74.4 million, made payments for capitalized software development of \$26.7 million, and purchased property and equipment of \$1.4 million. These uses of cash were partially offset by \$69.2 million in maturities of marketable securities. During 2023, the Company spent \$6.6 million for the acquisition of eeds (note: the eeds was 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 year ended December 31, 2023), invested in marketable securities of \$50.3 million, made payments for capitalized software development of \$25.8 million, and purchased property and equipment of \$2.2 million. These uses of cash were partially offset by \$28.3 million in maturities of marketable securities.

Cash used in financing activities was \$4.5 million during 2024, compared to \$13.0 million during 2023. The primary uses of cash in financing activities during 2024 included \$3.4 million for the payment of cash dividends and \$1.1 million for payments of payroll taxes related to stock-based compensation. During 2023, the primary use of cash in financing activities included \$8.9 million for repurchases of common stock, \$3.1 million for the payment of cash dividend, and \$0.9 million for payments of payroll taxes related to stock-based compensation.

On October 6, 2023, the Company entered into a new revolving credit facility, which amended and replaced our prior revolving credit facility. There currently are no outstanding borrowings under the new revolving credit facility. For additional information regarding the new revolving credit facility, see Note 12 to the Consolidated Financial Statements included herein.

Our balance sheet reflected positive working capital of \$37.4 million at December 31, 2024, compared to \$11.8 million at December 31, 2023. The increase in working capital was primarily due to increases in cash, cash equivalents, and marketable securities. The Company's primary source of liquidity was \$97.2 million of cash, cash equivalents, and marketable securities as of December 31, 2024. The Company also has up to \$50.0 million of availability under our Revolving Credit Facility, subject to certain covenants and minimum liquidity requirements.

On September 13, 2023, the Company announced a share repurchase program approved by the Company's Board of Directors under which the Company was authorized to purchase up to \$10.0 million of its common stock. Pursuant to this authorization, repurchases could be made in the open market, including under a Rule 10b5-1 plan, through privately negotiated transactions, or otherwise. Under this program, during 2023, the Company repurchased 404,188 shares of common stock at an aggregate fair value of \$8.9 million, reflecting an average price per share of \$22.07 (excluding the cost of broker commissions). The share repurchase program expired according to its terms on March 31, 2024, and no repurchases occurred during 2024.

Pursuant to the dividend policy approved by our Board on February 20, 2023, the Board of Directors authorized the following quarterly dividend payments during 2024:

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
August 16, 2024	July 22, 2024	0.028	August 5, 2024	851,000
November 15, 2024	October 21, 2024	0.028	November 4, 2024	852,000
Total dividends		\$ 0.112		\$ 3,403,000

On February 24, 2025, as previously disclosed, our Board of Directors approved a quarterly dividend at a rate of \$0.031 per share, which represented an increase of 11% compared to the quarterly dividend per share in 2024 as set forth above. This quarterly dividend shall be payable on March 21, 2025 to the holders of record of all of the issued and outstanding shares of common stock as of the close of business on March 10, 2025.

The dividend policy and the declaration and payment of each quarterly cash dividend will be subject to our Board's continuing determination that the policy and the declaration of dividends thereunder are in the best interests of our stockholders and are in compliance with applicable law and our credit agreement. Our Board retains the power to modify, suspend, or cancel the dividend policy in any manner and at any time that our Board may deem necessary or appropriate.

The Company's contractual obligations arising in the normal course of business primarily consist of operating lease obligations and purchase obligations. The amounts included as contractual obligations represent the non-cancelable portion of agreements or the minimum cancellation fee. As further discussed in Note 13 to the Company's Consolidated Financial Statements, as of December 31, 2024, we had operating lease obligations of approximately \$24.6 million, of which \$3.9 million is expected to be paid within 12 months. The Company's purchase obligations that represent non-cancelable contractual obligations primarily relate to information technology assets and our revolving credit facility, which facility is described further in Note 12 to the Company's Consolidated Financial Statements. As of December 31, 2024, the Company had purchase obligations of \$10.1 million, with \$5.5 million expected to be paid within 12 months. We believe that our existing cash, 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, effect any share repurchases we may elect to make, pay our quarterly cash dividends, and fund capital expenditures for at least the next 12 months and for the foreseeable future thereafter.

The Company's growth strategy includes acquiring businesses that provide complementary products and services. It is anticipated that future acquisitions, if any, would be effected through cash consideration, stock consideration, debt, or a combination thereof. 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. The revolving credit facility contains financial covenants and availability calculations designed to set a maximum leverage ratio of outstanding debt to consolidated EBITDA (as defined in our credit facility) and an interest coverage ratio of consolidated EBITDA to interest expense. Therefore, the maximum borrowings against the revolving credit facility would be dependent on the covenant values at the time of borrowing. As of December 31, 2024, the Company was in compliance with all covenants. 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 be assured that if we need additional financing, 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.

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 CODM 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. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this standard effective January 1, 2024 using a retrospective method. For further information, refer to the Business Segments section of Note 1 - Summary of Significant Accounting Policies.

In December 2023, the 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. The ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of adopting ASU 2023-09; however, it is not expected to have a material impact on the Company's financial statements.

In November 2024, the FASB issued ASU 2024-03, *"Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses,"* which requires disclosure of disaggregated information about specific categories underlying certain income statement expense line items in the footnotes to the financial statements for both annual and interim periods. This ASU is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard.

Item 7A. 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 material commodity price risk.

Interest Rate Risk

As of December 31, 2024, 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 exposed to market risk with respect to our cash, cash equivalents, and marketable securities balances, which approximated \$97.2 million at December 31, 2024. Assuming a hypothetical 10% decrease in interest rates, interest income from cash and investments would decrease on an annualized basis by approximately \$0.4 million.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, including Canadian dollar, New Zealand dollar, and Australian dollar. Increases and decreases in our foreign-denominated revenue from movements in foreign exchange rates are often partially offset by the corresponding decreases or increases 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 U.S. 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 8. *Financial Statements and Supplementary Data*

**HEALTHSTREAM, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm (PCAOB ID: 42)	38
Consolidated Balance Sheets	40
Consolidated Statements of Income	41
Consolidated Statements of Comprehensive Income	42
Consolidated Statements of Shareholders' Equity	43
Consolidated Statements of Cash Flows	44
Notes to Consolidated Financial Statements	45

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of HealthStream, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HealthStream, Inc. (the Company) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 28, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

Description of the Matter As described in Note 1 of the consolidated financial statements, the Company recognizes revenue 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. The Company's contracts with customers often contain promises for multiple goods and services. The Company accounts for the promised goods and services in its contracts as separate performance obligations if they are distinct. The transaction price is then allocated to the separate performance obligations on a relative standalone selling price basis.

Auditing the Company's accounting for revenue recognition was challenging due to the judgment and effort required to analyze the Company's contracts to determine whether promised goods and services are distinct performance obligations.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to identify and evaluate performance obligations.

Among other procedures to evaluate management's identification and determination of the distinct performance obligations, we obtained an understanding of the Company's various product and service offerings and tested the application of the revenue recognition accounting requirements to determine which performance obligations were distinct. We inspected a sample of customer contracts to evaluate management's assessment of distinct performance obligations within the contract based on its terms and conditions, and tested the amounts recognized as revenue or recorded in deferred revenue.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1998.
Nashville, Tennessee
February 28, 2025

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of HealthStream, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited HealthStream, Inc.'s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, HealthStream, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated February 28, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 28, 2025

HEALTHSTREAM, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,469	\$ 40,333
Marketable securities	37,748	30,800
Accounts receivable, net	30,189	34,346
Accounts receivable - unbilled	5,133	4,100
Prepaid royalties, net of amortization	9,547	10,202
Prepaid software maintenance and subscriptions	8,569	7,397
Other prepaid expenses and other current assets	2,467	3,032
Total current assets	153,122	130,210
Property and equipment, net	10,741	13,005
Capitalized software development, net	43,370	40,643
Operating lease right of use assets, net	17,453	20,114
Goodwill	191,220	191,379
Intangibles, net	55,548	68,031
Other assets	39,312	36,560
Total assets	\$ 510,766	\$ 499,942
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,628	\$ 7,465
Accrued royalties	5,190	4,556
Accrued liabilities	10,141	13,225
Accrued compensation	9,507	9,492
Deferred revenue	84,227	83,623
Total current liabilities	115,693	118,361
Deferred tax liabilities	14,596	16,132
Deferred revenue, noncurrent	1,655	2,169
Operating lease liability, noncurrent	17,366	20,247
Other long-term liabilities	2,101	2,281
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value, 10,000 shares authorized, no shares issued or outstanding	—	—
Common stock, no par value, 75,000 shares authorized; 30,432 and 30,298 shares issued and outstanding at December 31, 2024 and 2023, respectively	252,432	249,075
Retained earnings	108,972	92,368
Accumulated other comprehensive loss	(2,049)	(691)
Total shareholders' equity	359,355	340,752
Total liabilities and shareholders' equity	\$ 510,766	\$ 499,942

See accompanying notes to the Consolidated Financial Statements.

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

	Year Ended December 31,		
	2024	2023	2022
Revenues, net	\$ 291,646	\$ 279,063	\$ 266,826
Operating costs and expenses:			
Cost of revenues (excluding depreciation and amortization)	97,936	95,021	91,143
Product development	48,890	45,540	44,277
Sales and marketing	47,158	45,743	44,146
General and administrative expenses	35,132	35,664	36,866
Depreciation and amortization	41,243	41,076	37,945
Total operating costs and expenses	270,359	263,044	254,377
Operating income	21,287	16,019	12,449
Interest income	3,834	2,356	444
Other (expense) income, net	(318)	136	2,692
Income before income tax provision	24,803	18,511	15,585
Income tax provision	4,796	3,298	3,494
Net income	<u>\$ 20,007</u>	<u>\$ 15,213</u>	<u>\$ 12,091</u>
Net income per share:			
Basic	<u>\$ 0.66</u>	<u>\$ 0.50</u>	<u>\$ 0.39</u>
Diluted	<u>\$ 0.66</u>	<u>\$ 0.50</u>	<u>\$ 0.39</u>
Weighted average shares of common stock outstanding:			
Basic	<u>30,386</u>	<u>30,571</u>	<u>30,648</u>
Diluted	<u>30,544</u>	<u>30,673</u>	<u>30,717</u>
Dividends declared per share	<u>\$ 0.112</u>	<u>\$ 0.100</u>	<u>\$ —</u>

See accompanying notes to the Consolidated Financial Statements.

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

	Year Ended December 31,		
	2024	2023	2022
Net income	\$ 20,007	\$ 15,213	\$ 12,091
Other comprehensive income, net of taxes:			
Foreign currency translation adjustments	(1,371)	283	(1,091)
Unrealized gain on marketable securities	13	7	4
Total other comprehensive (loss) income	(1,358)	290	(1,087)
Comprehensive income	<u>\$ 18,649</u>	<u>\$ 15,503</u>	<u>\$ 11,004</u>

See accompanying notes to the Consolidated Financial Statements.

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

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2021	31,327	\$ 270,791	\$ 68,122	\$ 106	\$ 339,019
Net income	—	—	12,091	—	12,091
Comprehensive loss	—	—	—	(1,087)	(1,087)
Issuance of common stock in acquisition	209	4,084	—	—	4,084
Stock-based compensation	—	3,554	—	—	3,554
Common stock issued under stock plans, net of shares withheld for employee taxes	95	(565)	—	—	(565)
Repurchase of common stock	(1,052)	(23,032)	—	—	(23,032)
Balance at December 31, 2022	30,579	254,832	80,213	(981)	334,064
Net income	—	—	15,213	—	15,213
Comprehensive income	—	—	—	290	290
Dividends declared on common stock (\$0.100 per share)	—	—	(3,058)	—	(3,058)
Stock-based compensation	—	4,153	—	—	4,153
Common stock issued under stock plans, net of shares withheld for employee taxes	123	(934)	—	—	(934)
Excise tax on repurchase of common stock	—	(47)	—	—	(47)
Repurchase of common stock	(404)	(8,929)	—	—	(8,929)
Balance at December 31, 2023	30,298	249,075	92,368	(691)	340,752
Net income	—	—	20,007	—	20,007
Comprehensive loss	—	—	—	(1,358)	(1,358)
Dividends declared on common stock (\$0.112 per share)	—	—	(3,403)	—	(3,403)
Stock-based compensation	—	4,470	—	—	4,470
Common stock issued under stock plans, net of shares withheld for employee taxes	134	(1,113)	—	—	(1,113)
Balance at December 31, 2024	<u>30,432</u>	<u>\$ 252,432</u>	<u>\$ 108,972</u>	<u>\$ (2,049)</u>	<u>\$ 359,355</u>

See accompanying notes to the Consolidated Financial Statements.

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

	Year Ended December 31,		
	2024	2023	2022
OPERATING ACTIVITIES:			
Net income	\$ 20,007	\$ 15,213	\$ 12,091
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	41,243	41,076	37,945
Stock-based compensation	4,470	4,153	3,554
Amortization of deferred commissions	12,480	11,495	10,599
Provision for credit losses	2,595	1,021	385
Deferred income taxes	(1,114)	(1,725)	710
Gain on disposal of fixed assets	—	—	(25)
Loss on equity method investments	230	384	747
Change in fair value of non-marketable equity investments	—	(425)	(3,596)
Other	(1,639)	(891)	3
Changes in operating assets and liabilities:			
Accounts and unbilled receivables	537	3,243	(7,770)
Prepaid royalties	655	(1,131)	84
Other prepaid expenses and other current assets	(1,371)	(1,243)	2,329
Deferred commissions	(15,451)	(14,852)	(14,931)
Other assets	(258)	328	208
Accounts payable and accrued expenses	(5,027)	4,825	3,742
Accrued royalties	633	(887)	406
Deferred revenue	(330)	3,386	4,707
Net cash provided by operating activities	57,660	63,970	51,188
INVESTING ACTIVITIES:			
Cash paid for acquisitions, net of cash acquired	(1,299)	(6,621)	(3,965)
Proceeds from maturities of marketable securities	69,150	28,250	10,625
Purchases of marketable securities	(74,446)	(50,268)	(13,467)
Proceeds from sale of fixed assets	—	—	26
Proceeds from sale of non-marketable equity investments	765	47	3,494
Payments associated with capitalized software development	(26,741)	(25,806)	(23,334)
Purchases of property and equipment	(1,401)	(2,200)	(1,768)
Net cash used in investing activities	(33,972)	(56,598)	(28,389)
FINANCING ACTIVITIES:			
Taxes paid related to net settlement of equity awards	(1,113)	(934)	(565)
Payment of debt issuance costs	—	(118)	—
Repurchases of common stock	—	(8,929)	(23,137)
Payment of cash dividends	(3,403)	(3,058)	—
Net cash used in financing activities	(4,516)	(13,039)	(23,702)
Effect of exchange rate changes on cash and cash equivalents	(36)	(23)	21
Net increase (decrease) in cash and cash equivalents	19,136	(5,690)	(882)
Cash and cash equivalents at beginning of period	40,333	46,023	46,905
Cash and cash equivalents at end of period	\$ 59,469	\$ 40,333	\$ 46,023
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 101	\$ 132	\$ 99
Income taxes paid	\$ 8,701	\$ 2,611	\$ 718
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Purchases of property and equipment, accrued but not paid	\$ 399	\$ 91	\$ 727
Capitalized software development, accrued but not paid	\$ 1,055	\$ 961	\$ 1,267
Fair value of common stock issued as consideration for business combinations	\$ —	\$ —	\$ 4,084

See accompanying notes to the Consolidated Financial Statements.

HEALTHSTREAM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

HealthStream, Inc. (the "Company") was incorporated in 1990 as a Tennessee corporation and is headquartered in Nashville, Tennessee. The Company primarily provides 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 healthcare organizations meet their ongoing clinical development, talent management, training, education, assessment, competency management, safety and compliance, scheduling, and provider credentialing, privileging, and enrollment needs. 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 its diverse ecosystem of solutions utilize its proprietary hStream technology platform to enhance their value proposition by creating interoperability with and among other applications.

Recognition of Revenue

In accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, the Company's 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

Subscription revenues primarily consist of fees in consideration of providing customers access to one or more of its SaaS-based solutions and/or courseware subscriptions, as well as fees related to licensing agreements, all of which include routine customer support and technology enhancements. Revenue is generally recognized over time during the contract term beginning when the service is made available to the customer. Subscription contracts are generally non-cancelable, one to five years in length, and billed annually, semi-annually, quarterly, or monthly in advance.

Professional services revenues primarily consist of fees for implementation and onboarding services, consulting, and training. The majority of professional services contracts are billed in advance based on a fixed price basis, and revenue is recognized over time as the services are performed. For both subscription services and professional services, the time between billing the customer and when performance obligations are satisfied is generally not significant.

