UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2026

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: 001-38993

HEALTH CATALYST, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-3337483**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10897 South River Front Parkway #300
South Jordan UT 84095
(Address of principal executive offices, including zip code)

(801) 708-6800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value $0.001 per share	**HCAT**	**The Nasdaq Global Select Market**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	☒ Emerging growth company	☐
☐ Non-accelerated Filer	☐ Smaller reporting company		

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

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

As of July 31, 2026, the Registrant had 75,256,381 shares of common stock outstanding.

HEALTH CATALYST, INC.

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Special Note Regarding Forward-looking Statements

As used in this Quarterly Report on Form 10-Q, unless expressly indicated or the context otherwise requires, references to "Health Catalyst," "we," "us," "our," "the Company," and similar references refer to Health Catalyst, Inc. and its consolidated subsidiaries. This Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are only predictions based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including those relating to future events or our future financial performance and financial guidance. These forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions, generally relate to future events or our future financial or operating performance. In some cases, you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would," "target," "project," or "contemplate," the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of expectations, projections, plans, strategy, intentions, or future results of operations or financial performance. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our:

- ability to attract new clients and retain and expand our relationships with existing clients;
- ability to expand our service offerings, develop new platform features, and rollout and migrate existing DOS clients to our new platform, Health Catalyst Ignite;
- the effects of the migration of DOS clients to Ignite, including clients reducing or eliminating their spend with us and client churn or down-selling in connection with the migration to Ignite or otherwise;
- future financial performance, including fluctuations in our revenue, costs of revenue, gross margin, operating expenses, and cost structure;
- ability to compete successfully in competitive markets;
- ability to respond to rapid technological changes and our ability to execute on strategic changes to our business;
- expectations and management of future results and strategic changes;
- ability to enter new markets and manage our expansion efforts, particularly internationally;
- ability to attract and retain highly-qualified employees, whom we refer to as team members;
- ability to effectively and efficiently protect our brand;
- ability to timely scale and adapt our infrastructure and use our Artificial Intelligence;
- ability to maintain, protect, and enhance our intellectual property and not infringe upon others' intellectual property;
- ability to successfully identify, acquire, and integrate companies and assets and to strategically divest portions of our business;
- expectations regarding our key financial and operating metrics, including any changes in how we calculate our metrics or the metrics we present; and
- expectations regarding the impact of any macroeconomic challenges (including high inflationary and/or high interest rate environments, uncertainty with tariffs, cuts in Medicaid and research funding, or market volatility and measures taken in response thereto), the tight labor market, any natural disasters or new public health crises, and regional or global conflicts (including the conflicts in the Middle East), on our business and results of operations.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled "Risk Factors" in this Quarterly Report on Form 10-Q and other documents that may be filed by us from time to time with the Securities and Exchange Commission (the SEC). Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements and you should not place undue reliance on our forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

You should read this Quarterly Report on Form 10-Q in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2025, included in our Annual Report on Form 10-K.

Summary of Risk Factors

- We operate in a highly competitive industry, and if we are not able to compete effectively, our business and results of operations will be harmed.
- We may be unable to successfully execute on our growth and client retention initiatives, business strategies, or operating plans as well as cost reduction and restructuring initiatives.
- If we fail to effectively manage our growth and organizational change, our business and results of operations could be harmed.
- Macroeconomic challenges (including high inflationary and/or high interest rate environments, uncertainty with tariffs, cuts in Medicaid and research funding, or market volatility and measures taken in response thereto), the tight labor market, any natural disasters or new public health crises, and regional or global conflicts (including the conflicts in the Middle East) could harm our business, results of operations, and financial condition.
- If we do not continue to innovate and provide services that are useful to clients and users, we may not remain competitive, and our revenue and results of operations could suffer.
- Our business could be adversely affected if our clients are not satisfied with our cloud-based data platform, software analytics applications, and expertise (our Solution).
- If our existing clients do not continue or renew their contracts with us, renew at lower fee levels, or decline to purchase additional technology and services from us, it could have a material adverse effect on our business, financial condition, and results of operations.
- Our business and operations may suffer in the event of information technology system failures, cyberattacks, or deficiencies in our cybersecurity.
- Actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards and other requirements could adversely affect our business, results of operations, and financial condition.
- Our Solution is dependent on our ability to source data from third parties, and such third parties could take steps to block our access to data, or increase fees or impose fees for such access, which could impair our ability to provide our Solution, limit the effectiveness of our Solution, or adversely affect our financial condition and results of operations.
- Our results of operations have in the past fluctuated and may continue to fluctuate significantly, and if we fail to meet the expectations of securities analysts or investors, our stock price and the value of an investment in our common stock could decline substantially.
- Our term loan facility exposes us to interest rate risks, contains covenants and other provisions that restrict our ability to take certain actions, and may limit our ability to operate or grow our business in the future.
- Our pricing may change over time and our ability to efficiently price our Solution will affect our results of operations and our ability to attract or retain clients.
- If our Solution fails to provide accurate and timely information, or if our content or any other element of our Solution is associated with faulty clinical decisions or treatment, we could be exposed to litigation, investigations or have liability to clients, clinicians, patients, or others, which could adversely affect our results of operations.

- Our increasing reliance on AI and machine learning technologies may expose us to significant risks, including development and deployment challenges, regulatory uncertainties, and potential third-party claims, which could adversely affect our reputation, business, results of operations, and financial condition.
- Because competition for our target employees is intense, we may not be able to attract and retain the highly skilled employees we need to support our continued growth.
- We rely on third-party providers, including Microsoft Azure, for computing infrastructure, network connectivity, and other technology-related services needed to deliver our Solution. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.
- We rely on Internet infrastructure, bandwidth providers, data center providers, other third parties, and our own systems for providing our Solution to our users, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation, potentially require us to issue credits to our clients, and negatively impact our relationships with users or clients, adversely affecting our brand and our business.
- Failure by our clients to obtain proper permissions and waivers may result in claims against us or may limit or prevent our use of data, which could harm our business.
- The market for our common stock has decreased in recent periods, may be volatile, and may further decline for many reasons, including reasons that are not related to our operating performance.

Part I. Financial Information

Item 1. Financial Statements

HEALTH CATALYST, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	As of June 30, 2026	As of December 31, 2025
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 60,589	$ 50,814
Short-term investments	42,850	44,918
Accounts receivable, net[(1)]	41,901	59,128
Prepaid expenses and other assets	11,627	14,447
Assets held for sale	91,424	—
Total current assets	248,391	169,307
Property and equipment, net	33,472	33,838
Intangible assets, net	56,121	77,678
Operating lease right-of-use assets	5,939	6,640
Goodwill	11,101	209,073
Other assets	3,580	6,107
Total assets	$ 358,604	$ 502,643
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 8,338	$ 9,363
Accrued liabilities	23,595	18,697
Deferred revenue[(1)]	42,534	56,107
Operating lease liabilities	3,698	3,779
Current portion of long-term debt	1,627	1,627
Liabilities associated with assets held for sale	12,133	—
Total current liabilities	91,925	89,573
Long-term debt, net of current portion	151,852	151,624
Deferred revenue, net of current portion	425	410
Operating lease liabilities, net of current portion	12,800	14,208
Contingent consideration liabilities	—	250
Other liabilities	775	798
Total liabilities	257,777	256,863

Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, $0.001 par value per share; 25,000,000 shares authorized and no shares issued and outstanding as of June 30, 2026 and December 31, 2025	—	—
Common stock, $0.001 par value per share, and additional paid-in capital; 500,000,000 shares authorized as of June 30, 2026 and December 31, 2025; 74,598,492 and 72,027,332 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	1,616,004	1,608,840
Accumulated deficit	(1,516,209)	(1,364,646)
Accumulated other comprehensive income	1,032	1,586
Total stockholders' equity	100,827	245,780
Total liabilities and stockholders' equity	$ 358,604	$ 502,643

(1) Includes amounts attributable to related party transactions. See Note 18 for further details.

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue[1]:				
Technology	$ 48,795	$ 52,876	$ 98,263	$ 104,358
Professional services	21,692	27,845	42,980	55,776
Total revenue	70,487	80,721	141,243	160,134
Cost of revenue, excluding depreciation and amortization:				
Technology	18,188	18,352	35,471	35,917
Professional services	17,439	24,128	35,449	49,741
Total cost of revenue, excluding depreciation and amortization	35,627	42,480	70,920	85,658
Operating expenses:				
Sales and marketing	10,360	13,206	20,945	27,944
Research and development	11,026	12,392	20,805	27,578
General and administrative	11,928	8,284	25,888	22,446
Depreciation and amortization	10,979	12,684	23,094	25,004
Goodwill impairment	27,047	28,769	122,548	28,769
Total operating expenses	71,340	75,335	213,280	131,741
Loss from operations	(36,480)	(37,094)	(142,957)	(57,265)
Interest and other expense, net	(3,742)	(3,803)	(7,877)	(7,159)
Loss before income taxes	(40,222)	(40,897)	(150,834)	(64,424)
Income tax provision	(315)	(81)	(729)	(296)
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)
Net loss per share, basic and diluted	$ (0.55)	$ (0.59)	$ (2.07)	$ (0.94)
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted	73,960	69,626	73,280	69,092

(1) Includes amounts attributable to related party transactions. See Note 18 for further details.

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)
Other comprehensive income (loss):				
Change in net unrealized losses on available for sale investments	(29)	(4)	(95)	(78)
Change in foreign currency translation adjustment	52	2,096	(459)	3,145
Comprehensive loss	$ (40,514)	$ (38,886)	$ (152,117)	$ (61,653)

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

(unaudited)

	Three Months Ended June 30, 2026				
	Common Stock and Additional Paid-in Capital		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 31, 2026	73,748,666	$ 1,612,808	$(1,475,672)	$ 1,009	$ 138,145
Vesting of restricted stock units	636,678	—	—	—	—
Issuance of common stock under employee stock purchase plan	213,148	360	—	—	360
Stock-based compensation	—	2,836	—	—	2,836
Net loss	—	—	(40,537)	—	(40,537)
Other comprehensive income	—	—	—	23	23
Balance as of June 30, 2026	74,598,492	$ 1,616,004	$(1,516,209)	$ 1,032	$ 100,827

	Three Months Ended June 30, 2025				
	Common Stock and Additional Paid-in Capital		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 31, 2025	69,481,638	$ 1,587,085	$(1,210,414)	$ 140	$ 376,811
Vesting of restricted stock units and restricted shares	472,888	—	—	—	—
Issuance of common stock under employee stock purchase plan	312,903	1,003	—	—	1,003
Stock-based compensation	—	8,619	—	—	8,619
Net loss	—	—	(40,978)	—	(40,978)
Other comprehensive income	—	—	—	2,092	2,092
Balance as of June 30, 2025	70,267,429	$ 1,596,707	$(1,251,392)	$ 2,232	$ 347,547

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data)
(unaudited)

	Six Months Ended June 30, 2026				
	Common Stock and Additional Paid-in Capital		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2025	72,027,332	$ 1,608,840	$(1,364,646)	$ 1,586	$ 245,780
Vesting of restricted stock units	2,358,012	—	—	—	—
Issuance of common stock under employee stock purchase plan	213,148	360	—	—	360
Stock-based compensation	—	6,804	—	—	6,804
Net loss	—	—	(151,563)	—	(151,563)
Other comprehensive loss	—	—	—	(554)	(554)
Balance as of June 30, 2026	74,598,492	$ 1,616,004	$(1,516,209)	$ 1,032	$ 100,827

	Six Months Ended June 30, 2025				
	Common Stock and Additional Paid-in Capital		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2024	64,043,799	$ 1,552,714	$(1,186,672)	$ (835)	$ 365,207
Vesting of restricted stock units and restricted shares	1,453,745	—	—	—	—
Issuance of common stock under employee stock purchase plan	312,903	1,003	—	—	1,003
Stock-based compensation	—	16,406	—	—	16,406
Stock repurchases	(1,103,601)	(5,000)	—	—	(5,000)
Issuance of common stock related to acquisitions	5,560,583	31,584	—	—	31,584
Net loss	—	—	(64,720)	—	(64,720)
Other comprehensive income	—	—	—	3,067	3,067
Balance as of June 30, 2025	70,267,429	$ 1,596,707	$(1,251,392)	$ 2,232	$ 347,547

The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTH CATALYST, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)(unaudited)

	Six Months Ended June 30,	
	2026	**2025**
Cash flows from operating activities		
Net loss	$ (151,563)	$ (64,720)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	6,479	15,866
Depreciation and amortization	23,094	25,004
Non-cash operating lease expense	1,171	1,484
Amortization of debt discount, issuance costs, and deferred financing costs	1,154	2,089
Investment discount and premium accretion	(502)	(933)
Provision for expected credit losses	1,048	1,110
Deferred tax provision	104	(157)
Change in fair value of contingent consideration liabilities	(250)	(5,168)
Goodwill impairment	122,548	28,769
Other	219	(784)
Change in operating assets and liabilities:		
Accounts receivable, net	10,708	(10,633)
Prepaid expenses and other assets	3,663	2,468
Accounts payable, accrued liabilities, and other liabilities	5,080	(12,638)
Deferred revenue	(2,282)	11,423
Operating lease liabilities	(1,885)	(1,897)
Net cash provided by (used in) operating activities	18,786	(8,717)
Cash flows from investing activities		
Proceeds from the sale and maturity of short-term investments	46,100	143,208
Purchase of short-term investments	(43,667)	(46,760)
Acquisition of businesses, net of cash acquired	—	(41,114)
Capitalization of internal-use software	(9,410)	(10,086)
Purchases of property and equipment	(683)	(440)
Purchase of intangible assets	(859)	(296)
Proceeds from the sale of property and equipment	15	25
Net cash (used in) provided by investing activities	(8,504)	44,537
Cash flows from financing activities		
Proceeds from employee stock purchase plan	360	1,003
Repurchase of common stock	—	(5,000)
Repayment of debt	(814)	(230,814)
Net cash used in financing activities	(454)	(234,811)
Effect of exchange rate changes on cash and cash equivalents	(53)	58
Net increase (decrease) in cash and cash equivalents	9,775	(198,933)

Cash and cash equivalents at beginning of period	50,814	249,645
Cash and cash equivalents at end of period	$ 60,589	$ 50,712
Supplemental disclosures of non-cash investing and financing information		
Common stock issued in connection with acquisitions	$ —	$ 31,584
Stock-based compensation capitalized as internal-use software	325	540
Purchase of property and equipment included in accounts payable	34	31
Capitalized internal-use software included in accounts payable and accrued liabilities	199	262
Operating lease right-of-use assets obtained in exchange for operating lease obligations	—	951

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Nature of operations

Health Catalyst, Inc. (Health Catalyst) was incorporated under the laws of Delaware in September 2011. We are a leading provider of data and analytics technology and services to healthcare organizations. Our Solution comprises our cloud-based data platform, software analytics applications, and professional services expertise. Our clients, which are primarily healthcare providers, use our Solution to manage their data, derive analytical insights to operate their organization, and produce measurable clinical, financial, and operational improvements.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and the applicable regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2025 included in our Annual Report on Form 10-K.

