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HealthStream, Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). We'll go first to Vincent Colicchio with Global Financial.

Vincent Colicchio - Global Financial

Good morning, guys. Bobby, you said that you had 53 – I believe Gerry said 53 new research clients – excuse me, existing clients renew their agreements. How many research clients do you have, to give us a sense for how large a number that is?

Robert Frist

I believe our research base represents about 1,100 U.S. hospitals. That's over a fewer number of accounts, because several of them are large health systems. But 1,100 hospitals are counted in that number.

Vincent Colicchio - Global Financial

Okay. And in terms of the Research business, the slowdown, to what extent is the economy a factor? Is that an issue or could you give us more color on what you think is affecting things there, if it's not the economy?

Robert Frist

Well, I'm not sure that it's the economy. I think it's obviously new. We're combining these two businesses over the last 12 months. I think Eddie Pearson, the president of that group, has done a really fine job. Again, we're growing the sales organization. A lot of new sales people in the first half of the year are just getting their feet on the ground and they are ramping up a little slower than we had hoped and expected. But we're pleased with them and look forward to their growing, improved performance. So I would like to say it's probably more of just finishing up integration work and ramping up the sales team slower than projected.

But the business as a whole is a good cash contributor and cash flow generator. And it's going to be a challenge this year to grow, but I think we can address that early next year as these sales teams ramp up, and we keep looking how to build the sales and marketing engine for that organization. So,

it is challenged. I won't blame it on the economy. We will say that it's just a challenging ramp-up that we're having right now in the second quarter, but we'll get through it.

Vincent Colicchio - Global Financial

Moving on to the learning side of the business, could you give us an update on new products? I know that BLS product is in the market, and the ACLS is something you're expecting to see in the market, I think in mid-year this year. And I think the Competency Center product is something you hope to have some success with in the second half of the year. Can you talk to those three products?

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