Contracts with customers often contain promises for multiple goods and services. For these contracts, the Company accounts for the promised goods and services in its contracts as separate performance obligations if they are distinct. The contract price, which represents transaction price when the contract reflects a fixed fee arrangement, or management's estimate of variable consideration including application of the constraint when the contract does not have a fixed fee, is allocated to the separate performance obligations on a relative standalone selling price basis. The Company generally determines standalone selling prices based on the standard list price for each product, taking into consideration certain factors, including contract length and the quantity purchased in the contract.

The Company receives payments from customers based on billing schedules established in its contracts. Accounts receivable - unbilled represent contract assets related to its conditional right to consideration for subscription and professional services contracts where performance has occurred under the contract. Accounts receivable are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for credit losses, when the right to consideration becomes unconditional.

Deferred revenue represents contract liabilities that are recorded when cash payments are received or are due in advance of satisfaction of performance obligations.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Business Segments

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. Since January 1, 2023, the Company's business has been organized and managed around a consolidated, enterprise approach, including with regard to technology, operations, accounting, internal reporting (including the nature of information reviewed by the CODM), organization structure, compensation, performance assessment, and resource allocation. The Company's CODM uses consolidated financial information to make operating decisions, assess financial performance, and allocate resources. Further, the CODM reviews and utilizes functional expenses (cost of revenues, product development, sales and marketing, general and administrative expenses, and depreciation and amortization) at the consolidated level to manage the Company's operations. Other segment items included in consolidated net income are interest income, other income, net and the income tax provision, which are reflected in the Consolidated Statements of Income.

Use of Estimates

The Consolidated Financial Statements are prepared in accordance with United States generally accepted accounting principles. These accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and such differences could be material to the Consolidated Financial Statements.

Cash Equivalents

The Company considers cash equivalents to be unrestricted, highly liquid investments with initial maturities of less than three months at the time of purchase.

Marketable Securities

Marketable securities are classified as available for sale and are stated at fair value, with the unrealized gains and losses, net of tax, reported in other accumulated comprehensive income (loss) on the accompanying Consolidated Balance Sheets. Realized gains and losses on investments in marketable securities are included in interest income and declines in market value due to credit-related factors on investments in marketable securities are included in other (expense) income, net on the accompanying Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income on the accompanying Consolidated Statements of Income. Premiums and discounts are amortized over the life of the related available for sale security as an adjustment to the yield using the effective interest method and are reflected as an operating activity within the Consolidated Statements of Cash Flows.

Deferred Commissions

Deferred commissions represent incremental costs incurred to acquire contracts with customers, such as the sales commission payment and associated payroll taxes, which are capitalized and amortized consistent with the transfer of the goods or services to the customer over the expected period of benefit. Capitalized contract costs of \$34.7 million and \$31.7 million at December 31, 2024 and 2023, respectively, are included under the caption other assets in the accompanying Consolidated Balance Sheets, and amortization of deferred commissions is included in sales and marketing expenses in the Consolidated Statements of Income. The expected period of benefit is the contract term, except when the capitalized commission is expected to provide economic benefit to the Company for a period longer than the contract term, such as for new customer or incremental sales where renewals are expected and renewal commissions are not commensurate with initial commissions. Non-commensurate commissions are amortized over the greater of the contract term or technological obsolescence period of three years.

Prepaid Royalties

Prepaid royalties represent advance payments to business partners under revenue sharing arrangements for which the Company sells and delivers such partner products to its customers. Royalties are typically paid in advance at the commencement of the subscription period or periodically throughout the subscription period, such as in quarterly, bi-annual, or annual installments. Royalty payments are amortized over the term of the underlying subscription contracts, which generally range from one to five years, in order to match the direct royalty costs to the same period the subscription revenue is recognized. Amortization of prepaid royalties is included under the caption cost of revenues (excluding depreciation and amortization) in the accompanying Consolidated Statements of Income.

Allowance for Credit Losses

The Company estimates its allowance for credit losses based on its historical collection experience, a review in each period of the aging status of the then-outstanding accounts receivable, and external market factors. Uncollectible receivables are written-off in the period management believes it has exhausted its ability to collect payment from the customer. Expected credit losses are recorded under the caption general and administrative expenses in the accompanying Consolidated Statements of Income.

Changes in the allowance for credit losses and the amounts charged to bad debt expense for the three years ended December 31, 2024 were as follows (in thousands):

	Allowance Balance at Beginning of Period	Charged to Costs and Expenses	Write-offs	Allowance Balance at End of Period
2024	\$ 781	\$ 2,595	\$ (2,128)	\$ 1,248
2023	544	1,021	(784)	781
2022	853	385	(694)	544

Capitalized Software and Content Development

Capitalized software and content development is stated on the basis of cost and is presented net of accumulated amortization, which was \$151.1 million and \$127.0 million as of December 31, 2024 and 2023, respectively. The Company capitalizes costs incurred during the development phase for projects to develop software and content. These assets are generally amortized using the straight-line method over three years. Amortization of capitalized software development was \$24.1 million, \$22.0 million, and \$18.9 million during 2024, 2023, and 2022, respectively. Maintenance and operating costs are expensed as incurred.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used in measuring fair value. There are three levels to the fair value hierarchy based on the reliability of inputs, as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring the Company to develop its own assumptions.

The Company evaluates assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them for each reporting period. This determination may require significant judgments to be made by the Company. At December 31, 2024 and 2023, the Company's assets measured at fair value on a recurring basis consisted of marketable securities, which are classified as available for sale (see Note 4 – Marketable Securities).

Property and Equipment

Property and equipment are stated on the basis of cost. Depreciation is provided on the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over the shorter of the estimated useful life or their respective lease term.

	Years
Furniture and fixtures	5 - 7
Equipment	3

Goodwill

Goodwill represents the excess of purchase price in a business combination over the fair value of the net identifiable assets acquired, including intangible assets. The carrying amount of its goodwill is evaluated for impairment at least annually during the fourth quarter and whenever events or changes in facts or circumstances indicate that impairment may exist. In accordance with ASC 350, *Intangibles – Goodwill and Other*, companies may opt to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A qualitative assessment includes factors such as financial performance, industry and market metrics, and other factors affecting the reporting unit. If this assessment concludes that it is more likely than not that the fair value of a reporting unit exceeds its carrying value, then goodwill is not considered impaired and no further impairment testing is required. Conversely, if the qualitative assessment concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company must then compare the fair value of the reporting unit to its carrying value. The Company determines fair value of the reporting unit using both income and market-based models. These models require the use of various assumptions relating to cash flow projections, growth rates, discount rates, and terminal value calculations. There were no goodwill impairments identified or recorded for the years ended December 31, 2024, 2023, and 2022.

Intangible Assets

The Company estimates the fair value of intangible assets acquired as part of a business combination using the income and cost methods, which are based on management's estimates and assumptions. As of December 31, 2024, intangible assets include customer relationships, internally developed technologies, non-competition agreements, and trade names. Intangible assets that are considered to have definite useful lives are being amortized on a straight-line basis over periods ranging between one and eighteen years. The weighted average amortization period for definite lived intangible assets as of December 31, 2024 was 11.8 years. Intangible assets considered to have indefinite useful lives are evaluated for impairment at least annually during the fourth quarter, and all intangible assets are reviewed for impairment whenever events or changes in facts or circumstances indicate that the carrying amount of the assets may not be recoverable. There were no intangible asset impairments identified or recorded for the years ended December 31, 2024, 2023, and 2022.

Long-Lived Assets

Long-lived assets to be held for use are reviewed for events or changes in facts and circumstances, both internally and externally, which may indicate that an impairment of long-lived assets held for use is present. The Company measures any impairment using observable market values or discounted future cash flows from the related long-lived assets. The cash flow estimates and discount rates incorporate management's best estimates, using appropriate and customary assumptions and projections at the date of evaluation. Management periodically evaluates whether the carrying value of long-lived assets, including intangible assets, property and equipment, capitalized software development, deferred commissions, and other assets will be recoverable. There were no significant long-lived asset impairments recorded for the years ended December 31, 2024, 2023, and 2022.

Non-Marketable Equity Investments

Non-marketable equity investments in limited liability companies with specific ownership accounts for each investor not resulting in a controlling financial interest are accounted for using the equity method of accounting. Non-marketable equity investments of preferred stock in corporations that do not result in a controlling financial interest are accounted for using the measurement alternative for equity investments that do not have readily determinable fair values. Accounting Standards Update ("ASU") 2016-01, *Financial Instruments – Overall (Subtopic 825-10)* requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The fair value of non-marketable equity investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. The proportionate share of income or loss from equity method investments and any changes in fair value of investments accounted for using the measurement alternative are recorded under the caption other (expense) income, net in the accompanying Consolidated Statements of Income.

The aggregate carrying amount of non-marketable equity investments accounted for using the measurement alternative for equity investments that do not have readily determinable fair values was \$1.5 million for both the years ended December 31, 2024 and 2023, which the Company evaluates for impairment at each reporting period, and are classified in other assets on the Consolidated Balance Sheets. There have been no adjustments recorded due to changes in the fair value of the non-marketable equity investments the Company held as of December 31, 2024 and 2023. The fair value of non-marketable equity investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Financial Instruments

The Company has various financial instruments, including cash, cash equivalents, accounts receivable, accounts receivable-unbilled, accounts payable, and accrued liabilities. The carrying amounts of these financial instruments approximate fair value because of the short-term maturity or short-term nature of such instruments. The Company also has marketable securities, which are recorded at fair value based on quoted market prices or alternative pricing sources (see Note 4 – Marketable Securities) and non-marketable equity investments, which are recorded under the equity method or under the measurement alternative (see Note 1 - Non-Marketable Equity Investments).

Advertising

The Company expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2024, 2023, and 2022 was \$1.9 million, \$1.5 million, and \$1.9 million, respectively, and is included under the caption sales and marketing expense in the accompanying Consolidated Statements of Income.

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 reverse. Management evaluates all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback or carryforward period available under the tax law. There are four possible sources of taxable income that may be available under the tax law to realize a tax benefit for deductible temporary differences and carryforwards: 1) future reversals of existing taxable temporary differences, 2) future taxable income exclusive of reversing temporary differences and carryforwards, 3) taxable income in prior carryback year(s) if carryback is permitted under the tax law, and 4) tax-planning strategies that would, if necessary, be implemented to realize deductible temporary differences or carryforwards prior to their expiration. Management reviews the realizability of its deferred tax assets each reporting period to identify whether any significant changes in circumstances or assumptions have occurred that could materially affect the realizability of deferred tax assets. The Company accounts for income tax uncertainties using a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured in order to determine the tax benefit to be recognized in the financial statements. The Company recognizes interest accrued and penalties related to uncertain tax positions in the caption income tax provision in the accompanying Consolidated Statements of Income.

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 for the period by the weighted average number of 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 restricted share units subject to vesting. The dilutive effect of common equivalent shares is included in diluted earnings per share by application of the treasury stock method. Common equivalent shares that have an anti-dilutive effect on diluted net income per share are excluded from the calculation of diluted weighted average shares outstanding.

Concentrations of Credit Risk and Significant Customers

The Company's credit risks relate primarily to cash, cash equivalents, marketable securities, accounts receivable, and accounts receivable - unbilled. The Company places its temporary excess cash in high quality, short-term money market instruments. At times, such investments may be in excess of the FDIC insurance limits. Marketable securities consist primarily of U.S. treasuries.

The Company sells its products and services to various companies in the healthcare industry that are primarily located in the United States. Customer credit worthiness evaluations are performed on an as-needed basis, and the Company generally requires no collateral from customers. An allowance for credit losses is maintained for potentially uncollectible accounts receivable. The Company did not have any single customer representing over 10% of net revenues or accounts receivable during or as of the years ended December 31, 2024, 2023, and 2022, respectively.

Stock-Based Compensation

As of December 31, 2024, the Company maintained two stock-based compensation plans under which awards are outstanding, as described in Note 10. The Company accounts for stock-based compensation using the fair-value based method for costs related to share-based payments, including stock options and restricted share units. The Company uses the Black Scholes option pricing model for calculating the fair value of option awards issued under its stock-based compensation plans. The Company measures compensation cost of restricted share units based on the closing fair value of the Company's stock on the date of grant. Stock-based compensation cost is measured at the grant date, based on the fair value of the award that is ultimately expected to vest, and is recognized as an expense over the requisite service period. The Company, at times, has granted performance restricted stock unit awards to executive officers and other members of senior management, which include a performance condition. Stock-based compensation expense related to awards with a performance condition are measured based on the grant date closing stock price, and the expense related to these awards is recognized based on the requisite service period elapsed, as well as the probability of achievement of the performance condition as of the end of our reporting period. The Company recognizes tax benefits or deficiencies from stock-based compensation if an excess tax benefit or deficiency is realized. Excess tax benefits and deficiencies are reflected in the Consolidated Statements of Income as a component of the provision for income taxes when realized.

Leases

The Company has three non-cancelable agreements to lease office space. For leases with a lease term greater than 12 months, the Company recognizes a right-of-use ("ROU") asset and a lease liability on the balance sheet at the lease commencement date. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the future lease payments over the expected lease term. The Company does not have any lease contracts that contain: (1) an option to extend that the Company is reasonably certain to exercise, (2) an option to terminate that the Company is reasonably certain not to exercise, or (3) an option to extend (or not to terminate) in which exercise of the option is controlled by the lessor. Additionally, the Company does not have any leases with residual value guarantees or material restrictive covenants. Most of the Company's lease agreements contain provisions for escalating rent payments over the terms of the leases, which escalations are either fixed within the contract or are variable based on the consumer price index. The Company's leases do not contain readily determinable implicit discount rates, and as such the Company must use its incremental borrowing rate to discount the future lease payments based on information available at lease commencement. The incremental borrowing rate was estimated by determining the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Foreign Currency

The functional currency for the Company's subsidiaries is determined based on the primary economic environment in which the subsidiary operates. The Company translates the assets and liabilities of its non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenues and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized as cumulative translation adjustments included in accumulated other comprehensive income in the Consolidated Balance Sheets. Gains and losses resulting from foreign currency transactions that are denominated in currencies other than the Company's functional currency are included within other (expense) income, net on the Consolidated Statements of Income.

Prior Period Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued 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 CODM 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. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this standard effective January 1, 2024 using a retrospective method. For further information, refer to the Business Segments section of this Note 1 - Summary of Significant Accounting Policies.

In December 2023, the 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. The ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of adopting the standard; however, it is not expected to have a material impact on the Company's financial statements.

In November 2024, the FASB issued ASU 2024-04, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses*, which requires disclosure of disaggregated information about specific categories underlying certain income statement expense line items in the footnotes to the financial statements for both annual and interim periods. This ASU is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard.

2. SHAREHOLDERS' EQUITY

Common Stock

The Company is authorized to issue up to 75 million shares of common stock. The number of common shares issued and outstanding as of December 31, 2024 and 2023 was 30.4 million and 30.3 million, respectively.

Preferred Stock

The Company is authorized to issue up to 10 million shares of preferred stock in one or more series, having the relative voting powers, designations, preferences, rights and qualifications, limitations or restrictions, and other terms as the Board of Directors may fix in providing for the issuance of such series, without any vote or action of the shareholders. As of December 31, 2024 and 2023, there were no shares of preferred stock issued or outstanding.

Dividends on Common Stock

On February 20, 2023, the Company's Board of Directors ("Board") approved a quarterly cash dividend policy, marking the first dividend policy adopted by the Company ("Dividend Policy"). During the years ended December 31, 2024 and 2023, the Board declared quarterly dividends under the Dividend Policy totaling \$0.112 and \$0.100 per share for the year, respectively, for a cash outlay of \$3.4 million and \$3.1 million, respectively.

Additionally, on February 24, 2025, the Board approved the Company's first quarter 2025 cash dividend of \$0.031 per share, payable on March 21, 2025 to holders of record on March 10, 2025.

Share Repurchase Plan

On November 30, 2021, the Company's Board of Directors authorized a share repurchase program to repurchase up to \$20.0 million of the Company's outstanding shares of common stock. This share repurchase program concluded on March 8, 2022, when the maximum dollar amount authorized under the program was expended. Under this program, the Company repurchased a total of 853,023 shares through open market purchases at an aggregate value of \$20.0 million, reflecting an average price per share of \$23.45 (excluding the cost of broker commissions). During the year ended December 31, 2022, the Company repurchased 649,739 shares pursuant to this share repurchase program at an aggregate fair value of \$14.9 million, based on an average price per share of \$22.92 (excluding the cost of broker commissions).

On March 14, 2022, the Company's Board of Directors approved an expansion of the Company's share repurchase program by authorizing the repurchase of up to an additional \$10.0 million of the Company's outstanding shares of common stock. The share repurchase expired on March 13, 2023. During the year ended December 31, 2022, the Company repurchased 402,050 shares at an aggregate fair value of \$8.1 million, reflecting an average price per share of \$20.19 (excluding the cost of broker commissions). No repurchases occurred under this share repurchase program during the year ended December 31, 2023.