Interim unaudited condensed consolidated financial statements

The accompanying interim condensed consolidated balance sheet as of June 30, 2026, the interim condensed consolidated statements of operations for the three and six months ended June 30, 2026 and 2025, the interim condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2026 and 2025, our interim condensed consolidated statements of stockholders' equity for the three and six months ended June 30, 2026 and 2025, and our interim condensed consolidated statements of cash flows for the six months ended June 30, 2026 and 2025 are unaudited. Our condensed consolidated balance sheet as of December 31, 2025 was derived from audited financial statements, but does not include all disclosures required by GAAP. Our interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with our annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position, its operations and cash flows for the periods presented. The historical results are not necessarily indicative of future results, and the results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results to be expected for the full year or any other period.

Principles of consolidation

The condensed consolidated financial statements include the accounts of Health Catalyst and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, reserves for expected credit losses, useful lives of property and equipment, capitalization and estimated useful life of internal-use software, impairment assessments of goodwill, intangible assets, and other long-lived assets, allocation of goodwill between held for sale and held for use asset groups, fair value of financial instruments, deferred tax assets, stock-based compensation, contingent consideration, the period of benefit for deferred contract acquisition costs, the incremental borrowing rate used for operating leases, and tax uncertainties. Actual results could differ significantly from those estimates.

Segment reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is evaluated by our Chief Executive Officer, who we have concluded is our chief operating decision maker (CODM) in assessing performance and making decisions regarding resource allocation. We operate our business in two operating segments that also represent our reportable segments. Our segments are (1) technology and (2) professional services.

The CODM is regularly provided with and uses Adjusted Gross Profit as the measure of our profit used to assess performance and allocate resources between the two operating segments. This measure is utilized during our budgeting and forecasting process to assess profitability and enable decision making regarding strategic initiatives, capital investments, and personnel across our two operating segments. Refer to Note 19-Segments for additional details.

Net loss per share

Basic net loss per share is calculated by dividing net loss by the weighted average number of shares of common stock outstanding. Diluted net loss per share is calculated by giving effect to all potentially dilutive common stock equivalents outstanding for the period, when dilutive. For purposes of this calculation, stock options, restricted stock units (RSUs), performance-based restricted stock units (PRSUs), convertible senior notes, restricted shares, shares issuable as acquisition-related contingent consideration, and purchase rights committed under the employee stock purchase plan are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as the effect is anti-dilutive.

Revenue recognition

We derive our revenue primarily from technology subscriptions and professional services. We determine revenue recognition by applying the following steps:

- Identification of the contract, or contracts, with a client;
- 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; and
- Recognition of revenue when, or as, we satisfy the performance obligation.

We recognize revenue net of any taxes collected from clients and subsequently remitted to governmental authorities.

Technology revenue

Technology revenue primarily consists of subscription fees charged to clients for access to use our technology. We provide clients access to our technology through either an all-access or limited-access, modular subscription.

The majority of our subscription arrangements are cloud-based and do not provide clients the right to take possession of the technology or contain a significant penalty if the client were to take possession of the technology. Revenue from cloud-based subscriptions is recognized ratably over the contract term beginning on the date that the service is made available to the client. Our subscription contracts generally have a three- or five-year term, of which many are terminable after one year upon 90 days' notice.

Subscriptions that allow the client to take software on-premise without significant penalty are treated as time-based licenses. These arrangements generally include access to technology, access to unspecified future products, and maintenance and support. Revenue for upfront access to our technology library is recognized at a point in time when the technology is made available to the client. Revenue for access to unspecified future products included in time-based license subscriptions is recognized ratably over the contract term beginning on the date that the access is made available to the client.

Professional services revenue

Professional services revenue primarily includes data and analytics services, domain expertise services, Tech-enabled Managed Services, and implementation services. Professional services arrangements typically include a fee for making full-time equivalent (FTE) services available to our clients on a monthly basis. FTE services generally consist of a blend of analytic engineers, analysts, and data scientists based on the domain expertise needed to best serve our clients. Professional services are typically considered distinct from the technology offerings and revenue is generally recognized as the service is provided using the "right to invoice" practical expedient.

Contracts with multiple performance obligations

Many of our contracts include multiple performance obligations. We account for performance obligations separately if they are capable of being distinct within the context of the contract. In these circumstances, the transaction price is allocated to separate performance obligations on a relative standalone selling price basis. We determine standalone selling prices based on the observable price a good or service is sold for separately when available. In cases where standalone selling prices are not directly observable, based on information available, we utilize the expected cost plus a margin, adjusted market assessment, or residual estimation method. We consider all information available including our overall pricing objectives, market conditions, and other factors, which may include client demographics and the types of users.

Standalone selling prices are not directly observable for our all-access and limited-access technology arrangements, which are composed of cloud-based subscriptions, time-based licenses, and perpetual licenses. For these technology arrangements, we generally use the residual method due to a limited number of standalone transactions and/or prices that are highly variable.

Variable consideration

Variable consideration for usage-based performance obligations, including data hosting, data processing, and related services are recognized in the period in which the usage occurs. We have also entered into at-risk and shared savings arrangements with certain clients whereby we receive variable consideration based on the achievement of measurable improvements that may include cost savings or performance against metrics. For these arrangements, we estimate revenue using the most likely amount that we will receive. Estimates are based on our historical experience and best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. Due to the nature of our arrangements, certain estimates may be constrained until the uncertainty is further resolved.

Contract balances

Contract assets resulting from services performed prior to invoicing clients are recorded as unbilled accounts receivable and are presented on the consolidated balance sheets in aggregate with accounts receivable. Unbilled accounts receivable generally become billable at contractually specified dates or upon the attainment of contractually defined milestones. We record contract liabilities as deferred revenue when cash payments are received or due in advance of performance. Deferred revenue includes advance consideration received from the client and billings in excess of revenue recognized. Refer to Note 17-Contract Balances and Remaining Performance Obligations for additional details.

Deferred costs

We capitalize sales commissions and associated fringe costs, such as benefits and payroll taxes, paid to direct sales personnel and other incremental costs of obtaining contracts with clients, provided we expect to recover those costs. We determine that costs should be deferred based on our sales compensation plans when the commissions are incremental and would not have occurred absent the client contract. As of June 30, 2026 and December 31, 2025, $1.6 million and $1.8 million, respectively, of deferred contract acquisition costs are expected to be amortized within the next 12 months and are included in prepaid expenses and other assets on the condensed consolidated balance sheets. As of June 30, 2026 and December 31, 2025, the remaining $1.8 million and $2.4 million, respectively, of deferred contract acquisition costs are included in non-current other assets.

Commissions paid upon the initial acquisition of a contract are generally amortized on a straight-line basis over an estimated period of benefit of four years. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition. The period of benefit was estimated by considering factors such as estimated average client life, the rate of technological change in our subscription service, and the impact of competition in our industry. As our average client life significantly exceeded the rate of change in our technology, we concluded that the rate of change in the technology underlying our subscription service was the most significant factor in determining the period of benefit for which the asset relates. In evaluating the rate of change in our technology, we considered the competition in our industry, our commitment to continuous innovation, and the frequency of product, platform, and technology updates. We determined that the impact of competition in our industry is reflected in the period of benefit through the rate of technological change. Amortization of deferred contract acquisition costs was $1.0 million and $0.8 million for the three months ended June 30, 2026 and 2025, respectively, and $1.6 million and $1.6 million for the six months ended June 30, 2026 and 2025, respectively, and is included within sales and marketing expense in the condensed consolidated statements of operations.

We defer certain costs to fulfill a contract when the costs are expected to be recovered, are directly related to in-process contracts, and enhance resources that will be used in satisfying performance obligations in the future. These deferred fulfillment costs primarily consist of employee compensation incurred as part of the implementation of new contracts. Amortization of deferred fulfillment costs is included within cost of revenue in the condensed consolidated statements of operations. We periodically review these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit. There were no impairment losses recorded during the periods presented.

Cost of revenue, excluding depreciation and amortization

Cost of technology revenue primarily consists of costs associated with hosting and supporting our technology, including third-party cloud computing and hosting costs, license and revenue share fees, contractor costs, and salary and related personnel costs for our cloud services and support teams. Cost of professional services revenue primarily consists of salary and related personnel costs, travel-related costs, and independent contractor costs. Cost of revenue in the interim condensed consolidated statements of operations excludes costs related to depreciation and amortization.

Cash and cash equivalents

We consider all highly liquid investments purchased with a remaining maturity of three months or less at the time of acquisition to be cash equivalents.

Short-term investments

Our investment policy limits investments to highly-rated instruments. We classify and account for our short-term investments as available for sale securities as we may sell these securities at any time for use in our current operations or for other purposes, even prior to maturity. As a result, we classify our short-term investments, including securities with contractual maturities beyond twelve months, within current assets in the condensed consolidated balance sheets.

Accounts receivable

Accounts receivable are non-interest bearing and are recorded at the original invoiced amount less an allowance for credit losses based on the probability of future collections. Our allowance is based on our estimate of expected credit losses for outstanding trade accounts receivables and unbilled receivables.

We determine expected credit losses based on historical write-off experience, an analysis of the aging of outstanding receivables, client payment patterns, the establishment of specific reserves for clients in an adverse financial condition, and current economic conditions including high interest rates and high inflation, that may impact the collectability of outstanding receivables. We reassess the adequacy of the allowance for credit losses each reporting period. The following table presents a rollforward of the allowance for credit losses (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Allowance for credit losses at the beginning of period	$ 4,200	$ 3,000	$ 3,700	$ 4,200
Provision for expected credit losses	498	300	1,048	1,110
Less: Transferred to assets held for sale	(864)	—	(864)	—
Less: Write-offs, net of recoveries	2	—	(48)	(2,010)
Allowance for credit losses at the end of period	$ 3,836	$ 3,300	$ 3,836	$ 3,300

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in our condensed consolidated balance sheets. We have adopted the short-term lease recognition exemption policy. All of our leasing commitments are classified either as operating leases or otherwise qualify as short-term leases with lease terms of 12 months or less.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our lease contracts do not have a readily determinable implicit rate, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The incremental borrowing rate is the estimated rate incurred to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment.

The operating lease ROU asset also includes any lease payments made and excludes lease executory costs. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the applicable option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable costs related to our leased office space, such as maintenance and utilities based on actual usage, are not included in the measurement of right-of-use assets and lease liabilities, but are expensed as incurred.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Repairs and maintenance costs that do not extend the useful life or improve the related assets are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of each asset category is as follows:

Computer equipment	2-3 years
Furniture and fixtures	3-5 years
Leasehold improvements	Lesser of lease term or estimated useful life
Computer software	2-5 years
Capitalized internal-use software costs	2-5 years

When there are indicators of potential impairment, we evaluate the recoverability of the carrying values by comparing the carrying amount of the applicable asset group to the estimated undiscounted future cash flows expected to be generated by the asset group over the remaining useful life of the primary asset, plus any terminal value, in the asset group. If the carrying amount of the asset group exceeds those estimated future net cash flows, an impairment charge is recognized based on the amount by which the carrying value of the long-lived assets exceeds the fair value of the assets.

Intangible assets

Intangible assets include developed technologies, client relationships, client contracts, and trademarks that were acquired in business combinations and asset acquisitions. Intangible assets also include the purchase of third-party computer software. The intangible assets are amortized using the straight-line method over the assets' estimated useful lives. The estimated useful life of each asset category is as follows:

Developed technologies	3-10 years
Client relationships and contract backlog	2-7 years
Computer software licenses	1-5 years
Trademarks	1-5 years

Goodwill

We operate our business in two operating segments that also represent our reporting units. Our reporting units are organized based on our technology and professional services. We record goodwill as the difference between the aggregate consideration paid for a business combination and the fair value of the identifiable net tangible and intangible assets acquired. Goodwill includes the know-how of the assembled workforce, the ability of the workforce to further improve technology and product offerings, client relationships, and the expected cash flows resulting from these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations. Goodwill is assessed for impairment annually on October 31 or more frequently if indicators of impairment are present or circumstances suggest that impairment may exist.

Our first step in the goodwill impairment test is a qualitative analysis of factors that could be indicators of potential impairment. Judgment in the assessment of qualitative factors of impairment may include changes in business climate, market conditions, or other events impacting the reporting unit. Next, if a quantitative analysis is necessary, we compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired.

Performing a quantitative goodwill impairment test includes the determination of the fair value of a reporting unit, which requires management to use significant judgment and estimation. The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of the reporting units, as well as the sensitivity of the respective fair values to the underlying significant assumptions. Typical methods to derive the fair value of reporting units include using the income or market approaches.

The significant assumptions used to form the basis of the estimates include, among others, the selection of valuation methodologies, estimates of expected revenue, including revenue growth rates, and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, and the selection of appropriate market comparable companies. Many of these significant assumptions are forward-looking and could be affected by future economic and market conditions. If a quantitative analysis is necessary, we typically engage the assistance of a valuation specialist in concluding on fair value measurements in connection with determining the fair values of our reporting units. If the carrying amount of the reporting unit exceeds its fair value, we would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. We recorded goodwill impairment of $122.5 million during the six months ended June 30, 2026, and $27.0 million during the three months ended June 30, 2026. We recorded goodwill impairment of $28.8 million during the three and six months ended June 30, 2025. Refer to Note 5 - Goodwill and Intangible Assets for additional details.

