

HEALTHSTREAM INC
Form 10-Q
July 30, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

Commission File No.: 000-27701

HealthStream, Inc.

(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of

62-1443555
(I.R.S. Employer

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incorporation or organization)

Identification No.)

209 10th Avenue South, Suite 450

Nashville, Tennessee
(Address of principal executive offices)

37203
(Zip Code)

(615) 301-3100

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 23, 2012, there were 26,173,159 shares of the registrant's common stock outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HEALTHSTREAM, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,341	\$ 76,904
Marketable securities – short-term	64,547	6,552
Accounts receivable, net of allowance for doubtful accounts of \$125 and \$149 at June 30, 2012 and December 31, 2011, respectively	18,545	16,014
Accounts receivable – unbilled	1,236	1,316
Deferred tax assets, current	2,634	5,080
Prepaid royalties, net of amortization	1,898	3,409
Other prepaid expenses and other current assets	2,572	1,804
Total current assets	118,773	111,079
Property and equipment:		
Equipment	16,981	16,362
Leasehold improvements	4,616	4,170
Furniture and fixtures	2,932	2,545
	24,529	23,077
Less accumulated depreciation and amortization	(17,670)	(16,990)
	6,859	6,087
Marketable securities – long-term		5,996
Capitalized software development, net of accumulated amortization of \$9,637 and \$8,344 at June 30, 2012 and December 31, 2011, respectively	8,644	7,940
Goodwill	24,110	21,147
Intangible assets, net of accumulated amortization of \$9,366 and \$8,930 at June 30, 2012 and December 31, 2011, respectively	3,271	1,957
Other assets	501	31
Total assets	\$ 162,158	\$ 154,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,197	\$ 2,585
Accrued liabilities	5,877	5,492
Accrued compensation and related expenses	719	1,612
Deferred revenue	25,743	22,759
Total current liabilities	33,536	32,448

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Deferred tax liabilities, noncurrent	1,023	323
Other long term liabilities	989	551
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value, 75,000 shares authorized; 26,168 and 25,896 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	156,247	154,409
Accumulated deficit	(29,640)	(33,487)
Accumulated other comprehensive income (loss)	3	(7)
Total shareholders' equity	126,610	120,915
Total liabilities and shareholders' equity	\$ 162,158	\$ 154,237

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues, net	\$ 25,841	\$ 21,051	\$ 49,514	\$ 39,557
Operating costs and expenses:				
Cost of revenues (excluding depreciation and amortization)	10,167	7,638	19,742	14,708
Product development	2,182	1,911	4,051	3,697
Sales and marketing	4,678	4,357	10,214	7,864
Other general and administrative expenses	3,201	2,684	6,019	5,227
Depreciation and amortization	1,572	1,355	3,106	2,398
Total operating costs and expenses	21,800	17,945	43,132	33,894
Income from operations	4,041	3,106	6,382	5,663
Other income (expense), net	26	(4)	45	16
Income before income tax provision	4,067	3,102	6,427	5,679
Income tax provision	1,640	1,271	2,580	2,323
Net income	\$ 2,427	\$ 1,831	\$ 3,847	\$ 3,356
Earnings per share:				
Basic	\$ 0.09	\$ 0.08	\$ 0.15	\$ 0.15
Diluted	\$ 0.09	\$ 0.08	\$ 0.14	\$ 0.14
Weighted average shares of common stock outstanding:				
Basic	26,127	22,002	26,063	21,920
Diluted	27,501	23,350	27,418	23,160

See accompanying notes to the condensed consolidated financial statements.

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HEALTHSTREAM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income	\$ 2,427	\$ 1,831	\$ 3,847	\$ 3,356
Other comprehensive income, net of taxes:				
Unrealized gain on marketable securities	10		10	4
Total other comprehensive income	10		10	4
Comprehensive income	\$ 2,437	\$ 1,831	\$ 3,857	\$ 3,360

See accompanying notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2012

(In thousands)

	Common Stock		Accumulated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
	Shares	Amount	Deficit		
Balance at December 31, 2011	25,896	\$ 154,409	\$ (33,487)	\$ (7)	\$ 120,915
Net income			3,847		3,847
Other comprehensive income				10	10
Issuance of common stock in acquisition	22	575			575
Stock based compensation expense		541			541
Exercise of stock options	250	722			722