On September 13, 2023, the Company announced that the Board authorized a share repurchase program to repurchase up to \$10.0 million of the Company's outstanding shares of common stock. The share repurchase program expired according to its term on March 31, 2024. During the year ended December 31, 2023, the Company repurchased 404,188 shares at an aggregate fair value of \$8.9 million, reflecting an average price per share of \$22.07 (excluding the cost of broker commissions). No repurchases occurred during 2024. Repurchased shares of common stock in all years presented herein have been retired.

3. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three years ended December 31, 2024 (in thousands, except per share amounts):

	Year Ended December 31,		
	2024	2023	2022
Numerator:			
Net income	\$ 20,007	\$ 15,213	\$ 12,091
Denominator:			
Weighted-average shares outstanding	30,386	30,571	30,648
Effect of dilutive shares	158	102	69
Weighted-average diluted shares	30,544	30,673	30,717
Net income per share:			
Basic	\$ 0.66	\$ 0.50	\$ 0.39
Diluted	\$ 0.66	\$ 0.50	\$ 0.39

Potentially dilutive shares representing 169,000, 252,000, and 183,000 shares of common stock for the years ended December 31, 2024, 2023, and 2022, respectively, were excluded from the calculation of diluted earnings per share because their effect would have been anti-dilutive.

4. MARKETABLE SECURITIES

At December 31, 2024 and 2023, the fair value of marketable securities, which were all classified as available for sale, included the following (in thousands):

	December 31, 2024			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
U.S. treasury debt securities	\$ 37,726	\$ 24	\$ (2)	\$ 37,748
Total	\$ 37,726	\$ 24	\$ (2)	\$ 37,748
	December 31, 2023			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
U.S. treasury debt securities	\$ 30,791	\$ 10	\$ (1)	\$ 30,800
Total	\$ 30,791	\$ 10	\$ (1)	\$ 30,800

The carrying amounts of the marketable securities reported in the Consolidated Balance Sheets approximate fair value based on quoted market prices or alternative pricing sources and models utilizing market observable inputs. As of December 31, 2024 and 2023, the Company did not recognize any allowance for credit impairments on its available for sale debt securities. All investments in marketable securities are classified as current assets on the Consolidated Balance Sheets because the underlying securities mature within one year from the balance sheet date.

5. REVENUE RECOGNITION

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.

The following table represents revenues disaggregated by revenue source for the three years ended December 31, 2024, 2023, and 2022 (in thousands). Sales taxes are excluded from revenues.

	Year Ended December 31,		
	2024	2023	2022
Subscription services	\$ 280,316	\$ 267,935	\$ 253,960
Professional services	11,330	11,128	12,866
Total revenues, net	<u>\$ 291,646</u>	<u>\$ 279,063</u>	<u>\$ 266,826</u>

During the years ended December 31, 2024, 2023, and 2022, the Company recognized revenues of \$84.3 million, \$79.6 million, and \$71.4 million, respectively, from amounts included in deferred revenue at the beginning of the respective period. As of December 31, 2024, \$621 million of revenue is expected to be recognized from remaining performance obligations under contracts with customers. The Company expects to recognize revenue on approximately 40% of these remaining performance obligations over the next 12 months, with the remaining amounts recognized thereafter.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	December 31,	
	2024	2023
Equipment	\$ 11,024	\$ 12,541
Leasehold improvements	14,424	14,937
Furniture and fixtures	4,786	5,030
Gross property and equipment	30,234	32,508
Accumulated depreciation and amortization	(19,493)	(19,503)
Property and equipment, net	<u>\$ 10,741</u>	<u>\$ 13,005</u>

Depreciation of property and equipment totaled \$3.8 million, \$4.2 million, and \$4.5 million for the years ended December 31, 2024, 2023, and 2022, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024
Balance at January 1, 2024	\$ 191,379
Acquisition of TCPS	690
Acquisition of The Clinical Hub	194
Effect of exchange rate changes	(1,043)
Balance at December 31, 2024	<u>\$ 191,220</u>
	2023
Balance at January 1, 2023	\$ 192,398
Post-closing adjustment for eeds	(1,305)
Effect of exchange rate changes	286
Balance at December 31, 2023	<u>\$ 191,379</u>

Intangible assets other than goodwill that are considered to have finite useful lives include customer-related intangibles consisting of customer relationships, which are amortized over their estimated useful lives ranging from eight to eighteen years, and other intangible assets consisting of developed technology, non-competition agreements, and trade names, which are amortized over their estimated useful lives ranging from one to ten years. Amortization of intangible assets was \$13.4 million, \$14.9 million, and \$14.5 million for the years ended December 31, 2024, 2023, and 2022, respectively.

Identifiable intangible assets are comprised of the following (in thousands):

	As of December 31, 2024			As of December 31, 2023		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Customer related	\$ 106,001	\$ (58,536)	\$ 47,465	\$ 111,837	\$ (57,095)	\$ 54,742
Other	27,865	(19,782)	8,083	29,892	(16,603)	13,289
Total	<u>\$ 133,866</u>	<u>\$ (78,318)</u>	<u>\$ 55,548</u>	<u>\$ 141,729</u>	<u>\$ (73,698)</u>	<u>\$ 68,031</u>

The expected future annual amortization expense for the years ending December 31, is as follows (in thousands):

2025	\$ 12,757
2026	9,528
2027	8,745
2028	5,547
2029	3,935
Thereafter	15,036
Total	<u>\$ 55,548</u>

8. BUSINESS COMBINATIONS

During the year ended December 31, 2024, the Company completed business combinations of Total Clinical Placement System (d/b/a TCPS) ("TCPS") and The Clinical Hub, Inc. (d/b/a The Clinical Hub) ("The Clinical Hub") for total purchase consideration of \$1.3 million in cash paid at closing, with up to an additional \$0.6 million in cash payable by the Company based on agreed upon metrics of the acquirees during certain periods following closing. Both TCPS and The Clinical Hub are clinical rotation management companies offering a process that streamlines the managing and placement of students into clinical rotations that include scheduling, onboarding, tracking, and ensuring proper compliance and credentials are in place for students, schools, and healthcare organizations, further enlarging the Company's footprint among nursing and allied healthcare students as they prepare for careers in healthcare. The acquisitions are not considered material to the Company's financial statements, either individually or in the aggregate. The Company accounted for the acquisitions as business combinations and, as of December 31, 2024, has preliminarily allocated the purchase consideration for each based on management's estimates of fair value.

On December 31, 2022, the Company acquired substantially all of the assets of Electronic Education Documentation System, LLC (d/b/a eeds) ("eeds"), an Asheville, North Carolina-based healthcare technology company offering a SaaS-based CME/CE management application for healthcare organizations, for approximately \$6.6 million in cash. The purchase price was included in accrued liabilities in the Company's Consolidated Balance Sheet as of December 31, 2022 and was paid in January 2023. Of the purchase price paid at closing, \$0.6 million is being held in escrow for a period of time following the closing to serve as a source of recovery for certain potential indemnification claims by the Company. Acquisition-related transaction costs were \$0.1 million. The acquisition is not considered material to the Company's financial statements. The Company accounted for the acquisition as a business combination and has allocated the purchase consideration based on management's estimates of fair value. Net assets acquired were \$6.6 million. Based on the fair value of assets acquired and liabilities assumed, including intangible assets of \$4.7 million, goodwill of \$2.3 million was established. The results of operations for eeds are included in the Company's Consolidated Financial Statements from the date of acquisition.

On May 18, 2022, the Company acquired the remaining ownership interest (representing approximately 82% of the outstanding equity interests) of CloudCME, LLC ("CloudCME"), a Nashville-based healthcare technology company offering a SaaS-based application for managing all aspects of continuing education ("CME/CE") within a healthcare organization, for approximately \$4.0 million in cash and \$4.1 million in shares of HealthStream's common stock issued through a private placement at closing. The Company previously held a minority interest in CloudCME of approximately 18%. Acquisition-related transaction costs were \$0.1 million. The acquisition is not considered material to the Company's financial statements. The Company accounted for the acquisition as a business combination and has allocated the purchase consideration based on management's estimates of fair value. Net assets acquired were \$9.6 million. Based on the fair value of assets acquired and liabilities assumed, including intangible assets of \$3.8 million, goodwill of \$6.8 million was established. The results of operations for CloudCME are included in the Company's Consolidated Financial Statements from the date of acquisition.

9. INCOME TAXES

Components of income before income taxes are as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	\$ 25,201	\$ 18,472	\$ 15,777
Foreign	(398)	39	(192)
Income before income tax provision	<u>\$ 24,803</u>	<u>\$ 18,511</u>	<u>\$ 15,585</u>

The provision for income taxes is comprised of the following (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Current federal	\$ 4,712	\$ 4,066	\$ 1,972
Current state	1,184	942	923
Current foreign	14	15	(110)
Deferred federal	(827)	(1,493)	495
Deferred state	(223)	(214)	239
Deferred foreign	(64)	(18)	(25)
Provision for income taxes	<u>\$ 4,796</u>	<u>\$ 3,298</u>	<u>\$ 3,494</u>

A reconciliation of income taxes at the statutory federal income tax rate to the provision for income taxes included in the accompanying Consolidated Statements of Income is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Federal tax provision at the statutory rate	\$ 5,187	\$ 3,887	\$ 3,274
State income tax provision, net of federal benefit	710	528	975
Tax credits	(1,284)	(1,197)	(1,227)
Change in valuation allowance	52	3	51
Adjustments for prior year taxes	(36)	(19)	(261)
Changes in uncertain tax positions	160	167	767
Other	7	(71)	(85)
Provision for income taxes	<u>\$ 4,796</u>	<u>\$ 3,298</u>	<u>\$ 3,494</u>

Management periodically assesses the realizability of its deferred tax assets, and to the extent that a recovery is not likely, a valuation allowance is established to reduce the deferred tax asset to the amount estimated to be recoverable. At December 31, 2024, the Company has a valuation allowance of \$1.9 million recorded against deferred tax assets for state net operating losses and certain foreign deferred tax assets.

As of December 31, 2024, the Company had federal, state, and foreign net operating loss carryforwards of \$1.2 million, \$7.2 million, and \$7.8 million, respectively. Certain losses have an indefinite carryforward period, while other loss carryforwards will expire in years 2030 through 2044. A portion of the net operating loss carryforwards are subject to annual limitations under Internal Revenue Code Section 382. The annual limitations could result in the expiration of net operating loss and tax credit carryforwards before they are fully utilized. The Company is subject to income taxation at the federal, foreign, and various state levels. The Company is no longer subject to U.S. federal tax examinations for tax years before 2021, and with few exceptions, the Company is not subject to examination by foreign or state tax authorities for tax years which ended before 2021. Loss carryforwards and credit carryforwards generated or utilized in years earlier than 2021 are also subject to examination and adjustment.

A reconciliation of the beginning and ending liability for gross unrecognized tax benefits are as follows (in thousands):

	December 31,	
	2024	2023
Balance at beginning of year	\$ 1,160	\$ 1,036
Additions for tax positions in current year	319	298
Reductions for tax positions of prior years	(173)	(174)
Reductions for payments for tax positions of prior years	(166)	—
Balance at end of year	<u>\$ 1,140</u>	<u>\$ 1,160</u>

Unrecognized tax benefits included tax positions of \$1.1 million and \$1.1 million for the years ended December 31, 2024 and 2023, respectively, that if recognized would impact the Company's effective tax rate.

Significant components of deferred tax assets and deferred tax liabilities are as follows (in thousands):

	December 31,	
	2024	2023
Deferred tax assets:		
Allowance for credit losses	\$ 316	\$ 202
Accrued liabilities	681	1,013
Capitalized software development	2,916	—
Lease liability	5,097	5,931
Tax credits	557	467
Stock-based compensation	1,267	1,161
Deferred revenue	451	628
Net operating loss carryforwards	2,595	3,282
Total deferred tax assets	<u>13,880</u>	<u>12,684</u>
Less: Valuation allowance	(1,900)	(1,992)
Deferred tax assets, net of valuation allowance	11,980	10,692
Deferred tax liabilities:		
Deductible goodwill	7,796	6,829
Nondeductible intangible assets	1,741	2,087
Right of use assets	4,410	5,130
Prepaid assets	11,156	10,285
Capitalized software development	—	181
Property and equipment	1,425	1,914
Basis difference on investments	48	151
Total deferred tax liabilities	<u>26,576</u>	<u>26,577</u>
Net deferred tax liabilities	<u>\$ 14,596</u>	<u>\$ 15,885</u>

10. STOCK-BASED COMPENSATION

Stock Incentive Plan

The Company has outstanding stock-based awards under its 2016 Omnibus Incentive Plan ("2016 Plan") and 2022 Omnibus Incentive Plan ("2022 Plan") (collectively, the "2016 Plan" and "2022 Plan", referred to as the "Plans"). The 2022 Plan authorizes the grant of options, restricted share units ("RSUs"), or other forms of stock-based compensation to employees, officers, directors, and others, and such grants must be approved by the Compensation Committee of the Board of Directors. The 2022 Plan allows the Compensation Committee of the Board of Directors to determine the vesting period and parameters of each grant. The vesting period of the options and RSUs granted has historically included annual vesting over a period of up to five years, generally beginning one year after the grant date. As of December 31, 2024, 986,412 shares of common stock were available to be granted under the 2022 Plan.

Stock Option Activity

A summary of activity relative to stock options for the year ended December 31, 2024 is as follows (in thousands, except weighted-average exercise price).

	Common Shares	Weighted- Average Exercise Price	Aggregate Intrinsic Value
Outstanding at beginning of period	90	\$ 20.34	
Granted	—	—	
Exercised	—	—	
Expired	—	—	
Forfeited	—	—	
Outstanding at end of period	90	\$ 20.34	\$ 1,031
Exercisable at end of period	90	\$ 20.34	\$ 1,031

The weighted average remaining contractual term of options outstanding at December 31, 2024 was 6 years.

Restricted Share Unit Activity

A summary of activity relative to RSUs for the year ended December 31, 2024 is as follows (in thousands, except weighted-average grant date fair value):

	Number of RSU's	Weighted- Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at beginning of period	619	\$ 23.12	
Granted	148	28.54	
Vested	(175)	22.95	
Forfeited	(21)	23.83	
Outstanding at end of period	571	\$ 24.54	\$ 15,424

The aggregate fair value of RSUs that vested during the year ended December 31, 2024 and 2023, as of the respective vesting dates, was \$4.0 million and \$3.8 million, respectively.

Stock-Based Compensation

Total stock-based compensation expense recorded in the Consolidated Statements of Income for the years ended December 31, is as follows (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Cost of revenues (excluding depreciation and amortization)	\$ 94	\$ 183	\$ 155
Product development	745	692	608
Sales and marketing	529	485	239
General and administrative	3,102	2,793	2,552
Total stock-based compensation expense	<u>\$ 4,470</u>	<u>\$ 4,153</u>	<u>\$ 3,554</u>

The Company amortizes the fair value of all stock-based awards, net of estimated forfeitures, on a straight-line basis over the requisite service period, which generally is the vesting period. As of December 31, 2024, total unrecognized compensation expense related to non-vested stock options and RSUs was \$6.7 million, net of estimated forfeitures, with a weighted average expense recognition period remaining of 2.5 years.

11. EMPLOYEE BENEFIT PLAN**401(k) Plan**

The Company has a defined-contribution employee benefit plan (401(k) Plan) incorporating provisions of Section 401(k) of the Internal Revenue Code. Employees must have attained the age of 21 and have completed thirty days of service to be eligible to participate in the 401(k) Plan. Under the provisions of the 401(k) Plan, a plan member may make contributions, on a tax-deferred basis, subject to IRS limitations. The Company elected to provide eligible employees with matching contributions totaling \$1.7 million, \$1.6 million, and \$1.5 million for the years ended December 31, 2024, 2023, and 2022, respectively.

12. DEBT

At December 31, 2024 and 2023, the Company had no debt outstanding.

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 requires 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 December 31, 2024, the Company was in compliance with all covenants. There were no balances outstanding on the Revolving Credit Facility as of December 31, 2024 and there were no borrowings under the Revolving Credit Facility during the year ended December 31, 2024.

13. LEASES

The Company's operating lease expense as presented in general and administrative expense in the Consolidated Statements of Income was \$4.3 million, \$4.6 million, and \$4.3 million for the twelve months ended December 31, 2024, 2023, and 2022, respectively. Cash paid for amounts included in the measurement of operating lease liabilities was \$4.3 million and \$4.4 million for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, the weighted-average remaining lease term was 6.6 years and 7.3 years, respectively, and the weighted-average incremental borrowing rate was 6%. As of December 31, 2024, the Company did not have any leases that had not yet commenced.

The table below presents the lease-related assets and liabilities recorded on the Consolidated Balance Sheets as of December 31, 2024 and 2023 (in thousands).