Assets held for sale

We classify assets and liabilities as held for sale (a disposal group) when management commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. We consider various factors, particularly whether actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made or the plan is unlikely to be withdrawn. Assets held for sale are measured at the lower of carrying value or fair value less costs to sell after adjusting the individual assets of the disposal group, if necessary. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized in the periods which the held for sale criteria are met. Conversely, gains are not recognized until the date of the sale. When a portion of a reporting unit containing goodwill is disposed of and that portion constitutes a business or nonprofit activity, the assignment of goodwill is based on the relative fair values of the portion of the reporting unit being disposed of and the portion of the reporting unit remaining. When the disposal group is classified as held for sale, depreciation and amortization for most long-lived assets ceases and we test the assets for impairment. Assets and liabilities classified as held for sale are segregated in the condensed consolidated balance sheets.

Business combinations

The results of businesses acquired in a business combination are included in our condensed consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business generally being recorded at their estimated fair value on the acquisition date. Any excess consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination in order to record the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies. Significant estimation is required in determining the fair value of the client-related intangible assets and technology-related intangible assets.

The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, as well as the sensitivity of the respective fair values to the underlying significant assumptions. We typically use the income approach or cost approach to measure the fair value of intangible assets. The significant assumptions used to form the basis of the estimates included the number of engineer hours required to develop technology, expected revenue including revenue growth rates, rate and timing of obsolescence, royalty rates and earnings before interest, taxes, depreciation and amortization (EBITDA) margin used in the estimate for client relationships, and backlog. Many of these significant assumptions were forward-looking and could be affected by future economic and market conditions. We engage the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of material assets acquired and liabilities assumed in a business combination.

For the three months ended June 30, 2026 and 2025, we expensed $2.2 million and $1.1 million of transaction costs associated with business combinations, respectively. For the six months ended June 30, 2026 and 2025, we expensed $4.6 million and $2.6 million of transaction costs associated with business combinations, respectively. The current year transaction costs are primarily related to the Vitalware Transaction (as defined below). The costs were expensed as incurred and are included in general and administrative expense in our condensed consolidated statements of operations.

Contingent consideration liabilities

Our acquisition consideration in business combinations may include an estimate for contingent consideration that will be paid if certain earn-out performance targets are met. The resulting contingent consideration liabilities are categorized as a Level 3 fair value measurement because we estimate projections during the earn-out period utilizing unobservable inputs, including various potential pay-out scenarios based on billings and revenue-related earn-out targets.

Changes to the unobservable inputs could have a material impact on our condensed consolidated financial statements. We generally value the expected contingent consideration and the corresponding liabilities using the Monte Carlo method or Black-Scholes model based on estimates of potential payment scenarios. Probabilities are applied to each potential scenario and the resulting values are discounted using a rate that considers weighted average cost of capital as well as a specific risk premium associated with the riskiness of the earn-out itself, the related projections, projected payment dates, and volatility in the fair value of our common stock. The fair value of the contingent consideration is remeasured each reporting period. As applicable, the portion of the contingent consideration liabilities that will be settled in shares of our common stock is classified as a component of non-current liabilities in our condensed consolidated balance sheets, while the portion to be paid in cash within twelve months is classified as a component of current liabilities. Changes in the contingent consideration liabilities are reflected as part of general and administrative expense in our condensed consolidated statements of operations.

Advertising costs

All advertising costs are expensed as incurred. For the three months ended June 30, 2026 and 2025, we incurred $0.3 million and $0.5 million of advertising costs, respectively, and $1.0 million and $1.4 million for the six months ended June 30, 2026 and 2025, respectively.

Development costs and internal-use software

For technology products that are developed to be sold externally or installed on premise, we determined that technological feasibility is reached shortly before the products are ready for general release. Any costs associated with software development between the time technological feasibility is reached and general release are not material. We capitalize certain development costs incurred in connection with our internal-use software. These capitalized costs are primarily related to the software platforms that are hosted by us and accessed by our clients on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred as research and development costs. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use.

We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life with amortization included in depreciation and amortization expense in our condensed consolidated statements of operations.

Stock-based compensation

Stock-based awards, including stock options, RSUs, PRSUs, and restricted shares are measured and recognized in our condensed consolidated financial statements based on the fair value of the award on the grant date or, when applicable, the modification date. The grant date fair value of our stock-based awards is typically determined using the market closing price of our common stock on the date of grant; however, we also consider whether any adjustments are required when the market closing price does not reflect certain material non-public information that we know but is unavailable to marketplace participants on the date of grant. We record forfeitures of stock-based awards as the actual forfeitures occur. The measurement date for non-employee awards is the date of grant. The compensation expense for non-employees is recognized, without changes in the fair value of the award, in the same period and in the same manner as though we had paid cash for the services, which is typically the vesting period of the respective award.

For awards subject to performance conditions, we record expense when the performance condition becomes probable. Each reporting period we evaluate the probability of achieving the performance criteria, estimate the number of shares that are expected to vest, and adjust the related compensation expense accordingly. For awards subject to market conditions, we estimate the fair value as of the grant date using a Monte Carlo simulation valuation model which requires the use of various assumptions, including historic stock price volatility and risk-free interest rates as of the valuation date corresponding to the length of time remaining in the performance period. Stock-based compensation expense for awards with market conditions is recognized over the requisite service period using the accelerated attribution method and is not reversed if the market condition is not met.

Stock-based compensation expense related to purchase rights issued under the 2019 Health Catalyst Employee Stock Purchase Plan (ESPP) is based on the Black-Scholes option-pricing model fair value of the estimated number of awards as of the beginning of the offering period. Stock-based compensation expense is recognized using the straight-line method over the offering period.

Restructuring costs

We define restructuring costs as expenses directly associated with restructuring activities. Such costs include severance and related tax and benefit expenses from workforce reductions, impairment of discontinued capitalized software projects, and other miscellaneous charges. We record team member-related severance costs when there is a substantive plan in place and the related costs are probable and estimable. For one-time termination benefits for team members (i.e., no substantive plan or future service requirement), the cost is recorded when the terms of the one-time termination benefits are communicated to the impacted team members and the amount can be reasonably estimated.

Income taxes

Deferred income tax balances are accounted for using the asset and liability method and reflect the effects of temporary differences between the financial reporting and tax bases of our assets and liabilities using enacted tax rates expected to apply when taxes are actually paid or recovered. In addition, deferred tax assets and liabilities are recorded for net operating loss (NOL) and tax credit carryforwards.

A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized based on all available positive and negative evidence. Such evidence includes, but is not limited to, recent cumulative earnings or losses, expectations of future taxable income by taxing jurisdiction, and the carry-forward periods available for the utilization of deferred tax assets.

We use a two-step approach to recognize and measure uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained upon audit. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

We do not currently accrue interest and penalties related to unrecognized tax benefits within the provision for income taxes because the impact would be immaterial due to our net operating losses and tax credit carryforwards. Significant judgment is required to evaluate uncertain tax positions.

Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We evaluate our uncertain tax positions on a regular basis and evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, correspondence with tax authorities during the course of an audit, and effective settlement of audit issues. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and results of operations.

We are subject to an income tax requirement whereby certain income earned by foreign subsidiaries, referred to as Global Intangible Low-Taxed Income (GILTI), must be included in our taxable gross income for U.S. federal income tax reporting purposes. GAAP provides for an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. We have elected to treat GILTI as a current period expense when incurred.

Fair value of financial instruments

The carrying amounts reported in our condensed consolidated balance sheets for cash, receivables, accounts payable, and current accrued expenses approximate fair values because of the immediate or short-term maturity of these financial instruments. The carrying value of operating lease liabilities and convertible senior notes approximate fair value based on interest rates available for debt with similar terms at June 30, 2026 and December 31, 2025. Money market funds and short-term investments are measured at fair value on a recurring basis. On a quarterly basis we evaluate unrealized losses on our available-for-sale debt securities and the related accrued interest receivables to determine whether a decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors. Contingent consideration liabilities are measured at fair value on a recurring basis based primarily on significant inputs not observable in the market.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1- Quoted prices in active markets for identical assets or liabilities.

- Level 2- Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3- Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

All of our financial instruments are valued using quoted prices in active markets or based on other observable inputs. For Level 2 securities, we use a third-party pricing service which provides documentation on an ongoing basis that includes, among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application, and corroborative information. Our contingent consideration liabilities are categorized as a Level 3 fair value measurement because we estimate projections during the earn out period utilizing various potential pay-out scenarios.

Foreign currency

The functional currency of our international subsidiaries is generally their local currency. We translate these subsidiaries' financial statements into U.S. dollars using month-end exchange rates for assets and liabilities and average exchange rates for revenue and expenses. We record translation gains and losses in accumulated other comprehensive loss in stockholders' equity. We record foreign exchange gains and losses in interest and other expense, net. Our net foreign exchange gains and losses were not material for the periods presented.

Recently adopted accounting pronouncements

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. The practical expedient allows companies to assume the current conditions as of the balance sheet date do not change for the remaining life of the asset when measuring credit losses. We adopted ASU 2025-05 on January 1, 2026 and elected to apply the practical expedient. The adoption of the standard did not have a material impact on our condensed consolidated financial statements.

Recent accounting pronouncements not yet adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosure in the notes to the financial statements of specified information about certain costs and expenses. The amendments are effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the financial statements. We are currently evaluating the provision of this ASU to determine the impact it may have on our consolidated financial statements and related disclosures, and we expect additional disclosures upon adoption.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which introduces a new capitalization threshold based on management's authorization and commitment to fund the project, along with a probable-to-complete criterion. The amendments also consolidate guidance for website development costs into Subtopic 350-40 and clarify disclosure requirements. The amendments are effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the provisions of this ASU to determine the impact it may have on our consolidated financial statements and related disclosures, but we do not expect it to have a material impact upon adoption.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies existing interim reporting disclosure requirements, including the form and content of interim financial statements, and establishes a principle requiring disclosure of material events and changes since the most recent annual reporting period. The amendments in ASU 2025-11 are effective for interim reporting periods within annual periods beginning after December 15, 2027. Early adoption is permitted. We are currently evaluating the impact of this standard on our condensed consolidated financial statements and related disclosures.

2. Held for Sale and Divestiture

On June 4, 2026, we entered into a Unit Purchase Agreement (the Vitalware Purchase Agreement) with Med-Metrix, LLC (Med-Metrix), pursuant to which, among other things, we agreed to sell all of the equity interests of Vitalware, LLC, through which we conduct our Vitalware business (the Vitalware Business), to Med-Metrix (the Vitalware Transaction). The base purchase price for the Vitalware Business is $147 million, subject to customary adjustments for cash, indebtedness, net working capital and transaction expenses as more fully set forth in the Purchase Agreement.

The Vitalware Transaction closed on July 31, 2026. Refer to Note 21 - Subsequent Events for further information about the Vitalware Transaction.

In June 2026, certain assets and liabilities representing the Vitalware Business met the held for sale criteria. We record assets and liabilities held for sale at the lower of their carrying value or their estimated fair value less cost to sell. Immediately prior to such classification, elements of the disposal group were evaluated for impairment under their respective models and no impairment adjustment was recorded. We did not recognize any gains or losses upon classification of held for sale during the three months ended June 30, 2026, and depreciation and amortization ceased upon classification as held for sale. See Note 5 - Goodwill and Intangible Assets for further information about the allocation of goodwill to the Vitalware Business sold.

The following table presents the major classes of assets and liabilities classified as held for sale (in thousands):

Assets held for sale		
Accounts receivable, net	$	5,430
Prepaid expenses and other assets		1,579
Property and equipment, net		3,038
Intangibles, net		6,201
Goodwill		75,176
Total assets held for sale	$	91,424
Liabilities associated with assets held for sale		
Accounts payable	$	124
Accrued liabilities		751
Deferred revenue		11,258
Total liabilities associated with assets held for sale	$	12,133

The pre-tax income of the Vitalware Business designated as held for sale was $4.2 million and $2.9 million for the three months ended June 30, 2026 and 2025, respectively, and $7.5 million and $5.3 million for the six months ended June 30, 2026 and 2025, respectively, the results of which exclude the allocation of overhead.

Although the Vitalware Business meets the held for sale criteria, its proposed disposal does not represent a strategic shift for Health Catalyst's operations and therefore did not meet the discontinued operations criteria.

3. Business Combinations

The business acquisition discussed below was included in our results of operations from the date of acquisition.

Upfront Healthcare Services

On January 22, 2025, we acquired Upfront Healthcare Services, Inc. (Upfront), a next-generation patient engagement platform provider. We accounted for the acquisition of Upfront as a business combination. The acquisition consideration transferred was $80.0 million and was comprised of estimated net cash consideration of $41.1 million, shares of our common stock with an aggregate acquisition-date fair value of $31.6 million, and contingent consideration based on certain earn-out performance targets for Upfront during an earn-out period ending on December 31, 2026, with an aggregate acquisition-date fair value of $7.3 million. The purchase resulted in Health Catalyst acquiring 100% ownership in Upfront.

An additional 106,196 shares of our common stock subject to restriction agreements (restricted shares) were issued upon satisfaction of vesting terms pursuant to the terms of the acquisition agreement and such restriction agreements. The value of these restricted shares is recognized as acquisition stock-based compensation expense on a straight-line basis over the vesting term. Refer to Note 14-Stock-Based Compensation for additional details related to our stock-based compensation.

The following table summarizes the acquisition-date fair value of consideration transferred and the identifiable assets purchased and liabilities assumed as part of our acquisition of Upfront (in thousands):

Assets acquired:		
Accounts receivable, net	$	1,544
Prepaid expenses and other assets		655
Property and equipment, net		114
Right-of-use assets		288
Developed technology		16,400
Client relationships		11,700
Trademarks		600
Total assets acquired		31,301
Less liabilities assumed:		
Accrued and other current liabilities		1,558
Deferred revenue		2,352
Operating lease liability		284
Total liabilities assumed		4,194
Total assets acquired, net		27,107
Goodwill		52,912
Total consideration transferred, net of cash acquired	$	80,019

The acquired intangible assets were valued utilizing either an income approach or a cost approach as deemed most applicable, and include client relationships, developed technology, and trademarks that will be amortized on a straight-line basis over their estimated useful lives of six years, three years, and three years, respectively. The resulting goodwill from the Upfront acquisition was fully allocated to the technology reporting unit and is not deductible for income tax purposes.

