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## HealthStream, Inc. Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator Instruction). Our first question is coming from Benjamin Green with Avondale Partners.

**Benjamin Green**

Good morning guys. I was hoping you could provide a little more color around revenue growth in 2008, specifically you guided down in the first quarter margins due to higher than anticipated research mix. Are we supposed to infer then with the increase in 2008, as a fiscal year margin that that mix will be down on the year?

**Art Newman**

Let me see, we had a downed quarter compared to the fourth quarter based on the seasonality of the research business. Principally it's in the physician and employee survey instrument.

**Benjamin Green**

Okay.

**Art Newman**

We see that as I mentioned grow pretty significantly again it has been punched into the center part of the year. So year-over-year growth of the HealthStream Research is up about. 13% or 14%, It's the way it spread it causing some bumps, if you will, or variations of the top line revenue projection. Also I think you had raised the question about the margins, of the four instruments, the employee and the physician have a higher profit margin than do the patient and the community prox. So when they fall, when they are down over previous quarter then you are going to see an impact in the gross profit.

**Benjamin Green**

Okay. That's helpful. Thank you.

**Art Newman**

Sure.

**Benjamin Green**

Also contribution on the new products, I know you went into specifically the Competency Center. Can we expect some significant contribution probably in the second half of the year is that you are going to think about it?

**Art Newman**

Well, so we pretty conservative in the contribution and particularly the HealthStream Competency Center. We have it beginning to generate revenue recognition in the beginning of the third quarter. We do have implementation revenues that we would pick up in the first and second quarter. So we have been conservative in the revenue recognition although licensing fee for that product. But I think the end-year impact is probably under half a million dollar to this point in time. And that just began because of the nature of the subscription products. So if you have started in July, you only get a half year, whatever the fees that you charged to the customer. So as they radically go through the third and fourth quarter, there is minor impact in '08, but there would be much more significant impact in '09.

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