	Classification	Year Ended December 31,	
		2024	2023
Assets			
Operating lease right-of-use assets	Operating lease right of use assets, net	\$ 17,453	\$ 20,114
Total leased assets		\$ 17,453	\$ 20,114
Liabilities			
Operating lease liabilities, current	Accounts payable and accrued expenses	\$ 2,802	\$ 2,974
Operating lease liabilities, noncurrent	Operating lease liability, noncurrent	17,366	20,247
Total operating lease liabilities		\$ 20,168	\$ 23,221

The table below presents the maturities of lease liabilities under non-cancellable leases as of December 31, 2024 (in thousands).

2025	\$ 3,943
2026	3,650
2027	3,385
2028	3,453
2029	3,522
Thereafter	6,640
Total undiscounted lease payments	\$ 24,593
Less imputed interest	4,425
Total lease liabilities	\$ 20,168

14. LITIGATION

In connection with its business, the Company is from time to time involved in various legal actions. The litigation process is inherently uncertain, and it is possible that the resolution of such matters might have a material adverse effect upon the financial condition and/or results of operations of the Company. However, in the opinion of the Company's management, matters currently pending or threatened against the Company are not expected to have a material adverse effect on the financial position or results of operations of the Company. The Company accrues for loss contingencies when it is both probable that the Company will incur the loss and when the amount of the loss can be reasonably estimated.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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 December 31, 2024. 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 Securities and Exchange Commission'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 principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, and for assessing the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Management believes that, as of December 31, 2024, the Company's internal control over financial reporting was effective based on those criteria. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the Company's internal control over financial reporting, which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in HealthStream's internal control over financial reporting that occurred during the fourth quarter of 2024 that have materially affected, or that are reasonably likely to materially affect, HealthStream's internal control over financial reporting.

Item 9B. Other Information

None. Without limiting the generality of the foregoing, during the three months ended December 31, 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(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information required by Item 10 of Part III is incorporated by reference from the applicable information to be contained in our proxy statement for the 2025 Annual Meeting of Shareholders (2025 Proxy Statement) that the Company will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates. Pursuant to General Instruction G(3), certain information concerning executive officers of the Company is included in Part I of this Form 10-K, under the caption Information about our Executive Officers.

Insider Trading Arrangements and Policies

We have adopted an Insider Trading Policy governing transactions in our securities by our directors, officers, and employees, as well as by the Company itself, that we believe is reasonably designed to promote compliance with insider trading laws, rules, and regulations and Nasdaq listing standards. The foregoing summary of the Insider Trading Policy does not purport to be complete and is qualified in its entirety by reference to the full text of the Insider Trading Policy attached hereto as Exhibit 19.1.

Item 11. *Executive Compensation*

Information required by Item 11 of Part III is incorporated by reference from the applicable information to be contained in the Company's 2025 Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information required by Item 12 of Part III is incorporated by reference from the applicable information to be contained in the Company's 2025 Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information required by Item 13 of Part III is incorporated by reference from the applicable information to be contained in the Company's 2025 Proxy Statement.

Item 14. *Principal Accounting Fees and Services*

Information required by Item 14 of Part III is incorporated by reference from the applicable information to be contained in the Company's 2025 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

Reference is made to the financial statements included in Item 8 to this Report on Form 10-K.

(a)(2) Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or the notes thereto.

(a)(3) Exhibits

Number	Description
2.2 (1)	Equity Purchase Agreement, dated November 25, 2020, by and among HSTM Max Holdings, Inc., Change Healthcare Holdings, LLC, Change Healthcare Technologies, LLC and Change Healthcare Ireland Limited.
3.1*	Fourth Amended and Restated Charter of HealthStream, Inc.
3.2 (2)	Third Amended and Restated Bylaws of HealthStream, Inc.
4.1*	Form of certificate representing the common stock, no par value per share, of HealthStream, Inc.
4.2*	Reference is made to Exhibits 3.1 and 3.2 .
4.3 (3)	Description of Capital Stock of HealthStream, Inc.
10.1 ^	Form of Indemnification Agreement
10.2 ^	Contribution Agreement dated as of December 29, 2021 between HealthStream, Inc. and Robert A. Frist, Jr.
10.3 ^	Executive Employment Agreement, dated July 21, 2005, between HealthStream, Inc. and Robert A. Frist, Jr.
10.4 (6)	Revolving Credit Agreement, dated November 24, 2014, by and among HealthStream, Inc., the several banks and other financial institutions and lenders from time to time party thereto and SunTrust Bank, as administrative agent, issuing bank, and swingline lender
10.5 ^	Summary of Director and Executive Officer Compensation
10.6 ^	Letter Agreement, dated as of February 20, 2023, between HealthStream, Inc. and Michael Sousa.
10.7 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Time Based) under 2022 Omnibus Incentive Plan
10.8 ^	HealthStream, Inc. 2024 Cash Incentive Bonus Plan
10.9 ^	2016 Omnibus Incentive Plan
10.10 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Officers) under 2016 Omnibus Incentive Plan.
10.11 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Non-Employee Director) under 2016 Omnibus Incentive Plan.
10.12 (11)	Lease Agreement, dated April 3, 2017, by and between HealthStream, Inc. and Capitol View Joint Venture.
10.13 (12)	First Amendment to Revolving Credit Agreement, dated November 13, 2017, by and between HealthStream, Inc. and SunTrust Bank.
10.14 (13)	Second Amendment to Revolving Credit Agreement, dated as of December 31, 2018, by and between HealthStream, Inc. and SunTrust Bank.
10.15 (14)	Third Amendment to Revolving Credit Agreement, dated as of October 28, 2020, by and between HealthStream, Inc. and SunTrust Bank.
10.16 ^	Letter Agreement, dated as of January 30, 2025, between HealthStream, Inc. and Michael Collier.
10.17 ^	Letter Agreement, dated as of January 28, 2025, between HealthStream, Inc. and Trisha Coady.
10.18 ^	Letter Agreement, dated as of January 28, 2025, between HealthStream, Inc. and Kevin O'Hara.
10.19 ^	Form of HealthStream, Inc. Non-Qualified Stock Option Agreement under 2016 Omnibus Incentive Plan.
10.20 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Performance) under 2016 Omnibus Incentive Plan
10.21 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Performance) which were contingent upon approval of 2022 Omnibus Incentive Plan
10.22 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Time Based) which were contingent upon approval of 2022 Omnibus Incentive Plan
10.23 ^	HealthStream, Inc. 2022 Omnibus Incentive Plan
10.24 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Non-Employee Director) under 2022 Omnibus Incentive Plan.
10.25 ^	Form of HealthStream, Inc. Restricted Share Unit Agreement (Performance) under 2022 Omnibus Incentive Plan
10.26 (20)	Amended and Restated Credit Agreement, dated October 6, 2023, by and among the several banks and other financial institutions and lenders from time to time party thereto and Truist Bank, as administrative agent
19.1	HealthStream, Inc. Insider Trading Policy
21.1	Subsidiaries of HealthStream, Inc.
23.1	Consent of Independent Registered Public Accounting Firm

31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief 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
99	HealthStream, Inc. Amended and Restated Compensation Recoupment Policy
101.1 INS	XBRL Instance Document - the instance 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	Cover Page Interactive Data File (formatted in Inline XBRL and included in Exhibit 101.1)
*	Incorporated by reference to Registrant's Registration Statement on Form S-1, as amended (Reg. No. 333-88939).
^	Management contract or compensatory plan or arrangement
(1)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated November 30, 2020.
(2)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated October 23, 2023.
(3)	Incorporated by reference from exhibit filed on our Annual Report on Form 10-K, for the year ended December 31, 2019, filed with the SEC on February 26, 2020.
(4)	Incorporated by reference from exhibit filed on our Annual Report on Form 10-K, for the year ended December 31, 2021, filed with the SEC on February 28, 2022.
(5)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated July 25, 2005.
(6)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated November 25, 2014.
(7)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 2023, filed with the SEC on April 27, 2023.
(8)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2024, filed with the SEC on July 25, 2024.
(9)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated May 31, 2016.
(10)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 2017, filed with the SEC on May 1, 2017.
(11)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2017, filed with the SEC on July 31, 2017.
(12)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated November 14, 2017.
(13)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated January 2, 2019.
(14)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated October 28, 2020.
(15)	Incorporated by reference from exhibit filed on our Annual Report on Form 10-K, for the year ended December 31, 2020, filed with the SEC on February 26, 2021.
(16)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 2022, filed with the SEC on April 28, 2022.
(17)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated May 31, 2022.
(18)	Incorporated by reference from exhibit filed on our Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2023, filed with the SEC on July 27, 2023.
(19)	Incorporated by reference from exhibit filed on our Annual Report on Form 10-K, for the year ended December 31, 2022, filed with the SEC on February 28, 2023.
(20)	Incorporated by reference from exhibit filed on our Current Report on Form 8-K, dated October 6, 2023.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on this 28th day of February 2025.

HEALTHSTREAM, INC.

By: /s/ ROBERT A. FRIST, JR.

Robert A. Frist, Jr.

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ ROBERT A. FRIST, JR.</u> Robert A. Frist, Jr.	Chief Executive Officer and Chairman (Principal Executive Officer)	February 28, 2025
<u>/s/ SCOTT A. ROBERTS</u> Scott A. Roberts	Chief Financial Officer and Senior Vice President (Principal Financial and Accounting Officer)	February 28, 2025
<u>/s/ THOMPSON DENT</u> Thompson Dent	Director	February 28, 2025
<u>/s/ FRANK GORDON</u> Frank Gordon	Director	February 28, 2025
<u>/s/ TERRY ALLISON RAPPUHN</u> Terry Allison Rappuhn	Director	February 28, 2025
<u>/s/ JEFFREY L. MCLAREN</u> Jeffrey L. McLaren	Director	February 28, 2025
<u>/s/ LINDA REBROVICK</u> Linda Rebrovick	Director	February 28, 2025
<u>/s/ ALEX JAHANGIR</u> Alex Jahangir	Director	February 28, 2025
<u>/s/ WILLIAM STEAD</u> William Stead	Director	February 28, 2025
<u>/s/ DEBORAH TAYLOR TATE</u> Deborah Taylor Tate	Director	February 28, 2025

HealthStream, Inc. (the Company)**Summary of Director and Executive Officer Compensation**

I. Director Compensation. Directors who are employees of the Company do not receive additional compensation for serving as directors of the Company. For fiscal year 2024, each director received an annual retainer of \$30,000, except for the Audit Committee Chair and Nominating and Corporate Governance Chair, who each received an additional annual retainer of \$10,000, the Compensation Committee Chair, who received an additional annual retainer of \$2,750, and members of the Audit Committee, who received an additional retainer of \$2,500.

In addition to the cash compensation set forth above, each non-employee director is eligible to receive a nondiscretionary annual grant of restricted share units. The restricted share units are granted annually and vest ratably over a three-year period.

II. Executive Officer Compensation. The following table sets forth the current base salaries and fiscal 2024 performance bonuses to be provided to our executive officers upon review and approval by the Compensation Committee, including the individuals who the Company expects to be its Named Executive Officers for 2025.

Executive Officer	Current Base Salary	Fiscal 2024 Bonus Amount
Robert A. Frist, Jr.	\$ 391,500	\$ 156,600
Michael Sousa	\$ 388,000	\$ 155,200
Scott A. Roberts	\$ 335,000	\$ 117,250
Jeffrey D. Cunningham	\$ 335,000	\$ 117,250
Michael M. Collier	\$ 364,000	\$ 145,600
Trisha L. Coady	\$ 348,500	\$ 121,975
M. Scott McQuigg	\$ 335,000	\$ 117,250
Kevin O'Hara	\$ 348,500	\$ 121,975
Scott Fenstermacher	\$ 232,000	\$ -0-

III. Additional Information. The foregoing information is summary in nature. Additional information regarding Director and Named Executive Officer compensation will be contained in the Company's 2025 Proxy Statement.

January 30, 2025

Re: Offer Letter

Dear Michael:

This offer letter will confirm the terms of your offer of ongoing employment with HealthStream, Inc. (the “Company”) as its Executive Vice President, Corporate Strategy, Development, and Operations and the terms associated with the Company’s consideration to promote you to Chief Operating Officer in the next 12-months. The following describes the general terms of your employment:

1. Position and Responsibilities.

You will continue to serve in the position of Executive Vice President, Corporate Strategy, Development, and Operations. You will also continue to serve as a member of the Company’s Executive Team. In this role, you are responsible for enterprise-level oversight and leadership of the Company’s: mergers and acquisition program; partnership program; minority investment program; human resources department; legal & compliance department; and business enablement department. You will also continue to provide leadership in terms of: inorganic and organic growth strategy; strategic planning and execution; acting as liaison to the Company’s board of directors; serving as a primary arbiter of budget and resource allocations among the Company’s departments; co-authoring the Company’s quarterly investor scripts; reviewing the Company’s SEC disclosures and filings; scheduling and maintaining the agenda for executive team meetings; real estate-related matters; serving on the board of certain minority investment companies; serving on the Company’s enterprise risk committee; assisting with the review and negotiation of the Company’s insurance and employee benefit policies; and assisting as requested by the CEO with investor relations and investment banking matters. You will also take on the additional responsibilities of leading enterprise-wide onboarding, implementations, and success management for all of the Company’s products and services.

Within 12-months of the date of this Offer Letter, (i) you and the CEO will evaluate your passion and excitement for continuing to lead, for multiple years, the areas of additional responsibilities described in the preceding sentence and (ii) the CEO will evaluate your ability to create symmetrical and efficient OneHealthStream centralized services and approaches for onboarding, implementations, and success management across the enterprise. While shortened implementation times and increased renewal rates remain key Company goals, the determination of whether you are promoted to COO will be based on your ongoing desire for the role for multiple years going forward and your demonstrated ability to successfully establish the services and approaches noted in clause (ii) of the preceding sentence.

You will report to the Chief Executive Officer and assume and discharge such responsibilities as are commensurate with your position and as the Chief Executive Officer may direct. During your employment with the Company, you shall devote your full-time attention to your duties and responsibilities and shall perform them faithfully, diligently and completely. In addition, you shall comply with and be bound by the operating policies, procedures and practices of the Company including, without limitation, the Employee Handbook, Code of Conduct, Code of Ethics, and insider trading policies, in effect from time to time during your employment. Moreover, all compensation which has been paid to you or may be payable to you will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company’s Compensation Recoupment Policy (as it may be amended from time to time) (the “Current Recoupment Policy”), (ii) 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 SEC rules and Nasdaq listing standards, the “Dodd-Frank Clawback Requirements”) (such policies referenced in clauses (i) and (ii), the “Policies”) and (iii) applicable SEC rules and NASDAQ listing requirements as in effect from time to time. The Company may utilize any method of recovery specified in the Policies in connection with any recoupment pursuant to the terms of the Policies.

You acknowledge that from time to time you will be required to travel in connection with the performance of your duties.

2. Compensation. In consideration for your services, during the term of your employment, you will receive:

- A. Base Salary. Your annual base salary will increase to \$385,000.00 (“Base Salary”) beginning on the date your promotion is effective as determined by the Compensation Committee. Base Salary is payable in accordance with the Company’s prevailing payroll practices.
- B. Cash Bonus Plan. You will be eligible to participate at the Executive Vice President-level in an annual cash bonus plan (“Bonus Plan”), which the Compensation Committee will approve in March 2025. The 2025 Bonus Plan for Executive Vice Presidents is generally expected to be: (i) a bonus of up to forty (40%) of Base Salary, assuming achievement of 100% of the target thresholds established annually by the Compensation Committee, and (ii) a “stretch bonus” of up to 10% of Base Salary for exceeding a target determined annually by the Compensation Committee. Each year the targets for achieving bonuses may include, among other things, financial targets such as adjusted EBITDA and/or revenue thresholds, and/or other performance-based targets. Any Bonus Plan (i) shall be subject to the terms and conditions set forth therein as well as the applicable Company Equity Plan (“Equity Plan”) adopted by shareholders—currently the 2022 Omnibus Incentive Plan, and (ii) shall be payable at such time as bonuses are paid generally to executive officers of the Company.
- C. Equity Awards –Time-Based Vesting. Each year, you will be eligible to receive an equity award (referred to herein as “Annual Awards”) in the form of restricted stock units (“RSUs”). All Annual Awards shall be subject to the terms and conditions of the agreement under which such awards are granted and the Equity Plan. The issuance and terms of all Annual Awards are subject to approval by the Compensation Committee. It is anticipated that the amount and terms of the 2025 Annual Awards, which the Compensation Committee will approve in March 2025, will be commensurate with the 2024 Annual Awards. For reference, the 2024 Executive Vice President-level Annual Awards were for a grant date value of \$150,000.00 total, and were awarded in two semi-annual grants each with a grant date value of \$75,000. The 2024 Annual Awards were subject to time-based vesting on the anniversary of the grant date according to the following schedule: 20% vest year 1, 25% vest year 2, 25% vest year 3, and 30% vest year 4.
- D. Equity Award – Performance-Based Vesting. You will be eligible to receive a performance-based equity award (referred to herein as the “Performance Award”) upon your acceptance of the position and the Compensation Committee’s approval of such award. The total number of Performance Award RSUs granted to you will have a grant date value of approximately \$400,000.00. The Performance Award will be eligible for vesting annually on the grant date anniversary according to the following schedule: 15% vest year 1, 20% vest year 2, 20% vest year 3, 20% vest

year 4, and 25% vest year 5; according to whether the annual performance targets set by the Compensation Committee are met or exceeded for the applicable year. Your Performance Award shall be subject to the terms and conditions of the Equity Plan and the agreement under which such awards are granted.