In addition to the purchase price, we agreed to make retention bonuses in an aggregate amount of up to $1.1 million in cash payments and the issuance of up to approximately 151,148 restricted shares to certain Upfront management team members, a portion of which is variable based upon the achievement of earn-out performance targets. The retention bonuses are recorded as post-combination compensation expense and adjusted out of our purchase price consideration. During the six months ended June 30, 2025, we recognized compensation expense of $0.9 million and stock-based compensation expense of $0.5 million related to these retention bonuses and 86,975 of the restricted shares that vested. There was no additional compensation expense, including stock-based compensation expense, recognized related to these retention bonuses during the six months ended June 30, 2026

Unaudited Pro Forma Financial Information

The following table reflects our unaudited pro forma combined results of operations for the years ended December 31, 2025 and 2024 as if the acquisition of Upfront had taken place on January 1, 2024 (in thousands):

	Year Ended December 31,	
	2025	2024
	(unaudited)	
Pro forma net loss	$ (183,745)	$ (83,747)

The unaudited pro forma information is presented for informational purposes only and is not intended to present actual results that would have been attained had the acquisition been completed as of January 1, 2024 or to project potential results as of any future date or for any future periods. The unaudited pro forma information, including adjustments, are based upon available information and certain assumptions that we believe are reasonable. Pro forma revenue has not been presented for the Upfront acquisition as the impact to our condensed consolidated financial statements was not material.

The nature and amount of material, nonrecurring pro forma adjustments directly attributable to the Upfront acquisition which are included in the pro forma net loss, as applicable, are summarized as follows (in thousands):

	Year Ended December 31,	
	2025	2024
	(unaudited)	
Amortization of acquired intangible assets	$ (438)	$ (7,617)
Acquisition-related costs, net	(4,158)	6,143

4. Revenue

Disaggregation of Revenue

The following table represents Health Catalyst's revenue disaggregated by type of arrangement (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Recurring technology	$ 48,795	$ 52,876	$ 98,263	$ 104,358
Professional services	21,692	27,845	42,980	55,776
Total revenue	$ 70,487	$ 80,721	$ 141,243	$ 160,134

Revenue related to contracts with clients located in the United States was 96.8% and 96.4% for the three months ended June 30, 2026 and 2025, respectively, and 96.3% and 96.2% for the six months ended June 30, 2026, and 2025, respectively.

5. Goodwill and Intangible Assets

We operate our business in two operating segments that also represent our reporting units. Our reporting units are organized based on our technology and professional services.

During the three months ended June 30, 2026 and in connection with the Vitalware Transaction, certain assets and liabilities representing the Vitalware Business met the held for sale criteria as of the date of the announcement of the signing of the Vitalware Purchase Agreement. Immediately prior to such classification, elements of the disposal group were evaluated for impairment under their respective models as required and no impairment adjustment was recorded. Since the Vitalware Business was a portion of the technology reporting unit, the assignment of goodwill to the Vitalware Business was based on the relative fair values of the Vitalware Business being disposed of and the portion of the technology reporting unit remaining. Following the allocation of goodwill to the held for sale asset group, we evaluated the remaining technology reporting unit for goodwill impairment due to the triggering event created by the transaction. Based on this interim test of goodwill, the fair value of the remaining technology reporting unit was below its carrying value, resulting in the recognition of a goodwill impairment charge of $27.0 million.

Based on our interim impairment test of goodwill as of March 31, 2026, it was determined that the fair value of our technology reporting unit was below its carrying value, and we recorded a total non-cash goodwill impairment charge of $95.5 million, resulting in total goodwill impairment charges of $122.5 million for the six months ended June 30, 2026.

During the six months ended June 30, 2025, we recorded a non-cash goodwill impairment charge of $28.8 million. The goodwill impairment charges were recorded as a separate line item in our condensed consolidated statements of operations.

As part of our interim goodwill impairment assessments and the allocation of goodwill to the held for sale asset group, the fair value of the technology reporting unit was estimated based upon weightings of the income approach and a market-based approach. The fair value of the Vitalware Business used in the goodwill allocation was based on the base purchase price of $147 million pursuant to the Vitalware Purchase Agreement. The income approach utilizes a discounted cash flow analysis. The market-based approach utilizes comparable public company information, key valuation multiples, and considers a market control premium associated with cost synergies and other cash flow benefits that arise from obtaining control over a reporting unit, and guideline transactions, when applicable. The significant assumptions used in these approaches include revenue growth rates, profit margins, projected future cash flows, and discount rates under the income approach as well as valuation multiples derived from comparable public trading companies under the market-based approach.

Changes in the carrying amount of goodwill by reporting unit for the six months ended June 30, 2026 were as follows (in thousands):

Technology Reporting Unit:

	Gross Goodwill	Accumulated Impairment Losses	Net Goodwill
Balance as of December 31, 2025	$ 307,790	$ (98,717)	$ 209,073
Transferred to assets held for sale	(75,176)	—	(75,176)
Impairment of goodwill	—	(122,548)	(122,548)
Foreign currency translation adjustments	(248)	—	(248)
Balance as of June 30, 2026	$ 232,366	$ (221,265)	$ 11,101

The professional services reporting unit had no net goodwill as of June 30, 2026, and December 31, 2025, due to the $6.7 million of gross goodwill being fully impaired as of December 31, 2025.

The carrying values of goodwill and intangible assets attributable to the our U.K. operations are denominated in British pounds and are translated into U.S. dollars at the exchange rate in effect as of the balance sheet date. As a result, the reported balances of goodwill and intangible assets are subject to fluctuation due to changes in foreign currency exchange rates, with translation adjustments recorded in accumulated other comprehensive income.

As of June 30, 2026, intangible assets consisted of the following (in thousands):

	Cost	Accumulated Amortization	Net
		(unaudited)	
Developed technologies	$ 122,908	$ (99,994)	$ 22,914
Client relationships and contracts	72,771	(42,402)	30,369
Computer software licenses	13,369	(11,967)	1,402
Trademarks	3,944	(2,508)	1,436
Total intangible assets	$ 212,992	$ (156,871)	$ 56,121

The amounts in the table above exclude assets held for sale related to the Vitalware Transaction. For additional details refer to Note 2 - Held For Sale and Divestiture.

Amortization expense of acquired intangible assets was $7.3 million and $9.0 million for the three months ended June 30, 2026 and 2025, respectively, and $15.4 million and $17.8 million for the six months ended June 30, 2026 and 2025, respectively. Amortization expense for intangible assets is included in depreciation and amortization in our condensed consolidated statements of operations. We did not incur any intangible asset impairment charges for the three and six months ended June 30, 2026 and 2025.

As of December 31, 2025, intangible assets consisted of the following (in thousands):

	Cost	Accumulated Amortization	Net
Developed technologies	$ 141,101	$ (110,621)	$ 30,480
Client relationships and contracts	115,808	(72,750)	43,058
Computer software licenses	13,600	(11,329)	2,271
Trademarks	5,367	(3,498)	1,869
Total intangible assets	$ 275,876	$ (198,198)	$ 77,678

6. Property and Equipment

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

	As of June 30, 2026	As of December 31, 2025
	(unaudited)	
Computer equipment	$ 8,368	$ 10,027
Leasehold improvements	6,151	6,314
Furniture and fixtures	3,791	3,796
Capitalized internal-use software costs	54,748	66,916
Computer software	111	111
Total property and equipment	73,169	87,164
Less: accumulated depreciation	(39,697)	(53,326)
Property and equipment, net	$ 33,472	$ 33,838

The amounts in the table above exclude assets held for sale related to the Vitalware Transaction. For additional details refer to Note 2 - Held For Sale and Divestiture.

Our long-lived assets are primarily located in the United States. Depreciation expense totaled $3.7 million and $3.6 million for the three months ended June 30, 2026 and 2025, respectively, and $7.7 million and $7.2 million for the six months ended June 30, 2026 and 2025, respectively. Depreciation expense includes the amortization of capitalized internal-use software costs. There was no impairment of long-lived assets during the three and six months ended June 30, 2026 and 2025.

We capitalized $4.9 million and $5.2 million of internal-use software costs for the three months ended June 30, 2026 and 2025, respectively, and $9.7 million and $10.7 million for the six months ended June 30, 2026 and 2025, respectively. We incurred $3.2 million and $3.0 million of capitalized internal-use software cost amortization expense for the three months ended June 30, 2026 and 2025, respectively, and $6.7 million and $5.9 million for the six months ended June 30, 2026 and 2025, respectively.

7. Short-term Investments

We classify our short-term investments as available for sale. Available-for-sale securities are recorded on our condensed consolidated balance sheets at fair market value and any unrealized gains or losses are reported as part of other comprehensive loss on the condensed consolidated statements of comprehensive loss. We determine realized gains or losses on the sales of investments through the specific identification method and record such gains or losses as part of interest and other expense, net on the condensed consolidated statements of operations. We did not have any material realized gains or losses on investments during the three and six months ended June 30, 2026 and 2025. We measure the fair value of investments on a recurring basis.

The following table summarizes, by major security type, our cash equivalents that are measured at fair value on a recurring basis as of June 30, 2026 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash equivalents	Short-term Investments
			(unaudited)			
Money market funds	$ 50,646	$ —	$ —	$ 50,646	$ 50,646	$ —
U.S. treasury notes	27,599	—	(45)	27,554	—	27,554
Commercial paper	17,098	—	(3)	17,095	1,799	15,296
Total	$ 95,343	$ —	$ (48)	$ 95,295	$ 52,445	$ 42,850

The following table summarizes, by major security type, our cash equivalents and short-term investments that are measured at fair value on a recurring basis as of December 31, 2025 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash equivalents	Short-term Investments
Money market funds	$ 45,062	$ —	$ —	$ 45,062	$ 45,062	$ —
U.S. treasury notes	37,441	46	—	37,487	—	37,487
Commercial paper	7,430	1	—	7,431	—	7,431
Total	$ 89,933	$ 47	$ —	$ 89,980	$ 45,062	$ 44,918

The following table presents the contractual maturities of our short-term investments as of June 30, 2026 and December 31, 2025 (in thousands):

	As of June 30, 2026		As of December 31, 2025	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(unaudited)			
Due within one year	$ 42,897	$ 42,850	$ 44,871	$ 44,918
Total	$ 42,897	$ 42,850	$ 44,871	$ 44,918

Accrued interest receivables related to our available-for-sale securities of $0.2 million and $0.3 million as of June 30, 2026 and December 31, 2025, respectively, were included within prepaid expenses and other assets on our condensed consolidated balance sheets.

On a quarterly basis we evaluate unrealized losses on our available-for-sale debt securities and the related accrued interest receivables to determine whether a decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors. We do not intend to sell investments that are in an unrealized loss position and it is not likely that we will be required to sell any investments before recovery of their amortized cost basis. As of June 30, 2026 and December 31, 2025, there were no material unrealized losses due to expected credit loss-related factors.

8. Fair Value of Financial Instruments

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2026 were as follows (in thousands):

	June 30, 2026			
	Level 1	Level 2	Level 3	Total
	(unaudited)			
Money market funds	$ 50,646	$ —	$ —	$ 50,646
U.S. Treasury notes	27,554	—	—	27,554
Commercial paper	—	17,095	—	17,095
Contingent consideration liabilities	—	—	—	—
Total	$ 78,200	$ 17,095	$ —	$ 95,295

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 were as follows (in thousands):

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 45,062	$ —	$ —	$ 45,062
U.S. Treasury notes	37,487	—	—	37,487
Commercial paper	—	7,431	—	7,431
Contingent consideration liabilities	—	—	(250)	(250)
Total	$ 82,549	$ 7,431	$ (250)	$ 89,730

There were no transfers between Level 1 and Level 2 of the fair value measurement hierarchy during the three and six months ended June 30, 2026 and 2025.

Convertible senior notes

On April 14, 2025, we fully settled the principal amount of the convertible senior notes in cash. These convertible senior notes were recorded at face value less unamortized debt discount and transaction costs on our condensed consolidated balance sheets. Refer to Note 11—Debt for further information.

Nonrecurring fair value measurements

During the three months ended June 30, 2026 and in connection with the Vitalware Transaction, certain assets and liabilities representing the Vitalware Business met the held for sale criteria as of the date of the announcement of the signing of the Vitalware Purchase Agreement. Immediately prior to such classification, elements of the disposal group were evaluated for impairment under their respective models as required and no impairment adjustment was recorded. Since the Vitalware Business was a portion of the technology reporting unit, the assignment of goodwill to the Vitalware Business was based on the relative fair values of the Vitalware Business being disposed of and the portion of the technology reporting unit remaining. Based on the relative fair values, we allocated $75.2 million of goodwill to the Vitalware Business.

We recorded goodwill impairment charges totaling $122.5 million during the six months ended June 30, 2026. The impairment charges were derived from the difference between the carrying value and the fair value of our reporting units. The fair value of these reporting units was estimated using an income and market-based approach and included certain unobservable (Level 3) inputs. Refer to Note 5—Goodwill and Intangibles for further information.

Level 3 fair value measurements

The Upfront acquisition consideration included an initial estimate for contingent consideration based on certain revenue-based earn-out performance targets for Upfront during an earn-out period that ends on December 31, 2026. The Upfront contingent consideration is capped at $33.4 million and will be paid 63% in equity and 37% in cash to the extent achieved. We value Upfront's expected contingent consideration and the corresponding liability using the Monte Carlo simulation valuation model using a distribution of potential outcomes of potential pay-out scenarios. The outstanding contingent consideration liability is categorized as a Level 3 fair value measurement and is remeasured as of each reporting period.

The aggregate intrinsic value and fair value of the revenue-based earn-out contingent consideration liability is zero based on a point estimate of our internal forecasting of the ultimate earn-out that will be earned and our closing stock price as of June 30, 2026.

The following table sets forth a summary of the changes in the estimated fair value of the contingent consideration liability, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	(unaudited)
Balance as of December 31, 2025	$ 250
Change in fair value of contingent consideration liability	(250)
Balance as of June 30, 2026	$ —

9. Accrued Liabilities

As of June 30, 2026 and December 31, 2025, accrued liabilities consisted of the following (in thousands):

	As of June 30, 2026	As of December 31, 2025
	(unaudited)	
Accrued compensation and benefit expenses[2]	$ 5,168	$ 5,203
Interest payable	3,251	3,380
Restructuring liabilities[1]	1,208	704
Other accrued liabilities[2]	13,968	9,410
Total accrued liabilities	$ 23,595	$ 18,697

(1) Restructuring liabilities include severance and other team member costs from workforce reductions. For additional details, refer to Note 20 in these condensed consolidated financial statements.
(2) These amounts exclude the Vitalware liabilities associated with held for sale assets that are disclosed in Note 2 - Held For Sale and Divestiture.

10. Leases

We lease office space under operating leases that expire between the fourth quarter of 2026 and the second quarter of 2034. The terms of the leases provide for rental payments on a graduated scale, options to renew the leases (one to five years), landlord incentives or allowances, and periods of free rent. We subleased portions of our corporate headquarters to various sublessees with subleases commencing at various dates between 2021 and 2026.

Components of lease expense (income) are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Operating lease expense	$ 575	$ 787	$ 1,158	$ 1,556
Short-term lease expense	20	164	61	319
Sublease income	(535)	(519)	(1,093)	(1,019)
Total	$ 60	$ 432	$ 126	$ 856

We also incur immaterial variable costs related to our leased office space, such as maintenance and utilities based on actual usage, which are not included in the measurement of right-of-use assets and lease liabilities, but are expensed as incurred.

During the six months ended June 30, 2026, and 2025, we did not identify asset impairment indicators for our corporate office spaces designated for subleasing, and therefore did not recognize any impairment charges.

11. Debt

Debt consisted of the following as of June 30, 2026 and December 31, 2025 (in thousands):

	June 30, 2026	December 31, 2025
	(unaudited)	
Variable interest rate term loan maturing 2029	$ 159,947	$ 160,761
Total Principal Outstanding	159,947	160,761
Less: Unamortized discount and issuance costs	(6,468)	(7,510)
Net carrying amount	153,479	153,251
Less: Current portion of long-term debt	(1,627)	(1,627)
Long-term debt, net of current portion	$ 151,852	$ 151,624

Components of interest expense are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Contractual interest expense	$ 4,124	$ 4,665	$ 8,229	$ 10,534
Amortization of debt discount and issuance costs	521	579	1,041	1,477
Amortization of deferred financing costs	—	543	117	1,092
Total	$ 4,645	$ 5,787	$ 9,387	$ 13,103

Maturity of Debt

As of June 30, 2026, we are subject to required principal payments and debt maturity as follows (in thousands):

	Contractual Maturity
Fiscal year:	*(unaudited)*
2026	814
2027	1,627
2028	1,627
2029	155,879
Total debt maturities	159,947
Less: Unamortized debt discount and issuance costs	(6,468)
Net carrying amount	$ 153,479

Credit Agreement

On July 16, 2024 (the Closing Date), we entered into a credit agreement with Silver Point Finance, LLC, as administrative agent and collateral agent, and the lenders from time-to-time party thereto (the Credit Agreement). The Credit Agreement provides a five-year term loan facility in an aggregate principal amount of up to $225.0 million, consisting of an initial term loan of $125.0 million, which was funded in full on the Closing Date, and a delayed draw term loan facility in an aggregate principal amount of up to $100.0 million, which was undrawn as of the Closing Date.

We had the option to draw up to $40.0 million under the delayed draw facility within six months after the Closing Date and on October 29, 2024, we drew an additional principal amount of $37.7 million. We also had the option to draw up to an additional $60.0 million under the delayed draw facility within eighteen months after the Closing Date, in each case, subject to satisfaction of certain conditions, including a minimum liquidity threshold and a maximum recurring revenue/leverage ratio, but did not opt to utilize this additional delayed draw facility. We were required to pay a commitment fee on the unutilized commitments under the delayed draw term loan facility ranging from 1.5% to 2.5% per year depending on the year and the amount of the unutilized delayed draw term loan.

The deferred financing costs related to the delayed draw facility, including the directly attributable debt discount, have been capitalized to other assets on our condensed consolidated balance sheets, and amortized to interest expense in the condensed consolidated statement of operations, in each case over the respective terms. Borrowings under the initial term loan bear interest at a rate per annum equal to the secured overnight financing rate (SOFR) plus 6.5%. Commencing with the quarter ended December 31, 2024, we are required to make quarterly principal payments in an amount equal to 0.25% of the aggregate original principal amount. The final maturity date of the term loans is July 16, 2029.

We used a portion of the net proceeds from the initial term loan, together with cash on hand, to repay in full the outstanding principal and accrued interest on all of the Notes on the maturity thereof. We expect to use the remainder of the net proceeds from the initial term loan for working capital and general corporate purposes. We used proceeds from the delayed draw term loan facility to fund our inorganic growth strategy through permitted acquisitions (including deferred purchase price or similar arrangements related thereto) and to pay fees, costs, and expenses in connection therewith. We are required to prepay the term loans upon the occurrence of certain events, and we may voluntarily prepay the term loans, in whole or in part, at any time, subject to certain notice requirements and prepayment amounts. Prior to July 16, 2028, such mandatory prepayments or voluntary prepayments are subject to a prepayment premium ranging from 1.0% to 3.0% plus a make whole amount depending on the year of such prepayment. Our obligations under the Credit Agreement and the other loan documents are required to be guaranteed by all of our present and future domestic and foreign subsidiaries, subject to certain exceptions (Guarantors). All obligations under the Credit Agreement and the other loan documents are secured by a first priority perfected lien on, and security interest in, substantially all of our and our Guarantor's present and future assets, subject to certain exceptions.

The Credit Agreement contains various representations and warranties, affirmative covenants, and negative covenants, including covenants that restrict our and our subsidiaries' ability to take certain actions including, among other things and subject to certain exceptions, the incurrence of debt, the granting of liens, engaging in mergers and other fundamental changes, the making of investments, entering into transactions with affiliates, the payment of dividends and other restricted payments, the prepayment of other indebtedness and the sale of assets. We are also required to comply with a minimum liquidity threshold, a maximum recurring revenue-based leverage ratio, and a maximum EBITDA-based leverage ratio. The Credit Agreement also includes various events of default, including, among others: non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross-default to other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of security interests or invalidity of loan documents, certain ERISA events, unsatisfied or unstayed judgments and change of control. Upon the occurrence of an event of default, the administrative agent and the lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Credit Agreement and the related loan documents, including proceeding against the collateral securing such borrowings.

As of June 30, 2026, we were in compliance with all covenants under the Credit Agreement.

On July 31, 2026 we voluntarily repaid in full all outstanding obligations under the Credit Agreement using proceeds from the Vitalware Transaction together with cash on hand, which resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder. Refer to Note 21 - Subsequent Events for further information about this debt extinguishment.

Convertible senior notes

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025 (Notes), in a private placement to qualified institutional buyers exempt from registration under the Securities Act (Note Offering). The net proceeds from the issuance of the Notes were approximately $222.5 million, after deducting the initial purchasers' discounts and offering expenses payable by us. The Notes were governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank National Association, as trustee. The Notes were our senior, unsecured obligations and accrued interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2020, at a rate of 2.50% per year. In connection with the Note Offering, we entered into privately negotiated capped call transactions (Capped Calls) with certain option counterparties, which had initial cap prices of $42.00 per share, subject to certain adjustments. The Notes had a maturity date of April 15, 2025, unless earlier converted, redeemed, or repurchased.

On April 14, 2025, we repaid in full the outstanding principal and accrued interest on the Notes, in the aggregate principal amount of $230.0 million. The Capped Calls expired concurrently with the repayment in full of the outstanding principal and accrued interest on the Notes.

12. Stockholders' Equity

Preferred stock

Our board of directors has the authority, without further action by our stockholders, to issue up to 25,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, and privileges thereof, including voting rights. As of June 30, 2026 and December 31, 2025, no shares of this preferred stock were issued and outstanding.

Common stock

We had 500,000,000 shares of common stock, par value $0.001 per share, authorized, of which 74,704,688 and 72,133,528 shares were legally issued and outstanding as of June 30, 2026 and December 31, 2025, respectively. The shares legally issued and outstanding as of June 30, 2026 and December 31, 2025 included 106,196 shares issued pursuant to acquisition agreements, which were subject to a restriction agreement and were unvested, and as such, for accounting purposes they were not considered to be outstanding common stock shares. Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on our common stock through June 30, 2026.

Share repurchase plan

During the third quarter of 2022, our board of directors authorized a share repurchase program to repurchase up to $40.0 million of our outstanding shares of common stock (Share Repurchase Plan). During the six months ended June 30, 2026, we did not repurchase shares of our common stock. During the six months ended June 30, 2025, we repurchased and retired 1,103,601 shares of our common stock for $5.0 million at an average purchase price of $4.51 per share. The total remaining authorization for future shares of common stock repurchases under our Share Repurchase Plan is $24.8 million as of June 30, 2026.

Accumulated Other Comprehensive Income

Components of accumulated other comprehensive income were as follows (in thousands):

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available for Sale Investments	Total
Balance as of December 31, 2025	$ 1,539	$ 47	$ 1,586
Change in foreign currency translation adjustment	(459)	—	(459)
Change in net unrealized gains (losses) on available for sale investments	—	(95)	(95)
Balance as of June 30, 2026	$ 1,080	$ (48)	$ 1,032

There were no material reclassifications out of accumulated other comprehensive income during the six months ended June 30, 2026. Additionally, as we record a full valuation allowance against our U.S. and U.K. net deferred tax assets and substantially all of our accumulated other comprehensive income originated in the U.S. and U.K., other comprehensive income (loss) does not include significant income tax expense.

13. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Net loss per share, basic and diluted				
Numerator:				
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)
Denominator:				
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted	73,959,819	69,625,540	73,280,290	69,091,777
Net loss per share, basic and diluted	$ (0.55)	$ (0.59)	$ (2.07)	$ (0.94)

During the three and six months ended June 30, 2026 and 2025, we incurred net losses and, therefore, the effect of our stock options, restricted stock units, performance-based restricted stock units, convertible senior notes, employee stock purchase plan, and restricted shares were not included in the calculation of diluted net loss per share as the effect would be anti-dilutive.

The calculation of diluted net loss per share does not include the effect of the following potentially outstanding shares of common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted net loss per share when the effect would have been anti-dilutive:

	As of June 30,	
	2026	2025
	(unaudited)	
Common stock options	702,941	1,011,809
Restricted stock units	4,427,696	5,190,758
Performance-based restricted stock units	301,502	2,672,798
Restricted shares	106,196	106,196
Shares issuable as acquisition-related contingent consideration[(1)]	—	—
Total potentially dilutive securities	5,538,335	8,981,561

(1) The Upfront acquisition includes contingent consideration based on certain recurring revenue-based earn-out performance targets for Upfront during an earn-out period that ends on December 31, 2026. The Upfront contingent consideration is capped and will be paid in a combination of equity and cash to the extent achieved. If the earn-out were to be fully achieved, we would be required to issue approximately 2.7 million shares of common stock related to this acquisition in early 2027. There were no anti-dilutive shares issuable as acquisition-related contingent consideration presented as of June 30, 2026 in the table above as the amounts presented above are calculated based on the earn-out achieved and the estimated number of shares that would be issuable if the outstanding acquisition-related contingent consideration liabilities were to be settled as of that date.

14. Stock-Based Compensation

In 2011, our board of directors adopted the Health Catalyst, Inc. 2011 Stock Incentive Plan (2011 Plan), which provided for the direct award, sale of shares, and granting of RSUs and options for our common stock to our directors, team members, or consultants. In connection with our initial public offering (IPO), our board of directors adopted the 2019 Stock Option and Incentive Plan (2019 Plan). The 2019 Plan provides flexibility to our compensation committee to use various equity-based incentive awards as compensation tools to motivate our workforce, including the grant of incentive and non-statutory stock options, restricted and unrestricted stock, RSUs, and stock appreciation rights to our directors, team members, or consultants.

We initially reserved 2,756,607 shares of our common stock (2,500,000 under the 2019 Plan and 256,607 shares under the 2011 Plan) that were available immediately prior to the IPO registration date. The 2019 Plan provides that the number of shares reserved available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2020, by 5% of the outstanding number of shares of our common stock on the immediately preceding December 31, or such lesser number of shares as determined by our compensation committee. As of January 1, 2026, there were an additional 3,606,676 shares reserved for issuance under the 2019 Plan. As of June 30, 2026 and December 31, 2025, there were 30,453,076 and 26,846,400 shares authorized for grant, respectively, and 5,513,219 and 2,328,350 shares available for grant under the 2019 and 2011 Plan (collectively, the Stock Incentive Plan), respectively.

The following two tables summarize our total stock-based compensation expense by award type and where the stock-based compensation expense was recorded in our condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Restricted stock units	$ 2,527	$ 5,928	$ 5,910	$ 11,453
Performance-based restricted stock units	9	2,048	186	3,213
Employee stock purchase plan	72	245	183	529
Restricted shares	101	102	200	671
Options	—	—	—	—
Total stock-based compensation	$ 2,709	$ 8,323	$ 6,479	$ 15,866

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Cost of revenue	$ 417	$ 1,489	$ 1,084	$ 2,710
Sales and marketing	613	2,542	1,409	4,704
Research and development	366	1,316	956	2,449
General and administrative	1,313	2,976	3,030	6,003
Total stock-based compensation	$ 2,709	$ 8,323	$ 6,479	$ 15,866

Stock options

There were no stock options granted during the six months ended June 30, 2026 or 2025. A summary of the share option activity under the 2019 Plan for the six months ended June 30, 2026, is as follows:

	Time-Based Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
		(unaudited)		
Outstanding at January 1, 2026	842,085	$ 12.36		
Options cancelled/expired	(139,144)	11.54		
Outstanding at June 30, 2026	702,941	$ 12.53	2.1	$ —
Vested and exercisable as of June 30, 2026	702,941	$ 12.53	2.1	$ —

There were no stock options exercised during the six months ended June 30, 2026 and 2025. All of our outstanding stock options are fully vested and there is no longer any related unrecognized compensation expense.