If you are employed upon a Change of Control as defined in the Equity Plan, all unvested RSUs that are eligible to vest within the 30 months following the Change of Control shall automatically vest and any RSUs that are not eligible to vest within 30 months of the Change of Control shall be forfeited. For example, if a Change of Control occurs after your year 1 RSUs were eligible to vest, but before your year 2 RSUs were eligible to vest, then your year 2, year 3, and 50% of your year 4 RSUs would vest automatically upon the Change of Control, and 50% of your year 4 and 100% of your year 5 RSUs would be forfeited. For additional example, if a Change of Control occurs after your year 3 RSUs were eligible to vest, but before your years 4 and 5 RSUs were eligible to vest, then your years 4 and 5 RSUs would automatically vest upon the Change of Control.

- E. Signing Bonus. Within fifteen business days after (i) your signed acceptance of this Offer Letter and the attached TSPI and (ii) the Compensation Committee's approval of the terms of this Offer Letter, the Company shall pay you a signing bonus of \$10,000.00.
3. Other Benefits. You will be entitled to receive the standard employee benefits made available by the Company to its employees to the full extent of your eligibility. During your employment, you shall be permitted, to the extent eligible, to participate in any group medical, dental, life insurance and disability insurance plans, or similar benefit plan of the Company that is available to employees generally. You shall also be eligible to participate in the Company's 401(k) plan. Participation in any such plans shall be consistent with your rate of compensation to the extent that compensation is a determinative factor with respect to coverage under any such plans. The Company shall reimburse you for all reasonable expenses actually incurred or paid by you in the performance of your services on behalf of the Company subject to the terms of and in accordance with the Company's expense reimbursement policy as from time to time in effect.
4. Trade Secret and Proprietary Information Agreement ("TSPI"). That certain TSPI set forth as Exhibit A hereto, including without limitation the restrictive covenants therein, shall remain in full force and effect. It being understood that your promotion is contingent upon your signing the TSPI.
5. Conflicting Employment. You agree that, during your employment with the Company, in addition to the restrictions set forth in the Restrictive Covenants, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during your employment, nor will you engage in any other activities that conflict with your obligations to the Company.
6. At-Will Employment. You acknowledge that your employment with the Company is for an unspecified duration that constitutes at-will employment, and that either you or the Company can terminate this relationship at any time, with or without cause and with or without notice.
7. General Provisions.
- (a) This offer letter and the terms of your employment will be governed by the laws of Tennessee without regard to any conflict of laws.
 - (b) This offer letter sets forth the entire agreement and understanding between the Company and you relating to your employment and supersedes all prior verbal discussions between us.
 - (c) This agreement will be binding upon your heirs, executors, administrators and other legal representatives and will be for the benefit of the Company and its respective successors and assigns.
 - (d) All payments pursuant to this letter will be subject to applicable withholding taxes.
 - (e) While your employment will be at-will, the Company's willingness to offer you the employment terms outlined herein is predicated on the understanding that you intend to commit to a minimum of five years of ongoing employment with the Company pursuant to the terms described in this offer letter.

{signature page follows}

Please acknowledge and confirm your acceptance of this letter by, signing and returning one copy of this offer letter in its entirety to me.

Sincerely,



Robert A. Frist, Jr.
Chief Executive Officer

OFFER ACCEPTANCE:

I accept the terms of my employment with HealthStream, Inc. as set forth herein and in any attached Annexes. I understand that this offer letter does not constitute a contract of employment for any specified period of time, and that either party, with or without cause and with or without notice, may terminate my employment relationship. I received this offer letter with notice of my pay rate and designated payday in English because I have represented to my employer that this is my primary language.

_____ **Date:** ___/___/___

Michael Collier

{signature page to Offer Letter}

Exhibit A

TRADE SECRET AND PROPRIETARY INFORMATION AGREEMENT

In consideration of my continuing employment as Executive Vice President, Corporate Strategy, Development, and Operations by HealthStream, Inc. and/or any of its corporate parents, subsidiaries, divisions, or affiliates, or the successors or assigns of any of the foregoing (hereinafter referred to as the "Company") on the terms set forth in the offer of employment to which this document is an Annex, I hereby agree as follows:

1. Confidentiality.

(a) Trade Secret and Proprietary Information. I understand and acknowledge that, during the course of my employment arrangement with the Company and as a result of my having executed this Trade Secret and Proprietary Information Agreement, I will be granted access to valuable information relating to the Company's business that provides the Company with a competitive advantage, which is not generally known by, nor easily learned or determined by, persons outside the Company (collectively "Trade Secret and Proprietary Information"). The term Trade Secret and Proprietary Information shall include, but shall not be limited to: (a) specifications, manuals, software in various stages of development; (b) customer and prospect lists, and details of agreements and communications with customers and prospects; (c) sales plans and projections, product pricing information, acquisition, expansion, marketing, financial and other business information and existing and future products and business plans of the Company; (d) sales proposals, demonstrations systems, sales material; (e) research and development; (f) computer programs; (g) sources of supply; (h) identity of specialized consultants and contractors and Trade Secret and Proprietary Information developed by them for the Company; (i) purchasing, operating and other cost data; (j) special customer needs, cost and pricing data; (k) patient information, including without limitation Protected Health Information as defined in 45 C.F.R. 164.501 and (l) employee information (including, but not limited to, personnel, payroll, compensation and benefit data and plans), including all such information recorded in manuals, memoranda, projections, reports, minutes, plans, drawings, sketches, designs, formula books, data, specifications, software programs and records, whether or not legended or otherwise identified by the Company as Trade Secret and Proprietary Information, as well as such information that is the subject of meetings and discussions and not recorded. Trade Secret and Proprietary Information shall not include such information that I can demonstrate (i) is generally available to the public (other than as a result of a disclosure by me), (ii) was disclosed to me by a third party under no obligation to keep such information confidential or (iii) was known by me prior to, and not as a result of, my employment or anticipated employment with the Company; provided, however, that, notwithstanding the preceding sentence, all information set forth in subsections (k) and (l) above shall always be treated as Trade Secret and Proprietary Information, and shall not be deemed in the public domain or nonconfidential under any circumstances.

(b) Duty of Confidentiality. I agree at all times, both during and after my employment with the Company, to hold all of the Company's Trade Secret and Proprietary Information in a fiduciary capacity for the benefit of the Company and to safeguard all such Trade Secret and Proprietary Information. I also agree that I will not directly or indirectly disclose or use any such Trade Secret and Proprietary Information to any third person or entity outside the Company, except as may be necessary in the good faith performance of my duties for the Company. I further agree that, in addition to enforcing this restriction, the Company may have other rights and remedies under the common law or applicable statutory laws relating to the protection of trade secrets. Notwithstanding anything in this Agreement to the contrary, I understand that I may disclose the Company's Trade Secret and Proprietary Information to the extent required by applicable laws or governmental regulations or judicial or regulatory process, provided that I give the Company prompt notice of any and all such requests for disclosure so that it has ample opportunity to take all necessary or desired action, to avoid disclosure.

(c) Unfair Competition. I acknowledge that the Company has a compelling business interest in preventing unfair competition stemming from the intentional or inadvertent use or disclosure of the Company's Trade Secret and Proprietary Information and Company Property.

(d) Intellectual Property and Inventions. I acknowledge that all developments and other intellectual property, including, without limitation, the creation of new products, conferences, training/seminars, publications, programs, methods of organizing information, inventions, discoveries, concepts, ideas, improvements, patents, trademarks, trade names, copyrights, trade secrets, designs, works, reports, computer software, flow charts, diagrams, procedures, data, documentation, and writings and any other intellectual property (collectively referred to as "Developments") that I, alone or jointly with others, may discover, conceive, create, make, develop, reduce to practice, or acquire at any time during or in connection with my employment with the Company are the sole and exclusive property of the Company. I hereby assign to the Company all rights, titles, and interests in and to all such Developments, and all intellectual property related thereto. I agree to disclose to the Company promptly and fully all future Developments and, at any time upon request and at the expense of the Company, to execute, acknowledge, and deliver to the Company all instruments that the Company shall prepare, to give evidence, and to take any and all other actions that are necessary or desirable in the reasonable opinion of the Company to enable the Company to file and prosecute applications for, and to acquire, maintain, and enforce, all letters patent, trademark registrations, or copyrights covering the Developments in all countries in which the same are deemed necessary by the Company. All data, memoranda, notes, lists, drawings, records, files, investor and client/customer lists, supplier lists, and other documentation (and all copies thereof) made or compiled by me or made available to me concerning the Developments or otherwise concerning the past, present, or planned business of the Company are the property of the Company, and will be delivered to the Company immediately upon the termination of my employment with the Company.

(e) Competitive Business. I acknowledge that a business engaged in the same or similar business as the Company shall be a Competitive Business. Thus, "Competitive Business" shall mean: (i) one that offers e-learning, clinical development, workforce development, talent management, workforce management, simulation, courseware, PaaS (platform as a service), benchmarking or related services or solutions to the healthcare industry; (ii) one that offers credentialing or privileging services to the healthcare industry; (iii) one that offers staff scheduling solutions to the healthcare industry; and (iv) any enterprise engaged in any other type of business in which the Company or one of its affiliates is also engaged, or plans to be engaged, so long as I am directly involved in such business or planned business on behalf of the Company or one of its affiliates.

2. Non-Solicitation of Employees, Customers. In order to protect the Company's Trade Secret and Proprietary Information;

(a) during my employment with the Company and for a period of one (1) year after the termination of such employment for any reason (the "Restricted Period"), I will not, without the express written permission of HealthStream, directly or indirectly solicit, induce, hire, engage, or attempt to hire or engage any employee or independent contractor of the Company, or in any other way interfere with the Company's employment or contractual relations with any of its employees or independent contractors, nor will I solicit, induce, hire, engage or attempt to hire or engage any individual who was an employee of the Company at any time during the one year period immediately prior to the termination of my employment with the Company;

(b) during the Restricted Period, I will not, without the express written permission of HealthStream, directly or indirectly contact, call upon or solicit, on behalf of a Competitive Business, any existing or prospective client, or customer of the Company who I serviced, or otherwise developed a relationship

with, as a result of my employment with the Company, nor will I attempt to divert or take away from the Company the business of any such client or customer.

3. Restrictions on Competitive Employment. In order to protect the Company's Trade Secret and Proprietary Information and the good will of the Company, during the Restricted Period, I will not (as principal, agent, employee, consultant, director or otherwise), anywhere in the United States and Canada, including but not limited to the states and locations in which I have been engaged in the business of the Company, directly or indirectly, without the prior written approval of the Company, engage in, or perform any services for, a Competitive Business. Notwithstanding the foregoing, I understand that I may have an interest consisting of publicly traded securities constituting less than 1 percent of any class of publicly traded securities in any public company engaged in a Competitive Business so long as I am not employed by and do not consult with, or become a director of or otherwise engage in any activities for, such company. The Restricted Period shall be extended by the length of any period during which I am in breach of the terms of this paragraph.

4. Injunctive Remedies. I acknowledge and agree that the restrictions contained in this Agreement are reasonably necessary to protect the legitimate business interests of the Company, and that any violation of any of the restrictions will result in immediate and irreparable injury to the Company for which monetary damages will not be an adequate remedy. I further acknowledge and agree that if any such restriction is violated, the Company will be entitled to immediate relief enjoining such violation (including, without limitation, temporary and permanent injunctions, a decree for specific performance, and an equitable accounting of earnings, profits, and other benefits arising from such violation) in any court having jurisdiction over such claim, without the necessity of showing any actual damage or posting any bond or furnishing any other security, and that the specific enforcement of the provisions of this Agreement will not diminish my ability to earn a livelihood or create or impose upon me any undue hardship. I also agree that any request for such relief by the Company shall be in addition to, and without prejudice to, any claim for monetary damages that the Company may elect to assert.

5. Severability Provision. I acknowledge and agree that the restrictions imposed upon me by the terms, conditions, and provisions of this Agreement are fair, reasonable, and reasonably required for the protection of the Company. In the event that any part of this Agreement is deemed invalid, illegal, or unenforceable, all other terms, conditions, and provisions of this Agreement shall nevertheless remain in full force and effect. In the event that the provisions of any of Sections 1, 2, 3 or 4 of this Agreement relating to the geographic area of restriction, the length of restriction or the scope of restriction shall be deemed to exceed the maximum area, length or scope that a court of competent jurisdiction would deem enforceable, said area, length or scope shall, for purposes of this Agreement, be deemed to be the maximum area, length of time or scope that such court would deem valid and enforceable, and that such court has the authority under this Agreement to rewrite (or "blue-pencil") the restriction(s) at-issue to achieve this intent.

6. Non-Waiver. Any waiver by the Company of my breach of any term, condition, or provision of this Agreement shall not operate or be construed as a waiver of the Company's rights upon any subsequent breach.

7. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, I HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING OUT OF, UNDER, IN CONNECTION WITH, OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS INCLUDES, WITHOUT LIMITATION, ANY LITIGATION CONCERNING ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN), OR ACTION OF THE COMPANY OR ME, OR ANY EXERCISE BY THE COMPANY OR ME OF OUR RESPECTIVE RIGHTS UNDER THIS AGREEMENT OR IN ANY WAY RELATING TO THIS AGREEMENT. I FURTHER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE COMPANY TO ISSUE AND ACCEPT THIS AGREEMENT.

8. Continuation of Employment. This Agreement does not constitute a contract of employment or an implied promise to continue my employment or status with the Company; nor does this Agreement affect my rights or the rights of the Company to terminate my employment status at any time with or without cause.

9. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of Tennessee, without regard to principles of conflict of laws.

10. Superseding Agreement. This Trade Secret and Proprietary Information Agreement supersedes any and all previous agreements of the same or similar nature between you and the Company.

As indicated by my signature below, I agree to abide and be bound by the terms and conditions of this Trade Secret and Proprietary Information Agreement:

_____ Date: ___/___/_____
Michael Collier

January 28, 2025

Re: Offer Letter

Dear Trisha:

This offer letter will confirm the terms of your offer of promotion with HealthStream, Inc. (the “Company”) as its Executive Vice President, Workforce Solutions. This promotion is being offered to you in recognition of your outstanding performance and to incentive ongoing excellence in your performance. The following describes the general terms of your employment:

1. Position and Responsibilities.

Effective as of the date determined by the Compensation Committee, you will serve in the position of Executive Vice President, Workforce Solutions. You will also continue to serve as a member of the Company’s Executive Team. In this role, you are responsible for establishing and leading the development and operations for HealthStream’s Workforce Solutions. You are also responsible for ensuring that the hStream technology platform creates interoperability among applications in order to establish the industry’s first Enterprise Workforce Platform.

You will report to the Chief Executive Officer and assume and discharge such responsibilities as are commensurate with your position and as the Chief Executive Officer may direct. During your employment with the Company, you shall devote your full-time attention to your duties and responsibilities and shall perform them faithfully, diligently and completely. In addition, you shall comply with and be bound by the operating policies, procedures and practices of the Company including, without limitation, the Employee Handbook, Code of Conduct, Code of Ethics, and insider trading policies, in effect from time to time during your employment. Moreover, all compensation which has been paid to you or may be payable to you will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company’s Compensation Recoupment Policy (as it may be amended from time to time) (the “Current Recoupment Policy”), (ii) 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 SEC rules and Nasdaq listing standards, the “Dodd-Frank Clawback Requirements”) (such policies referenced in clauses (i) and (ii), the “Policies”) and (iii) applicable SEC rules and NASDAQ listing requirements as in effect from time to time. The Company may utilize any method of recovery specified in the Policies in connection with any recoupment pursuant to the terms of the Policies.

You acknowledge that from time to time you will be required to travel in connection with the performance of your duties.