Restricted stock units (RSUs)

The service-based condition for RSUs is generally satisfied over three or four years with a cliff vesting period of one year and quarterly vesting thereafter. The following table sets forth the outstanding RSUs and related activity for the six months ended June 30, 2026:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
	(unaudited)	
Unvested and outstanding at January 1, 2026	4,004,505	$ 5.72
RSUs granted	2,711,887	1.68
RSUs vested	(1,494,916)	4.85
RSUs forfeited	(793,780)	5.37
Unvested and outstanding at June 30, 2026	4,427,696	$ 3.61

During the six months ended June 30, 2026 and 2025, we granted RSUs with a weighted-average grant date fair value of $1.68 and $4.91, respectively, which represents the weighted-average closing price of our common stock on the grant date. The total grant date fair value of RSUs vested during the six months ended June 30, 2026 and 2025 was $7.3 million and $14.5 million, respectively.

As of June 30, 2026, we had $14.1 million of unrecognized stock-based compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of 2.0 years.

Performance-based restricted stock units (PRSUs)

2025 PRSUs

During the six months ended June 30, 2025, certain named executive officers and other leadership team members were granted executive PRSUs with a three-year measurement period that include service conditions, performance conditions, and market conditions.

The vesting of these PRSUs will be determined based on market-based targets for total shareholder return (TSR) achievement (weighted 25%) and financial performance targets for revenue growth rate achievement (weighted 25%) and Adjusted EBITDA margin achievement (weighted 50%). These PRSUs may vest in an amount up to the amount granted, subject to satisfaction of the pre-established targets. The number of PRSUs that will vest for the 2025, 2026, and 2027 vesting periods will be calculated as follows: (i) the market/performance achievement for the applicable vesting period, multiplied by (ii) approximately 33.33% of the PRSUs for each of the 2025, 2026, and 2027 vesting periods, each rounded to the nearest whole share.

During the six months ended June 30, 2026 and 2025, we also granted 2025 annual bonus PRSUs to certain employees that included both service conditions and performance conditions related to company-wide goals. These PRSUs vested during the six months ended June 30, 2026 to the extent the applicable performance conditions were achieved for the year ending December 31, 2025, and if the individual employee continued to provide services to us through the vesting date of March 1, 2026. The number of PRSUs that ultimately vested from these 2025 annual bonus PRSU grants could have ranged from 0% to 100% of the original amount granted depending on our performance during 2025 against the pre-established targets.

2024 PRSUs

During the six months ended June 30, 2024, certain named executive officers and other leadership team members were granted executive PRSUs with a three-year measurement period that include service conditions, performance conditions, and market conditions. The vesting of these PRSUs will be determined based on market-based targets for TSR achievement (weighted 25%) and financial performance targets for revenue growth rate achievement (weighted 25%) and Adjusted EBITDA margin achievement (weighted 50%).

These PRSUs may vest in an amount up to the amount granted, subject to satisfaction of the pre-established targets. The number of PRSUs that will vest for the 2024, 2025, and 2026 vesting periods will be calculated as follows: (i) the market/performance achievement for the applicable vesting period, multiplied by (ii) approximately 33.33% of the PRSUs for each of the 2024, 2025, and 2026 vesting periods, each rounded to the nearest whole share.

There were no PRSUs with market-based tranches granted during the six months ended June 30, 2026. The fair value of the market-based tranches included in the executive PRSUs were estimated on the date of grants using the Monte Carlo simulation valuation model with the following assumptions for the six months ended June 30, 2025:

	Six Months Ended June 30, 2025
Expected volatility	71.6%
Expected term (in years)	1-3
Risk-free interest rate	4.16% - 4.23%
Expected dividends	—

The following table sets forth the outstanding PRSUs, including executive PRSUs with market-based tranches, and related activity for the six months ended June 30, 2026:

	Performance-based Restricted Stock Units	Weighted Average Grant Date Fair Value
	(unaudited)	
Unvested and outstanding at January 1, 2026	2,521,754	$ 5.40
PRSUs granted	59,053	1.77
PRSUs vested	(863,096)	5.18
PRSUs forfeited	(1,416,209)	5.59
Unvested and outstanding at June 30, 2026	301,502	$ 4.37

During the six months ended June 30, 2026 and 2025, we granted PRSUs with a weighted-average grant date fair value of $1.77 and $4.98, respectively, which represents the weighted-average closing price of our common stock on the grant date for performance-based tranches and the estimated grant date fair value using a Monte Carlo simulation valuation model for market-based tranches.

The total grant date fair value of PRSUs vested during the six months ended June 30, 2026 and 2025 was $4.5 million and $1.4 million, respectively. As of June 30, 2026, we had $0.4 million of unrecognized stock-based compensation expense related to outstanding PRSUs expected to be recognized over a remaining weighted-average period of 1.2 years.

Employee stock purchase plan

In connection with our IPO in July 2019, our board of directors adopted the ESPP and a total of 750,000 shares of common stock were initially reserved for issuance under the ESPP. The number of shares of common stock available for issuance under the ESPP will be increased on the first day of each calendar year beginning January 1, 2020 and each year thereafter until the ESPP terminates. The number of shares of common stock reserved and available for issuance under the ESPP shall be cumulatively increased by the least of (i) 750,000 shares, (ii) one percent of the number of shares of common stock issued and outstanding on the immediately preceding December 31, and (iii) such lesser number of shares of common stock as determined by the ESPP Administrator. As of January 1, 2026, the number of shares of common stock available for issuance under the ESPP increased by 721,335 shares.

The ESPP generally provides for six-month offering periods. The offering periods generally start on the first trading day after June 30 and December 31 of each year. The ESPP permits participants to elect to purchase shares of common stock through fixed percentage contributions from eligible compensation during each offering period, not to exceed 15% of the eligible compensation a participant receives during an offering period or accrue at a rate which exceeds $25,000 of the fair value of the stock (determined on the option grant date(s)) for each calendar year.

A participant may purchase the lowest of (i) a number of shares of common stock determined by dividing such participant's accumulated payroll deductions on the exercise date by the option price, (ii) 2,500 shares, or (iii) such other lesser maximum number of shares as shall have been established by the ESPP Administrator in advance of the offering period. Amounts deducted and accumulated by the participant will be used to purchase shares of common stock at the end of each offering period. The purchase price of the shares will be 85% of the lower of the fair value of common stock on the first trading day of each offering period or on the purchase date. Participants may end their participation at any time during an offering period and will be paid their accumulated contributions that have not been used to purchase shares of common stock. Participation ends automatically upon termination of employment.

The fair value of the purchase right for the ESPP option component is estimated on the date of grant using the Black-Scholes model with the following assumptions for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	2025
	(unaudited)	
Expected volatility	73.9%	75.2%
Expected term (in months)	6	6
Risk-free interest rate	3.58%	4.25%
Expected dividends	—	—

During the six months ended June 30, 2026, we issued 213,148 shares under the ESPP, with a weighted-average purchase price of $1.69. Total cash proceeds from the purchase of shares under the ESPP during the six months ended June 30, 2026 were $0.4 million. As of June 30, 2026, 2,187,794 shares were available for future issuance under the ESPP.

Restricted shares issued in connection with business combinations

As part of the Upfront acquisition that closed on January 22, 2025, 106,196 shares of our common stock were issued pursuant to the terms of the acquisition agreement and were considered a stock-based compensation arrangement subject to a restriction agreement. The vesting of these shares is subject to eighteen months of continuous service with cliff vesting. In addition we entered into certain management retention bonus agreements that may result in the issuance of up to approximately 151,148 restricted shares of common stock to certain Upfront management team members, a portion of which is variable based upon the achievement of earn-out performance targets. The retention bonuses are recorded as post-combination compensation expense. During the six months ended June 30, 2026 and 2025, no retention bonus shares and 86,975 of these retention bonus restricted shares vested, respectively.

As of June 30, 2026, we had an immaterial amount of unrecognized stock-based compensation expense related to outstanding restricted shares expected to be recognized over a weighted-average period of 0.1 years.

15. Income Taxes

The tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, we update our estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, we make a cumulative adjustment in such period.

The quarterly tax provision and the estimate of our annual effective tax rate are subject to variation due to several factors, including variability in our loss before income taxes, the mix of jurisdictions to which such income or loss relates, changes in how we conduct business, and tax law developments. For the six months ended June 30, 2026 and 2025, our estimated effective tax rate was (0.5)% and (0.2)%, respectively. The variations between our estimated effective tax rate and the U.S. statutory rate are primarily due to our full valuation allowance.

We consider all available evidence to evaluate the recovery of deferred tax assets, including historical levels of income, legislative developments, and risks associated with estimates of future taxable income. We have provided a full valuation allowance for our net deferred tax assets as of June 30, 2026 and December 31, 2025, due to the uncertainty surrounding the future realization of such assets and the cumulative losses we have generated.

We recognize tax benefits from uncertain tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We believe that we have provided adequate reserves for income tax uncertainties in all open tax years. We do not anticipate material changes in the total amount of our unrecognized tax benefits within 12 months of the reporting date.

16. Commitments and Contingencies

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

We are involved in legal proceedings from time to time that arise in the normal course of business. In the opinion of management, such routine claims and lawsuits are not significant, and we do not expect them to have a material adverse effect on our business, financial condition, results of operations, or liquidity. There were no charges recorded during the three and six months ended June 30, 2026 and 2025.

17. Contract Balances and Performance Obligations

As of June 30, 2026 and December 31, 2025, the unbilled accounts receivable included in accounts receivable on our consolidated balance sheets was $6.3 million and $10.1 million, respectively.

As of June 30, 2026 and December 31, 2025, the total of current and non-current deferred revenue, excluding amounts associated with assets held for sale, on our consolidated balance sheets was $43.0 million and $56.5 million, respectively. Deferred revenue includes advance client payments and billings in excess of revenue recognized. For the three months ended June 30, 2026 and 2025, 52% and 47%, respectively, of the revenue recognized was included in deferred revenue at the beginning of the period. For the six months ended June 30, 2026 and 2025, 31% and 26%, respectively, of the revenue recognized was included in deferred revenue at the beginning of the period.

Most of our technology and professional services contracts have a three- or five-year term, of which many are terminable after one year upon 90 days' notice. For arrangements that are not associated with assets held for sale and that do not allow the client to cancel within one year or less, we expect to recognize $179.1 million of revenue on unsatisfied performance obligations as of June 30, 2026. We expect to recognize approximately 75% of the remaining performance obligations over the next 24 months, with the balance recognized thereafter.

18. Related Parties

We have entered into arrangements with a client, Carle Health, and a member of the client's executive leadership team served on our board of directors until July 16, 2026. We recognized revenue from this related party of $4.1 million and $4.5 million for the three months ended June 30, 2026 and 2025, respectively. For the six months ended June 30, 2026 and 2025, we recognized $8.4 million and $8.9 million of revenue from this related party, respectively. As of June 30, 2026 and December 31, 2025, we had receivables from this related party of $0.0 million and $1.7 million, respectively, and deferred revenue with this related party of $2.0 million and $0.2 million, respectively.

We have revenue arrangements with clients that are also our investors. None of these clients hold a significant amount of ownership in our equity interests.

19. Segments

We operate our business in two operating segments that also represent our reportable segments. Our business is organized based on our technology offerings and professional services. Accordingly, our segments are:

- Technology – Our technology segment (Technology) includes our data platform, analytics applications, and support services and generates revenue primarily from contracts that are cloud-based subscription arrangements, time-based license arrangements, and maintenance and support fees; and

- Professional Services – Our professional services segment (Professional Services) is generally the combination of analytics, implementation, strategic advisory, outsource, and improvement services to deliver expertise to our clients to more fully configure and utilize the benefits of our Technology offerings.

Revenues and cost of revenue generally are directly attributed to our segments. All segment revenue is from our external clients. Asset and other balance sheet information at the segment level is not reported to our CODM.

The CODM is regularly provided with and reviews revenue and Adjusted Gross Profit by operating segment. The CODM uses Adjusted Gross Profit as the primary measure of our profit used to assess performance and allocate resources between the two operating segments. Adjusted Cost of Revenue is a significant segment expense that is easily computable by subtracting segment Adjusted Gross Profit from segment revenue. Adjusted Gross Profit and Adjusted Cost of Revenue are non-GAAP financial measures, have limitations as analytical tools, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

The reconciliation between reportable segment Adjusted Gross Profit to consolidated loss before income tax is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Adjusted Gross Profit				
Technology	$ 30,975	$ 34,852	$ 63,279	$ 69,463
Professional Services	4,862	5,112	8,997	9,549
Total reportable segments Adjusted Gross Profit	35,837	39,964	72,276	79,012
Less Adjusted Gross Profit reconciling items:				
Stock-based compensation	(417)	(1,489)	(1,084)	(2,710)
Acquisition-related costs, net[1]	—	(89)	(7)	(283)
Restructuring costs	(560)	(145)	(862)	(1,543)
Less other reconciling items:				
Sales and marketing	(10,360)	(13,206)	(20,945)	(27,944)
Research and development	(11,026)	(12,392)	(20,805)	(27,578)
General and administrative	(11,928)	(8,284)	(25,888)	(22,446)
Depreciation and amortization	(10,979)	(12,684)	(23,094)	(25,004)
Goodwill impairment	(27,047)	(28,769)	(122,548)	(28,769)
Interest and other expense, net	(3,742)	(3,803)	(7,877)	(7,159)
Loss before income taxes	$ (40,222)	$ (40,897)	$ (150,834)	$ (64,424)

(1) Acquisition-related costs, net include deferred retention expenses attributable to the Lumeon, Carevive, ARMUS, and KPI Ninja acquisitions.

Revenue, Adjusted Cost of Revenue, and Adjusted Gross Profit by operating segment were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(unaudited)		*(unaudited)*	
Technology:				
Revenue	$ 48,795	$ 52,876	$ 98,263	$ 104,358
Adjusted Cost of Revenue[1]	17,820	18,024	34,984	34,895
Adjusted Gross Profit	$ 30,975	$ 34,852	$ 63,279	$ 69,463
Professional Services:				
Revenue	$ 21,692	$ 27,845	$ 42,980	$ 55,776
Adjusted Cost of Revenue[2]	16,830	22,733	33,983	46,227
Adjusted Gross Profit	$ 4,862	$ 5,112	$ 8,997	$ 9,549

(1) Technology Adjusted Cost of Revenue primarily consists of costs associated with hosting and supporting our technology, including third-party cloud computing and hosting costs, license and revenue share fees, contractor costs, and salary and related personnel costs for our cloud services and support teams. Technology Adjusted Cost of Revenue excludes depreciation, amortization, stock-based compensation, acquisition-related costs, net, and restructuring costs.

(2) Professional Services Adjusted Cost of Revenue primarily consists of costs related to delivering our team's expertise in analytics, strategic advisory, improvement, and implementation services. These costs primarily include salary and related personnel costs, travel-related costs, and outside contractor costs. Professional Services Adjusted Cost of Revenue excludes stock-based compensation, acquisition-related costs, net, and restructuring costs.

20. Restructuring Costs

Project Nexus

In April 2026, as part of a strategic initiative designed to fundamentally transform the Company's operating model, simplify its organizational structure, and align resources around its highest-conviction technology opportunities (Project Nexus), our Board authorized a workforce reduction throughout both our professional services and technology segments. The restructuring costs primarily related to severance and other team member costs from workforce reductions.

Restructuring liabilities related to Project Nexus are included as a component of accrued liabilities on our consolidated balance sheets. The following table summarizes our Project Nexus restructuring-related activities, including costs incurred, cash payments, and the resulting liability balances (in thousands):

	Restructuring Liability Rollforward
Balance as of December 31, 2025	$ —
Severance and other restructuring costs	3,706
Cash payments	(2,498)
Balance as of June 30, 2026	$ 1,208

The following table summarizes our Project Nexus restructuring costs by financial statement line item for the three months ended June 30, 2026 (in thousands):

	Three Months Ended June 30, 2026		
	Severance and Other Team Member Costs	Other[1]	Total
Cost of revenue, excluding depreciation and amortization:			
Technology	$ 296	$ —	$ 296
Professional services	264	—	264
Sales and marketing	1,251	—	1,251
Research and development	1,490	—	1,490
General and administrative	342	63	405
Total	$ 3,643	$ 63	$ 3,706

(1) Includes legal and advisory fees related to significant board of director refreshment that are non-recurring and outside the ordinary course of our business.

There were no restructuring costs as part of Project Nexus during the three months ended March 31, 2026. We expect additional restructuring costs as part of Project Nexus of at least $0.5 million during the second half of 2026. We continue to evaluate our restructuring initiatives, which may result in additional restructuring costs and associated payments in the future.

*August 2025 Re*structuring Plan

In August 2025, our board of directors authorized a reduction of our global workforce as part of a restructuring plan intended to optimize our cost structure and focus our investment of resources in key priority areas to align with strategic changes (August 2025 Restructuring Plan). As part of the August 2025 Restructuring Plan, we reduced headcount throughout both our professional services and technology segments. The restructuring costs primarily related to severance and other team member costs from workforce reductions. Our restructuring activities and related costs as part of the August 2025 Restructuring Plan were complete by March 31, 2026.

Restructuring liabilities related to the August 2025 Restructuring Plan are included as a component of accrued liabilities on our consolidated balance sheets. The following table summarizes our August 2025 Restructuring Plan restructuring-related activities, including costs incurred, cash payments, and the resulting liability balances (in thousands):

	Restructuring Liability Rollforward
Balance as of December 31, 2025	$ 704
Severance and other restructuring costs	1,791
Cash payments	(2,495)
Balance as of June 30, 2026	$ —

The following table summarizes our August 2025 Restructuring Plan costs by financial statement line item for the six months ended June 30, 2026, of which none related to the three months ended June 30, 2026, and the total cumulative charges (in thousands):

	Six Months Ended June 30, 2026		
	Severance and Other Team Member Costs	Other[1]	Total
Cost of revenue, excluding depreciation and amortization:			
Technology	$ —	$ —	$ —
Professional services	302	—	302
Sales and marketing	109	—	109
Research and development	100	—	100
General and administrative	987	293	1,280
Total	$ 1,498	$ 293	$ 1,791
August 2025 Restructuring Plan final, cumulative charges incurred through June 30, 2026	$ 6,823	$ 742	$ 7,565

(1) Includes legal and advisory fees related to shareholder activism defense costs regarding our former CEO's retirement and transition and significant board of director refreshment that are non-recurring and outside the ordinary course of our business.

January 2025 Restructuring Plan

In January 2025, our board of directors authorized a reduction of our global workforce as part of a restructuring plan intended to optimize our cost structure and focus our investment of resources in key priority areas to align with strategic changes (January 2025 Restructuring Plan). As part of the January 2025 Restructuring Plan, we reduced headcount throughout both our professional services and technology segments. The restructuring costs primarily related to severance and other team member costs from workforce reductions. Our restructuring activities as part of the January 2025 Restructuring Plan were complete by June 30, 2025 and as of December 31, 2025, the related restructuring liabilities were completely settled through cash outlays made to impacted team members.

The following table summarizes our January 2025 Restructuring Plan costs by financial statement line item for the six months ended June 30, 2025 (in thousands), of which less than $0.4 million related to the three months ended June 30, 2025:

	Six Months Ended June 30, 2025
	Total Severance and Other Team Member Costs
	(unaudited)
Cost of revenue, excluding depreciation and amortization:	
Technology	$ 401
Professional services	1,142
Sales and marketing	352
Research and development	1,908
General and administrative	136
Total	$ 3,939

21. Subsequent Events

On July 31, 2026 (the Vitalware Closing Date), we closed the previously announced divestiture of the Vitalware Business, pursuant to which Med-Metrix paid to the Company an aggregate base purchase price of $147 million in cash, subject to customary adjustments for cash, indebtedness, net working capital, and transaction costs. The initial proceeds were reduced by approximately $1.8 million of direct transaction costs, and assuming the divested assets held for sale and associated liabilities as of the Vitalware Closing Date will be materially similar to the amounts in our June 30, 2026 condensed consolidated balance sheet, we expect to recognize a gain on sale of approximately $66 million in the third quarter of 2026 in connection with the disposition of the Vitalware Business. The estimated gain is subject to the final determination of transaction costs, the carrying value of the net assets sold, and customary post-closing adjustments.

Concurrently with the closing of the Vitalware Transaction, on the Vitalware Closing Date, we used the net cash proceeds received from the Vitalware Transaction, together with cash on hand, to voluntarily repay in full all outstanding obligations under the Credit Agreement, which consisted of payments of (i) the $122.8 million principal amount outstanding under the initial term loan, (ii) the $37.1 million aggregate principal amount outstanding under the delayed draw facility, (iii) a $3.2 million prepayment premium, (iv) $0.6 million of accrued and unpaid interest, and (v) certain other fees and expenses. The repayment in full of our obligations under the Credit Agreement resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder. The debt repayment will significantly reduce ongoing interest expense, but we expect to recognize a loss on extinguishment of debt of approximately $10 million in the third quarter of 2026, due to the write-off of unamortized debt issuance costs, debt discount, and prepayment premiums.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the sections titled "Risk Factors" and "Special Note Regarding Forward-looking Statements."

Overview

We are a leading provider of data and analytics technology and services to healthcare organizations. Our Solution comprises our cloud-based data platforms, software analytics applications, and professional services expertise. Our clients, which are primarily healthcare providers, use our Solution to manage their data, derive analytical insights to operate their organization, and produce measurable clinical, financial, and operational improvements. We envision a future where all healthcare decisions are data-informed.

Highlights from the three and six months ended June 30, 2026 and 2025 included:

- We recognized total revenue of $70.5 million and $80.7 million for the three months ended June 30, 2026 and 2025, respectively, and $141.2 million and $160.1 million for the six months ended June 30, 2026 and 2025, respectively. The decrease in revenue was primarily due to our exit of certain lower margin TEMS arrangements and churn related to the migration from DOS to Ignite.

- We incurred net losses of $40.5 million and $41.0 million for the three months ended June 30, 2026 and 2025, respectively, and $151.6 million and $64.7 million for the six months ended June 30, 2026 and 2025, respectively. The increased net losses in the six months ended June 30, 2026 compared to the six months ended June 30, 2025 are largely driven by $122.5 million in goodwill impairment in 2026, which was primarily due to overall declines in our stock price and market capitalization, as well as the Vitalware held for sale accounting, which required an impairment analysis of the goodwill allocated to the retained technology reporting unit.

- Our Adjusted EBITDA was $9.9 million and $9.3 million for the three months ended June 30, 2026 and 2025, respectively, and $19.1 million and $15.6 million for the six months ended June 30, 2026 and 2025, respectively. See the section titled "Key Financial Measures—Reconciliation of Non-GAAP Financial Measures" below for more information about Adjusted EBITDA, including the limitations of such measure and a reconciliation to net loss, the most directly comparable measure calculated in accordance with GAAP.

See the section titled "Key Factors Affecting Our Performance" for more information about important opportunities and challenges related to our business.

Macroeconomic Environment and Strategic Operating Plan

Ongoing macroeconomic challenges (including high levels of inflation, high interest rates, uncertainty with tariffs, cuts in Medicaid and research funding, and regional or global conflicts (including the conflicts in the Middle East)) and the tight labor market continue to adversely affect workforces, organizations, governments, clients, economies, and financial markets globally. These factors have disrupted the normal operations of many businesses, including our business. These factors have also placed the national healthcare system under significant operational and budgetary strain. The extent and duration of the impacts from these factors is uncertain, and we expect that continued impacts will continue to have a negative effect upon our clients, business and results of operations, and financial condition.

The health system end market, in particular, has experienced meaningful financial strain over the past several years. We are encouraged that, in general, the operating margins of our health system end market improved in recent years. However, the implications of many policy developments around Medicaid and research funding reductions, as well as implications of the evolving tariff landscape have had and continue to have a negative impact on our business. On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (the OBBBA) into law, which is projected to reduce federal Medicaid spending by nearly $1 trillion over 10 years and will create additional financial strain for many of our clients and prospective clients. As a result, certain sales cycles have elongated and some opportunities, such as opportunities in Life Sciences, have pushed, which negatively impacted our 2025 bookings achievement and our expectations for revenue in 2026.

We continue to anticipate that a higher proportion of our gross bookings will come from our existing client base as compared to historical levels. This expectation is driven by our belief that many existing clients that have already realized a strong financial return on investment (ROI), and are aligned on a long-term partnership framework, will be more receptive to expansion conversations, as compared to discussions with prospective clients. We have collected data internally that shows we are more than twice as effective at selling into organizations where we have an existing relationship compared to those where there is no prior relationship, which gives us additional confidence in our ability to drive cross-selling within our broad client base. We benefit from a highly recurring revenue model, in which greater than 90% of our revenue is recurring in nature, and a high level of technology revenue predictability. Client contracts often include built-in, contractual technology revenue escalators and often include locked in terms for three to five years.

As previously described, within our professional services segment, a subset of clients have reduced the number of FTEs engaged in their initiatives, while in the technology segment, we have experienced down-sell and churn particularly related to the migration from DOS to Ignite. As of May 11, 2026, we had been notified of $12.5 million of DOS-to-Ignite migration downsell and churn, and estimated approximately $52 million of potentially at risk ARR across 2026 and 2027. We are focused on trying to retain this at risk ARR though dedicated account plans tailored to each client's needs. Even among clients who have given notice on the infrastructure layer, we expect a number of clients will continue to use our application solutions going forward even after transitioning to their own infrastructure. As we referenced in the past, we expect to be generally through churn pressure associated with the DOS to Ignite migration by the end of 2027.

We believe healthcare is at an inflection point, due to financial pressure on health systems, including eroding margins, shifting payor mix, and rising labor costs. In this environment, we believe healthcare providers are seeking a partner who can help them reduce costs, improve clinical quality, and grow consumer relationships, while delivering meaningful outcomes. Healthcare data infrastructure has increasingly commoditized. We believe durable advantage lives in the intelligence built on top of it, and that our advantage rests on our improvement data and content, as well as our expertise, including healthcare-specific and change management expertise.

We aim to continue to manage the business with a focus on operating efficiency, while balancing targeted investments to support disciplined growth and retention initiatives that we expect will benefit future results. Moving forward our focus is building a technology business that wins in the market, operating with efficiency and discipline, and investing in our AI-enabled intelligence that differentiates our solutions. In April 2026, we announced Project Nexus, a strategic initiative designed to fundamentally transform our operating model and advance each of these priorities. The Vitalware Transaction (as defined below), which is part of Project Nexus, provided us with the ability to fully repay all obligations under our Credit Agreement and we believe gives us flexibility to make targeted investments in our core business. While these investments have created near-term pressure on our net loss and Adjusted EBITDA, we believe they better position the business.

We are focused on margin expansion as part of our transformation to streamline operations and optimize our cost structure, including engaging an advisor to help us assess revenue and cost optimization opportunities. Our priorities going forward will include strengthening and simplifying our commercial engine to drive technology ARR bookings, working to improve retention through more predictable migrations and clearer client value realization, and increasing efficiency and reducing time to value by eliminating operational complexity and scaling work through automation and global resources. We also plan to better leverage our intellectual property, combining our data foundation with the expertise, content, and AI-enabled solutions that differentiates our solutions to allow us to solve healthcare's most pressing problems. We will continue to refine this strategic operating plan.