2. Compensation. In consideration for your services, during the term of your employment, you will receive:

- A. Base Salary. Your annual base salary will increase to \$375,000.00 (“Base Salary”) beginning on the date your promotion is effective as determined by the Compensation Committee. Base Salary is payable in accordance with the Company’s prevailing payroll practices.
- B. Cash Bonus Plan. You will be eligible to participate at the Executive Vice President-level in an annual cash bonus plan (“Bonus Plan”), which the Compensation Committee will approve in March 2025. The 2025 Bonus Plan for Executive Vice Presidents is generally expected to be: (i) a bonus of up to forty (40%) of Base Salary, assuming achievement of 100% of the target thresholds established annually by the Compensation Committee, and (ii) a “stretch bonus” of up to 10% of Base Salary for exceeding a target determined annually by the Compensation Committee. Each year the targets for achieving bonuses may include, among other things, financial targets such as adjusted EBITDA and/or revenue thresholds, and/or other performance-based targets. Any Bonus Plan (i) shall be subject to the terms and conditions set forth therein as well as the applicable Company Equity Plan (“Equity Plan”) adopted by shareholders—currently the 2022 Omnibus Incentive Plan, and (ii) shall be payable at such time as bonuses are paid generally to executive officers of the Company.
- C. Equity Awards –Time-Based Vesting. Each year, you will be eligible to receive an equity award (referred to herein as “Annual Awards”) in the form of restricted stock units (“RSUs”). All Annual Awards shall be subject to the terms and conditions of the agreement under which such awards are granted and the Equity Plan. The issuance and terms of all Annual Awards are subject to approval by the Compensation Committee. It is anticipated that the amount and terms of the 2025 Annual Awards, which the Compensation Committee will approve in March 2025, will be commensurate with the 2024 Annual Awards. For reference, the 2024 Executive Vice President-level Annual Awards were for a grant date value of \$150,000.00 total, and were awarded in two semi-annual grants each with a grant date value of \$75,000.00. The 2024 Annual Awards were subject to time-based vesting on the anniversary of the grant date according to the following schedule: 20% vest year 1, 25% vest year 2, 25% vest year 3, and 30% vest year 4.
- D. Equity Award – Performance-Based Vesting. You will be eligible to receive a performance-based equity award (referred to herein as the “Performance Award”) upon your acceptance of the position and the Compensation Committee’s approval of such award. The total number of Performance Award RSUs granted to you will have a grant date value of approximately \$400,000.00. The Performance Award will be eligible for vesting annually on the grant date anniversary according to the following schedule: 15% vest year 1, 20% vest year 2, 20% vest year 3, 20% vest year 4, and 25% vest year 5; according to whether the annual performance targets set by the Compensation Committee are met or exceeded for the applicable year. Your Performance Award shall be subject to the terms and conditions of the Equity Plan and the agreement under which such awards are granted.

If you are employed upon a Change of Control as defined in the Equity Plan, all unvested RSUs that are eligible to vest within the 30 months following the Change of Control shall automatically vest and any RSUs that are not eligible to vest within 30 months of the Change of Control shall be forfeited. For example, if a Change of Control occurs after your year 1 RSUs were eligible to vest, but before your year 2 RSUs were eligible to vest, then your year 2, year 3, and 50% of your year 4 RSUs would vest automatically upon the Change of Control, and 50% of your year 4 and 100% of your year 5 RSUs would be forfeited. For additional example, if a Change of Control occurs after your year 3 RSUs were eligible to vest, but before your years 4 and 5 RSUs were eligible to vest, then your years 4 and 5 RSUs would automatically vest upon the Change of Control.

- E. Signing Bonus. Within fifteen business days after (i) your signed acceptance of this Offer Letter and the attached TSPI and (ii) the Compensation

Committee's approval of the terms of this Offer Letter, the Company shall pay you a signing bonus of \$10,000.00.

3. Other Benefits. You will be entitled to receive the standard employee benefits made available by the Company to its employees to the full extent of your eligibility. During your employment, you shall be permitted, to the extent eligible, to participate in any group medical, dental, life insurance and disability insurance plans, or similar benefit plan of the Company that is available to employees generally. You shall also be eligible to participate in the Company's 401(k) plan. Participation in any such plans shall be consistent with your rate of compensation to the extent that compensation is a determinative factor with respect to coverage under any such plans. The Company shall reimburse you for all reasonable expenses actually incurred or paid by you in the performance of your services on behalf of the Company subject to the terms of and in accordance with the Company's expense reimbursement policy as from time to time in effect.

4. Trade Secret and Proprietary Information Agreement ("TSPI"). That certain TSPI set forth as Exhibit A hereto, including without limitation the restrictive covenants therein, shall remain in full force and effect. It being understood that your promotion is contingent upon your signing the TSPI.

5. Conflicting Employment. You agree that, during your employment with the Company, in addition to the restrictions set forth in the Restrictive Covenants, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

6. At-Will Employment. You acknowledge that your employment with the Company is for an unspecified duration that constitutes at-will employment, and that either you or the Company can terminate this relationship at any time, with or without cause and with or without notice.

7. General Provisions.

- (a) This offer letter and the terms of your employment will be governed by the laws of Tennessee without regard to any conflict of laws.
 - (b) This offer letter sets forth the entire agreement and understanding between the Company and you relating to your employment and supersedes all prior verbal discussions between us.
 - (c) This agreement will be binding upon your heirs, executors, administrators and other legal representatives and will be for the benefit of the Company and its respective successors and assigns.
 - (d) All payments pursuant to this letter will be subject to applicable withholding taxes.
 - (e) While your employment will be at-will, the Company's willingness to offer you the employment terms outlined herein is predicated on the understanding that you intend to commit to a minimum of five years of ongoing employment with the Company pursuant to the terms described in this offer letter.
-

Please acknowledge and confirm your acceptance of this letter by, signing and returning one copy of this offer letter in its entirety to me.

Sincerely,



Robert A. Frist, Jr.
Chief Executive Officer

OFFER ACCEPTANCE:

I accept the terms of my employment with HealthStream, Inc. as set forth herein and in any attached Annexes. I understand that this offer letter does not constitute a contract of employment for any specified period of time, and that either party, with or without cause and with or without notice, may terminate my employment relationship. I received this offer letter with notice of my pay rate and designated payday in English because I have represented to my employer that this is my primary language.

_____ **Date:** ___/___/___
Trisha Coady

{signature page to Offer Letter}

Exhibit A

TRADE SECRET AND PROPRIETARY INFORMATION AGREEMENT

In consideration of being promoted to Executive Vice President, Workforce Solutions and my continuing employment by HealthStream, Inc. and/or any of its corporate parents, subsidiaries, divisions, or affiliates, or the successors or assigns of any of the foregoing (hereinafter referred to as the "Company") on the terms set forth in the offer of employment to which this document is an Annex, I hereby agree as follows:

1. Confidentiality.

(a) **Trade Secret and Proprietary Information.** I understand and acknowledge that, during the course of my employment arrangement with the Company and as a result of my having executed this Trade Secret and Proprietary Information Agreement, I will be granted access to valuable information relating to the Company's business that provides the Company with a competitive advantage, which is not generally known by, nor easily learned or determined by, persons outside the Company (collectively "Trade Secret and Proprietary Information"). The term Trade Secret and Proprietary Information shall include, but shall not be limited to: (a) specifications, manuals, software in various stages of development; (b) customer and prospect lists, and details of agreements and communications with customers and prospects; (c) sales plans and projections, product pricing information, acquisition, expansion, marketing, financial and other business information and existing and future products and business plans of the Company; (d) sales proposals, demonstrations systems, sales material; (e) research and development; (f) computer programs; (g) sources of supply; (h) identity of specialized consultants and contractors and Trade Secret and Proprietary Information developed by them for the Company; (i) purchasing, operating and other cost data; (j) special customer needs, cost and pricing data; (k) patient information, including without limitation Protected Health Information as defined in 45 C.F.R. 164.501 and (l) employee information (including, but not limited to, personnel, payroll, compensation and benefit data and plans), including all such information recorded in manuals, memoranda, projections, reports, minutes, plans, drawings, sketches, designs, formula books, data, specifications, software programs and records, whether or not legended or otherwise identified by the Company as Trade Secret and Proprietary Information, as well as such information that is the subject of meetings and discussions and not recorded. Trade Secret and Proprietary Information shall not include such information that I can demonstrate (i) is generally available to the public (other than as a result of a disclosure by me), (ii) was disclosed to me by a third party under no obligation to keep such information confidential or (iii) was known by me prior to, and not as a result of, my employment or anticipated employment with the Company; provided, however, that, notwithstanding the preceding sentence, all information set forth in subsections (k) and (l) above shall always be treated as Trade Secret and Proprietary Information, and shall not be deemed in the public domain or nonconfidential under any circumstances.

(b) **Duty of Confidentiality.** I agree at all times, both during and after my employment with the Company, to hold all of the Company's Trade Secret and Proprietary Information in a fiduciary capacity for the benefit of the Company and to safeguard all such Trade Secret and Proprietary Information. I also agree that I will not directly or indirectly disclose or use any such Trade Secret and Proprietary Information to any third person or entity outside the Company, except as may be necessary in the good faith performance of my duties for the Company. I further agree that, in addition to enforcing this restriction, the Company may have other rights and remedies under the common law or applicable statutory laws relating to the protection of trade secrets. Notwithstanding anything in this Agreement to the contrary, I understand that I may disclose the Company's Trade Secret and Proprietary Information to the extent required by applicable laws or governmental regulations or judicial or regulatory process, provided that I give the Company prompt notice of any and all such requests for disclosure so that it has ample opportunity to take all necessary or desired action, to avoid disclosure.

(c) **Unfair Competition.** I acknowledge that the Company has a compelling business interest in preventing unfair competition stemming from the intentional or inadvertent use or disclosure of the Company's Trade Secret and Proprietary Information and Company Property.

(d) **Intellectual Property and Inventions.** I acknowledge that all developments and other intellectual property, including, without limitation, the creation of new products, conferences, training/seminars, publications, programs, methods of organizing information, inventions, discoveries, concepts, ideas, improvements, patents, trademarks, trade names, copyrights, trade secrets, designs, works, reports, computer software, flow charts, diagrams, procedures, data, documentation, and writings and any other intellectual property (collectively referred to as "Developments") that I, alone or jointly with others, may discover, conceive, create, make, develop, reduce to practice, or acquire at any time during or in connection with my employment with the Company are the sole and exclusive property of the Company. I hereby assign to the Company all rights, titles, and interests in and to all such Developments, and all intellectual property related thereto. I agree to disclose to the Company promptly and fully all future Developments and, at any time upon request and at the expense of the Company, to execute, acknowledge, and deliver to the Company all instruments that the Company shall prepare, to give evidence, and to take any and all other actions that are necessary or desirable in the reasonable opinion of the Company to enable the Company to file and prosecute applications for, and to acquire, maintain, and enforce, all letters patent, trademark registrations, or copyrights covering the Developments in all countries in which the same are deemed necessary by the Company. All data, memoranda, notes, lists, drawings, records, files, investor and client/customer lists, supplier lists, and other documentation (and all copies thereof) made or compiled by me or made available to me concerning the Developments or otherwise concerning the past, present, or planned business of the Company are the property of the Company, and will be delivered to the Company immediately upon the termination of my employment with the Company.

(e) **Competitive Business.** I acknowledge that a business engaged in the same or similar business as the Company shall be a Competitive Business. Thus, "Competitive Business" shall mean: (i) one that offers e-learning, clinical development, workforce development, talent management, workforce management, simulation, courseware, PaaS (platform as a service), benchmarking or related services or solutions to the healthcare industry; (ii) one that offers credentialing or privileging services to the healthcare industry; (iii) one that offers staff scheduling solutions to the healthcare industry; and (iv) any enterprise engaged in any other type of business in which the Company or one of its affiliates is also engaged, or plans to be engaged, so long as I am directly involved in such business or planned business on behalf of the Company or one of its affiliates.

2. Non-Solicitation of Employees, Customers. In order to protect the Company's Trade Secret and Proprietary Information;

(a) during my employment with the Company and for a period of one (1) year after the termination of such employment for any reason (the "Restricted Period"), I will not, without the express written permission of HealthStream, directly or indirectly solicit, induce, hire, engage, or attempt to hire or engage any employee or independent contractor of the Company, or in any other way interfere with the Company's employment or contractual relations with any of its employees or independent contractors, nor will I solicit, induce, hire, engage or attempt to hire or engage any individual who was an employee of the Company at any time during the one year period immediately prior to the termination of my employment with the Company;

(b) during the Restricted Period, I will not, without the express written permission of HealthStream, directly or indirectly contact, call upon or solicit, on behalf of a Competitive Business, any existing or prospective client, or customer of the Company who I serviced, or otherwise developed a relationship

with, as a result of my employment with the Company, nor will I attempt to divert or take away from the Company the business of any such client or customer.

3. Restrictions on Competitive Employment. In order to protect the Company's Trade Secret and Proprietary Information and the good will of the Company, during the Restricted Period, I will not (as principal, agent, employee, consultant, director or otherwise), anywhere in the United States and Canada, including but not limited to the states and locations in which I have been engaged in the business of the Company, directly or indirectly, without the prior written approval of the Company, engage in, or perform any services for, a Competitive Business. Notwithstanding the foregoing, I understand that I may have an interest consisting of publicly traded securities constituting less than 1 percent of any class of publicly traded securities in any public company engaged in a Competitive Business so long as I am not employed by and do not consult with, or become a director of or otherwise engage in any activities for, such company. The Restricted Period shall be extended by the length of any period during which I am in breach of the terms of this paragraph.

4. Injunctive Remedies. I acknowledge and agree that the restrictions contained in this Agreement are reasonably necessary to protect the legitimate business interests of the Company, and that any violation of any of the restrictions will result in immediate and irreparable injury to the Company for which monetary damages will not be an adequate remedy. I further acknowledge and agree that if any such restriction is violated, the Company will be entitled to immediate relief enjoining such violation (including, without limitation, temporary and permanent injunctions, a decree for specific performance, and an equitable accounting of earnings, profits, and other benefits arising from such violation) in any court having jurisdiction over such claim, without the necessity of showing any actual damage or posting any bond or furnishing any other security, and that the specific enforcement of the provisions of this Agreement will not diminish my ability to earn a livelihood or create or impose upon me any undue hardship. I also agree that any request for such relief by the Company shall be in addition to, and without prejudice to, any claim for monetary damages that the Company may elect to assert.

5. Severability Provision. I acknowledge and agree that the restrictions imposed upon me by the terms, conditions, and provisions of this Agreement are fair, reasonable, and reasonably required for the protection of the Company. In the event that any part of this Agreement is deemed invalid, illegal, or unenforceable, all other terms, conditions, and provisions of this Agreement shall nevertheless remain in full force and effect. In the event that the provisions of any of Sections 1, 2, 3 or 4 of this Agreement relating to the geographic area of restriction, the length of restriction or the scope of restriction shall be deemed to exceed the maximum area, length or scope that a court of competent jurisdiction would deem enforceable, said area, length or scope shall, for purposes of this Agreement, be deemed to be the maximum area, length of time or scope that such court would deem valid and enforceable, and that such court has the authority under this Agreement to rewrite (or "blue-pencil") the restriction(s) at-issue to achieve this intent.

6. Non-Waiver. Any waiver by the Company of my breach of any term, condition, or provision of this Agreement shall not operate or be construed as a waiver of the Company's rights upon any subsequent breach.

7. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, I HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING OUT OF, UNDER, IN CONNECTION WITH, OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS INCLUDES, WITHOUT LIMITATION, ANY LITIGATION CONCERNING ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN), OR ACTION OF THE COMPANY OR ME, OR ANY EXERCISE BY THE COMPANY OR ME OF OUR RESPECTIVE RIGHTS UNDER THIS AGREEMENT OR IN ANY WAY RELATING TO THIS AGREEMENT. I FURTHER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE COMPANY TO ISSUE AND ACCEPT THIS AGREEMENT.

8. Continuation of Employment. This Agreement does not constitute a contract of employment or an implied promise to continue my employment or status with the Company; nor does this Agreement affect my rights or the rights of the Company to terminate my employment status at any time with or without cause.

9. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of Tennessee, without regard to principles of conflict of laws.

10. Superseding Agreement. This Trade Secret and Proprietary Information Agreement supersedes any and all previous agreements of the same or similar nature between you and the Company.

As indicated by my signature below, I agree to abide and be bound by the terms and conditions of this Trade Secret and Proprietary Information Agreement:

_____ Date: __/__/____
Trisha Coady

January 28, 2025

Re: Offer Letter

Dear Kevin:

This offer letter will confirm the terms of your offer of employment with HealthStream, Inc. (the “Company”) as its Executive Vice President, Enterprise Workforce Platform. The following describes the general terms of your employment:

1. Position and Responsibilities.

Effective as of the date determined by the Compensation Committee, you will serve in the position of Executive Vice President, Enterprise Workforce Platform. You will also continue to serve as a member of the Company’s Executive Team. In this role, you are responsible for establishing and leading the development and operations for HealthStream’s Enterprise Applications, including the Learning, Scheduling and Credentialing application suites. You are also responsible for ensuring that the hStream technology platform creates interoperability among applications in order to establish the industry’s first Enterprise Workforce Platform.

You will report to the Chief Executive Officer and assume and discharge such responsibilities as are commensurate with your position and as the Chief Executive Officer may direct. During your employment with the Company, you shall devote your full-time attention to your duties and responsibilities and shall perform them faithfully, diligently and completely. In addition, you shall comply with and be bound by the operating policies, procedures and practices of the Company including, without limitation, the Employee Handbook, Code of Conduct, Code of Ethics, and insider trading policies, in effect from time to time during your employment. Moreover, all compensation which has been paid to you or may be payable to you will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company’s Compensation Recoupment Policy (as it may be amended from time to time) (the “Current Recoupment Policy”), (ii) 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 SEC rules and Nasdaq listing standards, the “Dodd-Frank Clawback Requirements”) (such policies referenced in clauses (i) and (ii), the “Policies”) and (iii) applicable SEC rules and NASDAQ listing requirements as in effect from time to time. The Company may utilize any method of recovery specified in the Policies in connection with any recoupment pursuant to the terms of the Policies.

You acknowledge that from time to time you will be required to travel in connection with the performance of your duties.

2. Compensation. In consideration for your services, during the term of your employment, you will receive:

- A. Base Salary. Your annual base salary will increase to \$375,000.00 (“Base Salary”) beginning on the date your promotion is effective as determined by the Compensation Committee. Base Salary is payable in accordance with the Company’s prevailing payroll practices.
- B. Cash Bonus Plan. You will be eligible to participate at the Executive Vice President-level in an annual cash bonus plan (“Bonus Plan”), which the Compensation Committee will approve in March 2025. The 2025 Bonus Plan for Executive Vice Presidents is generally expected to be: (i) a bonus of up to forty (40%) of Base Salary, assuming achievement of 100% of the target thresholds established annually by the Compensation Committee, and (ii) a “stretch bonus” of up to 10% of Base Salary for exceeding a target determined annually by the Compensation Committee. Each year the targets for achieving bonuses may include, among other things, financial targets such as adjusted EBITDA and/or revenue thresholds, and/or other performance-based targets. Any Bonus Plan (i) shall be subject to the terms and conditions set forth therein as well as the applicable Company Equity Plan (“Equity Plan”) adopted by shareholders—currently the 2022 Omnibus Incentive Plan, and (ii) shall be payable at such time as bonuses are paid generally to executive officers of the Company.
- C. Equity Awards –Time-Based Vesting. Each year, you will be eligible to receive an equity award (referred to herein as “Annual Awards”) in the form of restricted stock units (“RSUs”). All Annual Awards shall be subject to the terms and conditions of the agreement under which such awards are granted and the Equity Plan. The issuance and terms of all Annual Awards are subject to approval by the Compensation Committee. It is anticipated that the amount and terms of the 2025 Annual Awards, which the Compensation Committee will approve in March 2025, will be commensurate with the 2024 Annual Awards. For reference, the 2024 Executive Vice President-level Annual Awards were for a grant date value of \$150,000.00 total, and were awarded in two semi-annual grants each with a grant date value of \$75,000.00. The 2024 Annual Awards were subject to time-based vesting on the anniversary of the grant date according to the following schedule: 20% vest year 1, 25% vest year 2, 25% vest year 3, and 30% vest year 4.
- D. Equity Award – Performance-Based Vesting. You will be eligible to receive a performance-based equity award (referred to herein as the “Performance Award”) upon your acceptance of the position and the Compensation Committee’s approval of such award. The total number of Performance Award RSUs granted to you will have a grant date value of approximately \$400,000.00. The Performance Award will be eligible for vesting annually on the grant date anniversary according to the following schedule: 15% vest year 1, 20% vest year 2, 20% vest year 3, 20% vest year 4, and 25% vest year 5; according to whether the annual performance targets set by the Compensation Committee are met or exceeded for the applicable year. Your Performance Award shall be subject to the terms and conditions of the Equity Plan and the agreement under which such awards are granted.

If you are employed upon a Change of Control as defined in the Equity Plan, all unvested RSUs that are eligible to vest within the 30 months following the Change of Control shall automatically vest and any RSUs that are not eligible to vest within 30 months of the Change of Control shall be forfeited. For example, if a Change of Control occurs after your year 1 RSUs were eligible to vest, but before your year 2 RSUs were eligible to vest, then your year 2, year 3, and 50% of your year 4 RSUs would vest automatically upon the Change of Control, and 50% of your year 4 and 100% of your year 5 RSUs would be forfeited. For additional example, if a Change of Control occurs after your year 3 RSUs were eligible to vest, but before your years 4 and 5 RSUs were eligible to vest, then your years 4 and 5 RSUs would automatically vest upon the Change of Control.

- E. Signing Bonus. Within fifteen business days after (i) your signed acceptance of this Offer Letter and the attached TSPI and (ii) the Compensation Committee’s approval of the terms of this Offer Letter, the Company shall pay you a signing bonus of \$10,000.00.

3. Other Benefits. You will be entitled to receive the standard employee benefits made available by the Company to its employees to the full extent of your eligibility. During your employment, you shall be permitted, to the extent eligible, to participate in any group medical, dental, life insurance and disability insurance plans, or similar benefit plan of the Company that is available to employees generally. You shall also be eligible to participate in the Company's 401(k) plan. Participation in any such plans shall be consistent with your rate of compensation to the extent that compensation is a determinative factor with respect to coverage under any such plans. The Company shall reimburse you for all reasonable expenses actually incurred or paid by you in the performance of your services on behalf of the Company subject to the terms of and in accordance with the Company's expense reimbursement policy as from time to time in effect.

4. Trade Secret and Proprietary Information Agreement ("TSPI"). That certain TSPI set forth as Exhibit A hereto, including without limitation the restrictive covenants therein, shall remain in full force and effect. It being understood that your promotion is contingent upon your signing the TSPI.

5. Conflicting Employment. You agree that, during your employment with the Company, in addition to the restrictions set forth in the Restrictive Covenants, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

6. At-Will Employment. You acknowledge that your employment with the Company is for an unspecified duration that constitutes at-will employment, and that either you or the Company can terminate this relationship at any time, with or without cause and with or without notice.

7. General Provisions.

- (a) This offer letter and the terms of your employment will be governed by the laws of Tennessee without regard to any conflict of laws.
 - (b) This offer letter sets forth the entire agreement and understanding between the Company and you relating to your employment and supersedes all prior verbal discussions between us.
 - (c) This agreement will be binding upon your heirs, executors, administrators and other legal representatives and will be for the benefit of the Company and its respective successors and assigns.
 - (d) All payments pursuant to this letter will be subject to applicable withholding taxes.
 - (e) While your employment will be at-will, the Company's willingness to offer you the employment terms outlined herein is predicated on the understanding that you intend to commit to a minimum of five years of ongoing employment with the Company pursuant to the terms described in this offer letter.
-

Please acknowledge and confirm your acceptance of this letter by, signing and returning one copy of this offer letter in its entirety to me.

Sincerely,



Robert A. Frist, Jr.
Chief Executive Officer

OFFER ACCEPTANCE:

I accept the terms of my employment with HealthStream, Inc. as set forth herein and in any attached Annexes. I understand that this offer letter does not constitute a contract of employment for any specified period of time, and that either party, with or without cause and with or without notice, may terminate my employment relationship. I received this offer letter with notice of my pay rate and designated payday in English because I have represented to my employer that this is my primary language.

_____ **Date:** ___/___/___
Kevin O'Hara

{signature page to Offer Letter}

Exhibit A

TRADE SECRET AND PROPRIETARY INFORMATION AGREEMENT

In consideration of being promoted to Executive Vice President, Enterprise Workforce Platform and my continuing employment by HealthStream, Inc. and/or any of its corporate parents, subsidiaries, divisions, or affiliates, or the successors or assigns of any of the foregoing (hereinafter referred to as the "Company") on the terms set forth in the offer of employment to which this document is an Annex, I hereby agree as follows:

1. Confidentiality.

(a) Trade Secret and Proprietary Information. I understand and acknowledge that, during the course of my employment arrangement with the Company and as a result of my having executed this Trade Secret and Proprietary Information Agreement, I will be granted access to valuable information relating to the Company's business that provides the Company with a competitive advantage, which is not generally known by, nor easily learned or determined by, persons outside the Company (collectively "Trade Secret and Proprietary Information"). The term Trade Secret and Proprietary Information shall include, but shall not be limited to: (a) specifications, manuals, software in various stages of development; (b) customer and prospect lists, and details of agreements and communications with customers and prospects; (c) sales plans and projections, product pricing information, acquisition, expansion, marketing, financial and other business information and existing and future products and business plans of the Company; (d) sales proposals, demonstrations systems, sales material; (e) research and development; (f) computer programs; (g) sources of supply; (h) identity of specialized consultants and contractors and Trade Secret and Proprietary Information developed by them for the Company; (i) purchasing, operating and other cost data; (j) special customer needs, cost and pricing data; (k) patient information, including without limitation Protected Health Information as defined in 45 C.F.R. 164.501 and (l) employee information (including, but not limited to, personnel, payroll, compensation and benefit data and plans), including all such information recorded in manuals, memoranda, projections, reports, minutes, plans, drawings, sketches, designs, formula books, data, specifications, software programs and records, whether or not legended or otherwise identified by the Company as Trade Secret and Proprietary Information, as well as such information that is the subject of meetings and discussions and not recorded. Trade Secret and Proprietary Information shall not include such information that I can demonstrate (i) is generally available to the public (other than as a result of a disclosure by me), (ii) was disclosed to me by a third party under no obligation to keep such information confidential or (iii) was known by me prior to, and not as a result of, my employment or anticipated employment with the Company; provided, however, that, notwithstanding the preceding sentence, all information set forth in subsections (k) and (l) above shall always be treated as Trade Secret and Proprietary Information, and shall not be deemed in the public domain or nonconfidential under any circumstances.

(b) Duty of Confidentiality. I agree at all times, both during and after my employment with the Company, to hold all of the Company's Trade Secret and Proprietary Information in a fiduciary capacity for the benefit of the Company and to safeguard all such Trade Secret and Proprietary Information. I also agree that I will not directly or indirectly disclose or use any such Trade Secret and Proprietary Information to any third person or entity outside the Company, except as may be necessary in the good faith performance of my duties for the Company. I further agree that, in addition to enforcing this restriction, the Company may have other rights and remedies under the common law or applicable statutory laws relating to the protection of trade secrets. Notwithstanding anything in this Agreement to the contrary, I understand that I may disclose the Company's Trade Secret and Proprietary Information to the extent required by applicable laws or governmental regulations or judicial or regulatory process, provided that I give the Company prompt notice of any and all such requests for disclosure so that it has ample opportunity to take all necessary or desired action, to avoid disclosure.

(c) Unfair Competition. I acknowledge that the Company has a compelling business interest in preventing unfair competition stemming from the intentional or inadvertent use or disclosure of the Company's Trade Secret and Proprietary Information and Company Property.

(d) Intellectual Property and Inventions. I acknowledge that all developments and other intellectual property, including, without limitation, the creation of new products, conferences, training/seminars, publications, programs, methods of organizing information, inventions, discoveries, concepts, ideas, improvements, patents, trademarks, trade names, copyrights, trade secrets, designs, works, reports, computer software, flow charts, diagrams, procedures, data, documentation, and writings and any other intellectual property (collectively referred to as "Developments") that I, alone or jointly with others, may discover, conceive, create, make, develop, reduce to practice, or acquire at any time during or in connection with my employment with the Company are the sole and exclusive property of the Company. I hereby assign to the Company all rights, titles, and interests in and to all such Developments, and all intellectual property related thereto. I agree to disclose to the Company promptly and fully all future Developments and, at any time upon request and at the expense of the Company, to execute, acknowledge, and deliver to the Company all instruments that the Company shall prepare, to give evidence, and to take any and all other actions that are necessary or desirable in the reasonable opinion of the Company to enable the Company to file and prosecute applications for, and to acquire, maintain, and enforce, all letters patent, trademark registrations, or copyrights covering the Developments in all countries in which the same are deemed necessary by the Company. All data, memoranda, notes, lists, drawings, records, files, investor and client/customer lists, supplier lists, and other documentation (and all copies thereof) made or compiled by me or made available to me concerning the Developments or otherwise concerning the past, present, or planned business of the Company are the property of the Company, and will be delivered to the Company immediately upon the termination of my employment with the Company.

(e) Competitive Business. I acknowledge that a business engaged in the same or similar business as the Company shall be a Competitive Business. Thus, "Competitive Business" shall mean: (i) one that offers e-learning, clinical development, workforce development, talent management, workforce management, simulation, courseware, PaaS (platform as a service), benchmarking or related services or solutions to the healthcare industry; (ii) one that offers credentialing or privileging services to the healthcare industry; (iii) one that offers staff scheduling solutions to the healthcare industry; and (iv) any enterprise engaged in any other type of business in which the Company or one of its affiliates is also engaged, or plans to be engaged, so long as I am directly involved in such business or planned business on behalf of the Company or one of its affiliates.

2. Non-Solicitation of Employees, Customers. In order to protect the Company's Trade Secret and Proprietary Information;

(a) during my employment with the Company and for a period of one (1) year after the termination of such employment for any reason (the "Restricted Period"), I will not, without the express written permission of HealthStream, directly or indirectly solicit, induce, hire, engage, or attempt to hire or engage any employee or independent contractor of the Company, or in any other way interfere with the Company's employment or contractual relations with any of its employees or independent contractors, nor will I solicit, induce, hire, engage or attempt to hire or engage any individual who was an employee of the Company at any time during the one year period immediately prior to the termination of my employment with the Company;

(b) during the Restricted Period, I will not, without the express written permission of HealthStream, directly or indirectly contact, call upon or solicit, on behalf of a Competitive Business, any existing or prospective client, or customer of the Company who I serviced, or otherwise developed a relationship

with, as a result of my employment with the Company, nor will I attempt to divert or take away from the Company the business of any such client or customer.

3. Restrictions on Competitive Employment. In order to protect the Company's Trade Secret and Proprietary Information and the good will of the Company, during the Restricted Period, I will not (as principal, agent, employee, consultant, director or otherwise), anywhere in the United States and Canada, including but not limited to the states and locations in which I have been engaged in the business of the Company, directly or indirectly, without the prior written approval of the Company, engage in, or perform any services for, a Competitive Business. Notwithstanding the foregoing, I understand that I may have an interest consisting of publicly traded securities constituting less than 1 percent of any class of publicly traded securities in any public company engaged in a Competitive Business so long as I am not employed by and do not consult with, or become a director of or otherwise engage in any activities for, such company. The Restricted Period shall be extended by the length of any period during which I am in breach of the terms of this paragraph.

4. Injunctive Remedies. I acknowledge and agree that the restrictions contained in this Agreement are reasonably necessary to protect the legitimate business interests of the Company, and that any violation of any of the restrictions will result in immediate and irreparable injury to the Company for which monetary damages will not be an adequate remedy. I further acknowledge and agree that if any such restriction is violated, the Company will be entitled to immediate relief enjoining such violation (including, without limitation, temporary and permanent injunctions, a decree for specific performance, and an equitable accounting of earnings, profits, and other benefits arising from such violation) in any court having jurisdiction over such claim, without the necessity of showing any actual damage or posting any bond or furnishing any other security, and that the specific enforcement of the provisions of this Agreement will not diminish my ability to earn a livelihood or create or impose upon me any undue hardship. I also agree that any request for such relief by the Company shall be in addition to, and without prejudice to, any claim for monetary damages that the Company may elect to assert.

5. Severability Provision. I acknowledge and agree that the restrictions imposed upon me by the terms, conditions, and provisions of this Agreement are fair, reasonable, and reasonably required for the protection of the Company. In the event that any part of this Agreement is deemed invalid, illegal, or unenforceable, all other terms, conditions, and provisions of this Agreement shall nevertheless remain in full force and effect. In the event that the provisions of any of Sections 1, 2, 3 or 4 of this Agreement relating to the geographic area of restriction, the length of restriction or the scope of restriction shall be deemed to exceed the maximum area, length or scope that a court of competent jurisdiction would deem enforceable, said area, length or scope shall, for purposes of this Agreement, be deemed to be the maximum area, length of time or scope that such court would deem valid and enforceable, and that such court has the authority under this Agreement to rewrite (or "blue-pencil") the restriction(s) at-issue to achieve this intent.

6. Non-Waiver. Any waiver by the Company of my breach of any term, condition, or provision of this Agreement shall not operate or be construed as a waiver of the Company's rights upon any subsequent breach.

7. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, I HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING OUT OF, UNDER, IN CONNECTION WITH, OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS INCLUDES, WITHOUT LIMITATION, ANY LITIGATION CONCERNING ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN), OR ACTION OF THE COMPANY OR ME, OR ANY EXERCISE BY THE COMPANY OR ME OF OUR RESPECTIVE RIGHTS UNDER THIS AGREEMENT OR IN ANY WAY RELATING TO THIS AGREEMENT. I FURTHER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE COMPANY TO ISSUE AND ACCEPT THIS AGREEMENT.

8. Continuation of Employment. This Agreement does not constitute a contract of employment or an implied promise to continue my employment or status with the Company; nor does this Agreement affect my rights or the rights of the Company to terminate my employment status at any time with or without cause.

9. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of Tennessee, without regard to principles of conflict of laws.

10. Superseding Agreement. This Trade Secret and Proprietary Information Agreement supersedes any and all previous agreements of the same or similar nature between you and the Company.

As indicated by my signature below, I agree to abide and be bound by the terms and conditions of this Trade Secret and Proprietary Information Agreement:

_____ Date: ___/___/___
Kevin O'Hara

HEALTHSTREAM, INC.
INSIDER TRADING POLICY

Overview

HealthStream, Inc. (the “Company”) has adopted this Insider Trading Policy (this “Trading Policy”), which (i) places limitations on transactions in Company securities for all Company directors and employees (collectively, “Company Persons”), and (ii) places certain additional limitations on transactions in Company securities for all directors, executive officers, and certain other key employees, including vice presidents and associate vice presidents of the Company, who may have access to material nonpublic information in the performance of their duties, as well as those who are designated as insiders by the General Counsel of the Company from time to time (“Insiders”). This Trading Policy is also addressed in the HealthStream, Inc. Code of Conduct (the “Insider Trading Statement”), which also has been furnished to you.

Severe civil and criminal penalties can be imposed on individuals and corporations convicted of violations. Ultimately, it is the obligation of all Company Persons to understand and comply with this Trading Policy and the Insider Trading Statement, and the laws and regulations concerning insider trading. In all cases, the responsibility for determining whether any Company Person is aware of material non-public information rests with such Company Person, and any action on the part of the Company or any other employee or any director pursuant to this Trading Policy (or otherwise) does not constitute legal advice or insulate a person from liability under applicable securities laws.

Prohibition Against Insider Trading for all Company Persons

Company Persons who know any “material” fact about the Company which has not been disclosed to the public (“material non-public information”) may not buy or sell, or (except as otherwise provided herein) otherwise engage in transactions with respect to, the Company’s securities until a reasonable amount of time has passed after the information has been disclosed to the public as more specifically provided below. Determining whether information is “material” requires consideration of all relevant facts and circumstances. “Material” information means facts that would be likely to cause the value of the stock to go up or down or that a reasonable shareholder would consider important in deciding whether to buy or sell. Examples include knowledge of new products or discoveries; unpublished clinical trial results; earnings or dividend figures; significant bank borrowings or any significant financing transactions (including an offering or stock or debt securities); liquidity concerns; significant breaches of information technology systems or other events impacting cybersecurity; new contracts with consultants, contractors, content providers, distributors or partners; tender offers; acquisitions; mergers; and sales of businesses.

Information is generally considered to be non-public until it has been widely disseminated. For example, information found in a report filed with the SEC, or appearing in Dow Jones or other financial news services, *The Wall Street Journal*, *Barron’s*, *The Financial Times*, or other financial websites and publications of general circulation is typically considered to be widely disseminated. By contrast, information would likely not be considered widely disseminated if it is available only to the Company’s employees. As a general rule, information should not be considered fully absorbed by the marketplace until the completion of two full trading days after the information is released.

To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper transaction (that could result, for example, where an Insider engages in a trade while unaware of a pending major development), certain additional procedures and provisions, including the pre-clearance procedures set forth below, must be followed by all Insiders.

Trading Windows and Preclearance For Insiders

In general, Insiders will be permitted to trade in Company securities only for a period (i) beginning at the opening of trading on the trading day following two full trading days after the public release of quarterly or annual earnings (e.g., if the Company issues its earnings release after the close of trading on Monday, then trading will be permitted at the opening of trading on Thursday), and (ii) extending through the close of trading on the fourteenth day of the last month in the then current calendar quarter (i.e., March 14th for the first quarter, June 14th for the second quarter, etc.). For each trade in Company securities made by Insiders during this period, at least one business day’s prior written notice (including via e-mail) must be given to the General Counsel or Chief Financial Officer of the Company, and the General Counsel or Chief Financial Officer must provide pre-clearance before any such trade may be made. Even during this trading window period, trading will not be permissible if (i) the Insider is at the time aware of material nonpublic information, (ii) a “blackout period” is otherwise implemented as provided below, or (iii) any such trade is otherwise not pre-cleared by the General Counsel or Chief Financial Officer. **All transactions in Company securities that are being considered by an Insider outside of this window period will also require at least one business day’s prior written notice (including via e-mail) and must be expressly pre-cleared by both the General Counsel and the Chief Financial Officer of the Company, who may consult with the Company’s outside counsel prior to clearing any such transaction. It should be understood that such a preclearance with respect to any purchase or sale of Company securities outside of the trading window period will be a rare exception rather than the general rule.**

If, upon requesting preclearance with respect to any window period, an Insider is advised that Company securities may be traded, the individual may trade such securities within five business days after receiving such preclearance (or three business days after receiving such preclearance, in the case of any trade outside of the trading window period), provided that the individual does not become aware of material nonpublic information during that time. If for any reason the trade is not completed within such five business days (or three business days, as applicable), preclearance must be obtained again before the securities may be traded.

If, upon requesting preclearance, an Insider is advised that the securities may not be traded, the individual may not buy or sell any securities under any circumstances nor may the Insider inform anyone within or outside the Company of the restriction. This trading restriction will remain in effect until the individual subsequently receives preclearance to trade.

Certain Transactions

The restrictions set forth in this Trading Policy, including trading window and blackout period restrictions, and preclearance requirements, will not apply to stock option exercises, provided that all shares acquired are held after option exercise. Open market sales of stock in connection with a stock option exercise, including in connection with any broker-assisted cashless exercise, however, are covered by this Trading Policy. In addition, the restrictions set forth in this Trading Policy, including the trading window and blackout period restrictions, and pre-clearance requirements, will not apply in connection with the exercise of any tax withholding right under any equity awards granted to employees of the Company pursuant to which securities of the Company are withheld to satisfy tax withholding requirements, provided that any such withholding does not involve any market sale of Company securities. Moreover, while any purchase of Company securities by any Insider from the Company or any sale of Company securities by any Insider to the

Company generally do not raise insider trading issues, any such transactions are subject to the pre-clearance procedures set forth above to ensure compliance with all applicable legal requirements.

Bona fide gifts of securities of the Company involving Insiders will be subject to the preclearance requirements set forth above applicable to other transactions involving Company securities, but are not otherwise subject to this Trading Policy except for the Post-Transaction Reporting requirements below.

In addition, transactions involving securities held by or in the name of any family members who reside with any Company Person (including a spouse, children, parents, siblings or other relatives), anyone else who lives in a Company Person's household, any family members of any Company Person who do not live in the Company Person's household but whose transactions in the Company's securities are directed by any Company Person or are subject to any Company Person's influence of control, as well as other entities such as trusts, corporations, and partnerships in respect of which any Company Person has influence of control, are also restricted to the same extent as set forth herein (any individual or entity referenced in this paragraph, a "Related Person").

Blackout Periods

From time to time, even during a trading window period, Insiders or other Company Persons also may be advised by the Company that, because of material developments affecting the Company, no trading is permissible until further notice (a so-called "blackout period"). Any such blackout period may apply to some or all of the Insiders, or other Company Persons, as may be determined by the Company. The existence of any such blackout period will not be announced to the Company as a whole, and should not be communicated to any other person.

Other Company Securities

In addition, no Company Person who, in the course of providing services for the Company, learns of material nonpublic information about a company with which the Company does business, including a customer, partner, vendor, or supplier of the Company, may trade in that company's securities, until the information becomes public or is no longer material.

Post-Transaction Reporting

After receiving pre-clearance pursuant to this Trading Policy as set forth above, directors and executive officers must report to the Company any transaction (including any gift or transfer to a trust) in Company securities by the individual, or any Related Person of such individual, **within 24 hours of initiating such transaction**. In addition, because beneficial ownership may be affected by transactions involving Company securities held by or in the name of entities such as trusts, corporations, and partnerships in which an Insider has an interest, such transactions also must be reported to the Company in accordance with this Trading Policy, including providing notice of at least one business day prior to initiating any such transaction. Each report the individual makes to the Company pursuant to the first sentence of this paragraph should include the date of the transaction, quantity, price, and broker through which the transaction was effected. This reporting requirement may be satisfied by sending (or having the broker send) duplicate confirmations of trades to the General Counsel or Chief Financial Officer of the Company by the required date.

Anti-Hedging Policy

The Board of Directors of the Company believes that it is inappropriate for Insiders to hedge or monetize transactions to lock in the value of holdings in the Company's securities. Such transactions, while allowing the holder to own the Company's securities without the full risks and rewards of ownership, potentially separate the holder's interests from those of the public shareholders of the Company. Moreover, certain short-term or speculative transactions in the Company's securities create the potential for heightened legal risk and/or the appearance of improper or inappropriate conduct involving the Company's securities. Therefore, Insiders are prohibited from engaging in any such transactions involving the Company's securities.

"Short-Swing" Liability

The above reporting requirement is designed to help monitor compliance with this Trading Policy and to enable the Company to help those persons who are subject to reporting obligations under Section 16(a) of the Securities Exchange Act of 1934 to comply with such reporting obligations. Each director and executive officer, however, and not the Company, is personally responsible for ensuring that his or her transactions do not give rise to "short-swing" liability under Section 16(b) and for filing timely reports of transactions with the Securities and Exchange Commission as required by Section 16(a).

Section 16(b) provides that any "profit" realized by an executive officer or director from any non-exempt purchase and sale or non-exempt sale and purchase of any equity security of the Company within any period of less than six months shall be reimbursed to the Company. Unlike other provisions relating to insider trading, intent to take unfair advantage of material nonpublic information is not required for recovery under Section 16(b). In other words, transactions in the Company's securities within six months of one another can lead to disgorgement of any profits irrespective of the reasons for or purposes of the transaction or whether an Insider is aware of any material nonpublic information. It is also irrelevant for Section 16(b) purposes whether the purchase or sale comes first, as the courts will automatically match the lowest purchase price with the highest sale price within a six month period. Note that this automatic formula could result in an executive officer or director having to pay the Company a "profit" made on such transactions even though such person may have suffered an economic loss on such transactions.

Other Securities Law Restrictions

The federal securities laws also impose on each person who is an "affiliate" (which generally includes all directors and executive officers, and may include 10% or more shareholders) other restrictions that are not related to the possession of material nonpublic information. Even if an affiliate is not aware of material nonpublic information, an affiliate may not publicly sell securities of the Company unless such sale is covered by an effective registration statement or is being made pursuant to Rule 144 (unless another exemption from registration is available). If an affiliate is permitted to make a public sale pursuant to this Trading Policy, an Insider should advise the General Counsel as well as his or her broker that he or she is selling pursuant to Rule 144 and he or she may be obligated to file a Form 144 with the Securities and Exchange Commission. Rule 144 limits the amount of Common Stock that may be sold in any three-month period by an affiliate to the greater of (i) 1% of the outstanding shares, or (ii) the average weekly reported trading volume of the Company's Common Stock for the prior four weeks. Rule 144 also imposes other requirements in connection with sales by affiliates relating to the Company's being current in its SEC reporting and the manner of sale. The General Counsel and Chief Financial Officer are able to advise and provide assistance in connection with such transactions.

In addition, when the Company is engaged in a distribution of its securities through a public offering or otherwise, an Insider may be restricted from purchasing any Company securities, whether or not he or she is aware of material nonpublic information, under Regulation M until such distribution has been completed. If there are any questions about purchases while the Company is engaged in such a distribution, advice should be sought from the General Counsel or Chief Financial Officer.

10b5-1 Plans

Rule 10b5-1 provides a defense from insider trading liability under SEC Rule 10b-5. To be eligible to rely on this defense, a person must enter into a "10b5-1 plan" for trading in the Company's securities. Any Company Person subject to the terms of this Insider Trading Policy may enter into a 10b5-1 plan in accordance with the terms set forth below.

In general, a 10b5-1 plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Moreover, Rule 10b5-1 requires cooling off periods for directors, officers and other employees between the time at which any Rule 10b5-1 plan is adopted and the time at which any transactions may be initiated under any such plan.

A Company Person may enter into a 10b5-1 plan only if the plan meets the requirements of Rule 10b5-1 and the plan is approved in advance by the Company's General Counsel. In addition, any amendment or termination of any 10b5-1 plan entered into by a Company Person requires approval in advance by the Company's General Counsel. Any purchases and sales that occur pursuant to a Rule 10b5-1 plan adopted in accordance with the terms of this Trading Policy do not require pre-clearance and may occur at a time when purchasing and selling securities of the Company would otherwise be prohibited under this Trading Policy. However, directors and executive officers must still comply with the post-transaction reporting requirements in connection with any purchases and sales made pursuant to any Rule 10b5-1 plan as the result of the fact that such purchases and sales will still be subject to applicable reporting requirements under Section 16, as well as (in the case of sales) to applicable requirements under Rule 144.

Short Sales

Short sales of securities of the Company (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of securities of the Company by any Company Person are prohibited. In addition, Section 16(c) of the Securities Exchange Act of 1934 prohibits officers and directors from engaging in short sales.

Post-Termination Transactions

This Policy continues to apply to transactions in the Company's securities by any Company Person even after termination of such Company Person's service with the Company, and any such Company Person in possession of material nonpublic information when such Company Person's service terminates may not engage in transactions in Company securities outside of any trading window or during any blackout period to the same extent as provided herein, until such time that any information has become public or is no longer material.

Trading in Securities by the Company

The Company will not engage in transactions in the Company's securities, except in compliance with applicable securities laws.

Tipping

Company Persons can be legally liable if someone outside the Company trades in Company securities based on a "tip" of nonpublic information given by an Insider. Thus, even if any Company Person (to the extent applicable) receives preclearance and a trading window period is in effect, a Company Person, his or her spouse, children, parents and siblings, and any other relative sharing his or her household may not "tip" or trade in Company securities if he or she is aware of material nonpublic information about the Company. Company Persons should use extreme caution when discussing the Company with anyone outside of the Company and should not recommend buying or selling Company securities. Making recommendations can easily result in accidental disclosure of material nonpublic information or be viewed as tipping.

Compliance with Insider Trading Statement

The procedures set forth in this Trading Policy are in addition to the policies set forth in the Insider Trading Statement. Company Persons are responsible for complying with both the Insider Trading Statement and this Trading Policy.

Questions and Reporting of Failure to Follow this Trading Policy

If there are any questions regarding this Trading Policy or the Insider Trading Statement, please contact the General Counsel or Chief Financial Officer of the Company at (615) 301-3100. Should any Company Person become aware that any other officer, director, or employee is violating, or about to violate, this policy, the Company Person should report such information immediately to the General Counsel or Chief Financial Officer of the Company. Remember, that the ultimate responsibility for adhering to this Trading Policy and avoiding improper transactions rests with Company Persons. In this regard, it is imperative that Company Persons use their best judgment.

After you have read this Trading Policy and believe you understand it, please sign and return the attached Certification to the General Counsel of the Company.

CERTIFICATION

I acknowledge that I have received copies of the Insider Trading Policy and the Statement of Policy Regarding Insider Trading and Securities Trading included in the HealthStream, Inc. Code of Conduct, and certify that I have read, understand, and will comply with the policies and procedures set forth in such documents. I understand that my failure to comply in all respects with the Company's policies, including the Insider Trading Policy, can be a basis for termination of my employment, or my status as director of, the Company and any subsidiary thereof.

Date: _____

Signature: _____

Print Name: _____

SUBSIDIARIES OF HEALTHSTREAM, INC.

<u>Names Under Which We Do Business</u>	State or Other Jurisdiction of Incorporation or <u>Organization</u>
HealthStream Information Solutions Company	Nova Scotia, Canada
HSTM Group Australia PTY Limited	Australia
HSTM Group New Zealand	New Zealand

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-263949) of HealthStream, Inc.; and
- (2) Registration Statement (Form S-8 No. 333-265242) pertaining to the HealthStream, Inc. 2022 Omnibus Incentive Plan

of our reports dated February 28, 2025, with respect to the consolidated financial statements of HealthStream, Inc. and the effectiveness of internal control over financial reporting of HealthStream, Inc. included in this Annual Report (Form 10-K) of HealthStream, Inc. for the year ended December 31, 2024.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 28, 2025

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K 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 : February 28, 2025

/s/ ROBERT A. FRIST, JR.
Robert A. Frist, Jr.
Chief Executive Officer

CERTIFICATION

I, Scott A. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K 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 : February 28, 2025

/s/ SCOTT A. ROBERTS
Scott A. Roberts
Chief Financial Officer

**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 Annual Report of HealthStream, Inc. (the "Company") on Form 10-K for the year ending December 31, 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. §1350, as adopted pursuant to §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
February 28, 2025

**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 Annual Report of HealthStream, Inc. (the "Company") on Form 10-K for the year ending December 31, 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. § 1350, as adopted pursuant to §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
February 28, 2025