Vitalware Transaction and Debt Repayment

On July 31, 2026 (the Vitalware Closing Date), we completed the previously announced disposition of all of the equity interests of Vitalware, LLC, through which we conducted our Vitalware business (the Vitalware Business), to Med-Metrix, LLC (Med-Metrix) (the Vitalware Transaction). On the Vitalware Closing Date, we received from Med-Metrix the payment of an aggregate base purchase price of $147 million, subject to customary adjustments for cash, indebtedness, net working capital and transaction expenses. Concurrently with the closing of the Vitalware Transaction, on the Vitalware Closing Date, we used the net cash proceeds received from the Vitalware Transaction, together with cash on hand, to voluntarily repay in full all outstanding obligations under a Credit Agreement, dated as of July 16, 2024, among Health Catalyst, as the borrower, the several lenders party thereto, and Silver Point Finance, LLC, as administrative agent for the lenders (as modified, amended, restated, amended and restated, or supplemented from time to time prior to the Vitalware Closing Date, the Credit Agreement), which resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder.

Key Financial Measures

We regularly review a number of measures, including the following key financial measures, to manage our business and evaluate our operating performance compared to that of other companies in our industry:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
GAAP Financial Measures:	(in thousands, except percentages)		(in thousands, except percentages)	
Total revenue	$ 70,487	$ 80,721	$ 141,243	$ 160,134
Gross profit	$ 27,856	$ 30,333	$ 55,582	$ 58,992
Gross margin	40 %	38 %	39 %	37 %
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)
Non-GAAP Financial Measures:				
Adjusted Gross Profit	$ 35,837	$ 39,964	$ 72,276	$ 79,012
Adjusted Gross Margin	51 %	50 %	51 %	49 %
Adjusted EBITDA	$ 9,919	$ 9,344	$ 19,056	$ 15,623

We monitor the key measures set forth in the preceding table to help us evaluate trends, establish budgets, measure the effectiveness and efficiency of our operations, and determine team member incentives. This year we will also report on total full-year bookings on an annual basis as a new, simplified operating metric, which includes all new bookings for annual recurring revenue and non-recurring revenue. We discuss Adjusted Gross Profit, Adjusted Gross Margin, and Adjusted EBITDA in more detail below.

Reconciliation of non-GAAP financial measures

In addition to our results determined in accordance with GAAP, we believe certain non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Gross Margin, and Adjusted EBITDA, are useful in evaluating our operating performance. For example, we exclude stock-based compensation expense because it is non-cash in nature and excluding this expense provides meaningful supplemental information regarding our operational performance and allows investors the ability to make more meaningful comparisons between our operating results and those of other companies. We use this non-GAAP financial information to evaluate our ongoing operations, as a component in determining employee bonus compensation, and for internal planning and forecasting purposes.

We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

Adjusted Gross Profit and Adjusted Gross Margin

Gross profit is a GAAP financial measure that is calculated as revenue less cost of revenue, including depreciation and amortization of capitalized software development costs and acquired technology. We calculate gross margin as gross profit divided by our revenue. Adjusted Gross Profit is a non-GAAP financial measure that we define as gross profit, adjusted for (i) depreciation and amortization, (ii) stock-based compensation, (iii) acquisition-related costs, net, and (iv) restructuring costs, as applicable. We define Adjusted Gross Margin as our Adjusted Gross Profit divided by our revenue. We believe Adjusted Gross Profit and Adjusted Gross Margin are useful to investors as they eliminate the impact of certain non-cash expenses and allow a direct comparison of these measures between periods without the impact of non-cash expenses and certain other non-recurring operating expenses.

We present both of these measures for our technology and professional services business. We believe these non-GAAP financial measures are useful in evaluating our operating performance compared to that of other companies in our industry, as these metrics generally eliminate the effects of certain items that may vary from company to company for reasons unrelated to overall profitability.

The following is a reconciliation of our Adjusted Gross Profit and Adjusted Gross Margin, in total and for technology and professional services, to gross profit and gross margin, the most directly comparable financial measures calculated in accordance with GAAP for the three months ended June 30, 2026 and 2025.

	Three Months Ended June 30, 2026		
	(in thousands, except percentages)		
	Technology	Professional Services	Total
Revenue	$ 48,795	$ 21,692	$ 70,487
Cost of revenue, excluding depreciation and amortization	(18,188)	(17,439)	(35,627)
Amortization of intangible assets, cost of revenue	(3,730)	—	(3,730)
Depreciation of property and equipment, cost of revenue	(3,274)	—	(3,274)
Gross profit	23,603	4,253	27,856
Gross margin	48 %	20 %	40 %
Add:			
Amortization of intangible assets, cost of revenue	3,730	—	3,730
Depreciation of property and equipment, cost of revenue	3,274	—	3,274
Stock-based compensation	72	345	417
Restructuring costs[(1)]	296	264	560
Adjusted Gross Profit	$ 30,975	$ 4,862	$ 35,837
Adjusted Gross Margin	63 %	22 %	51 %

(1) Restructuring costs include severance and other team member costs from workforce reductions and restructuring. For additional details, refer to Note 20-Restructuring Costs in our condensed consolidated financial statements.

	Three Months Ended June 30, 2025		
	(in thousands, except percentages)		
	Technology	Professional Services	Total
Revenue	$ 52,876	$ 27,845	$ 80,721
Cost of revenue, excluding depreciation and amortization	(18,352)	(24,128)	(42,480)
Amortization of intangible assets, cost of revenue	(4,857)	—	(4,857)
Depreciation of property and equipment, cost of revenue	(3,051)	—	(3,051)
Gross profit	26,616	3,717	30,333
Gross margin	50 %	13 %	38 %
Add:			
Amortization of intangible assets, cost of revenue	4,857	—	4,857
Depreciation of property and equipment, cost of revenue	3,051	—	3,051
Stock-based compensation	295	1,194	1,489
Acquisition-related costs, net[(1)]	33	56	89
Restructuring costs[(2)]	—	145	145
Adjusted Gross Profit	$ 34,852	$ 5,112	$ 39,964
Adjusted Gross Margin	66 %	18 %	50 %

(1) Acquisition-related costs, net include deferred retention expenses attributable to the Upfront, Intraprise, ARMUS and KPI Ninja acquisitions. For additional details refer to notes 1 and 3 in our condensed consolidated financial statements.

(2) Restructuring costs include severance and other team member costs from workforce reductions and restructuring. For additional details, refer to Note 20-Restructuring Costs in our condensed consolidated financial statements.

Technology gross margin decreased from 50% for the three months ended June 30, 2025 to 48% for the three months ended June 30, 2026. Adjusted Technology Gross Margin decreased from 66% for the three months ended June 30, 2025 to 63% for the three months ended June 30, 2026. These technology gross margin and Adjusted Technology Gross Margin year-over-year decreases were mainly driven by costs associated with migrating a subset of DOS clients to Health Catalyst Ignite and Ninja Universe deployment costs incurred prior to the commencement of revenue recognition.

We expect technology gross margin and Adjusted Technology Gross Margin to decline in the near term, primarily due to the Vitalware Transaction and additional costs associated with the ongoing migrations to Health Catalyst Ignite and Ninja Universe.

Professional services gross margin increased from 13% for the three months ended June 30, 2025 to 20% for the three months ended June 30, 2026. Adjusted Professional Services Gross Margin increased from 18% for the three months ended June 30, 2025 to 22% for the three months ended June 30, 2026. These professional services gross margin and Adjusted Professional Services Gross Margin year-over-year increases were primarily driven by lower utilization rates in our professional services organization in the prior period and due to our exit of certain lower margin Tech-Enabled Managed Services (TEMS) arrangements. Our professional services are comprised of data and analytics services, domain expertise services, TEMS, and implementation services. The delivery mix among all of our services in a given period can lead to fluctuations in our professional services gross margin and Adjusted Professional Services Gross Margin.

Total gross margin increased from 38% for the three months ended June 30, 2025 to 40% for the three months ended June 30, 2026. Total Adjusted Gross Margin also increased from 50% for the three months ended June 30, 2025 to 51% for the three months ended June 30, 2026. We expect total Adjusted Gross Margin to decline in the near term primarily due to the Vitalware Transaction and additional costs associated with the ongoing migrations to Health Catalyst Ignite and Ninja Universe.

The following is a reconciliation of our Adjusted Gross Profit and Adjusted Gross Margin, in total and for technology and professional services, to gross profit and gross margin, the most directly comparable financial measures calculated in accordance with GAAP, for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30, 2026		
	(in thousands, except percentages)		
	Technology	Professional Services	Total
Revenue	$ 98,263	$ 42,980	$ 141,243
Cost of revenue, excluding depreciation and amortization	(35,471)	(35,449)	(70,920)
Amortization of intangible assets, cost of revenue	(7,920)	—	(7,920)
Depreciation of property and equipment, cost of revenue	(6,821)	—	(6,821)
Gross profit	48,051	7,531	55,582
Gross margin	49 %	18 %	39 %
Add:			
Amortization of intangible assets, cost of revenue	7,920	—	7,920
Depreciation of property and equipment, cost of revenue	6,821	—	6,821
Stock-based compensation	190	894	1,084
Acquisition-related costs, net[1]	1	6	7
Restructuring costs[2]	296	566	862
Adjusted Gross Profit	$ 63,279	$ 8,997	$ 72,276
Adjusted Gross Margin	64 %	21 %	51 %

(1) Acquisition-related costs, net include final deferred retention expenses attributable to the KPI Ninja acquisition. For additional details, see Notes 1 and 3 in our condensed consolidated financial statements.

(2) Restructuring costs include severance and other team member costs from workforce reductions and restructuring. For additional details, refer to Note 20-Restructuring Costs in our condensed consolidated financial statements.

	Six Months Ended June 30, 2025		
	(in thousands, except percentages)		
	Technology	Professional Services	Total
Revenue	$ 104,358	$ 55,776	$ 160,134
Cost of revenue, excluding depreciation and amortization	(35,917)	(49,741)	(85,658)
Amortization of intangible assets, cost of revenue	(9,453)	—	(9,453)
Depreciation of property and equipment, cost of revenue	(6,031)	—	(6,031)
Gross profit	52,957	6,035	58,992
Gross margin	51 %	11 %	37 %
Add:			
Amortization of intangible assets, cost of revenue	9,453	—	9,453
Depreciation of property and equipment, cost of revenue	6,031	—	6,031
Stock-based compensation	514	2,196	2,710
Acquisition-related costs, net[1]	107	176	283
Restructuring costs[2]	401	1,142	1,543
Adjusted Gross Profit	$ 69,463	$ 9,549	$ 79,012
Adjusted Gross Margin	67 %	17 %	49 %

(1) Acquisition-related costs, net include deferred retention expenses attributable to the Upfront, Intraprise, ARMUS and KPI Ninja acquisitions. For additional details refer to notes 1 and 3 in our condensed consolidated financial statements.

(2) Restructuring costs include severance and other team member costs from workforce reductions and restructuring. For additional details, refer to Note 20-Restructuring Costs in our condensed consolidated financial statements.

Technology gross margin decreased from 51% for the six months ended June 30, 2025 to 49% for the six months ended June 30, 2026. Adjusted Technology Gross Margin decreased from 67% for the six months ended June 30, 2025 to 64% for the six months ended June 30, 2026. These technology gross margin and Adjusted Technology Gross Margin year-over-year decreases were primarily driven by continued costs associated with migrating a subset of Platform Clients to Health Catalyst Ignite, and Ninja Universe deployment costs incurred prior to the commencement of revenue recognition, partially offset by existing clients paying higher technology access fees from contractual, built-in escalators, without a corresponding increase in hosting costs.

We expect technology gross margin and Adjusted Technology Gross Margin to decline in the near term, primarily due to the Vitalware Transaction and additional costs associated with the ongoing migrations to Health Catalyst Ignite and Ninja Universe.

Professional services gross margin increased from 11% for the six months ended June 30, 2025 to 18% for the six months ended June 30, 2026. Adjusted Professional Services Gross Margin increased from 17% for the six months ended June 30, 2025 to 21% for the six months ended June 30, 2026. These professional services gross margin and Adjusted Professional Services Gross Margin year-over-year increases were primarily driven by lower utilization rates in our professional services organization in the prior period and our exit of certain lower margin TEMS arrangements. The majority of our professional services revenue is generated from data and analytic services and domain expertise services, which are the highest gross margin professional services we provide. The delivery mix among all of our services in a given period can lead to fluctuations in our Adjusted Professional Services Gross Margin.

Total gross margin increased from 37% for the six months ended June 30, 2025 to 39% for the six months ended June 30, 2026. Total Adjusted Gross Margin increased from 49% for the six months ended June 30, 2025 to 51% for the six months ended June 30, 2026. We expect total Adjusted Gross Margin to decline in the near term primarily due to the Vitalware Transaction and additional costs associated with the ongoing migrations to Health Catalyst Ignite and Ninja Universe.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss adjusted for (i) interest and other expense, net, (ii) income tax provision, (iii) depreciation and amortization, (iv) stock-based compensation, (v) acquisition-related costs, net, including the change in fair value of contingent consideration liabilities for potential earn-out payments, (vi) restructuring costs, (vii) goodwill impairment, and (viii) non-recurring lease-related charges, as applicable. We view acquisition-related expenses when applicable, such as transaction costs (including third-party fees associated with due diligence, deferred retention expenses, post-acquisition restructuring costs incurred as part of business combinations) and changes in the fair value of contingent consideration liabilities for potential earn-out payments that are directly related to business combinations, as costs that are unpredictable, dependent upon factors outside of our control, and are not necessarily reflective of operational performance during a period. We believe that excluding restructuring costs, impairment of goodwill and intangible assets, and non-recurring lease-related charges, as applicable, allows for more meaningful comparisons between operating results from period to period as these are separate from the core activities that arise in the ordinary course of our business and are not part of our ongoing operations. We believe Adjusted EBITDA provides investors with useful information on period-to-period performance as evaluated by management and a comparison with our past financial performance, and is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

Our Adjusted EBITDA improved year-over-year as a result of our revenue growth and cost reduction initiatives as well as the timing of some non-headcount expenses. We expect Adjusted EBITDA to be negatively impacted by the Vitalware Transaction and our Adjusted EBITDA may fluctuate from quarter to quarter as a result of the timing of non-recurring revenue and the seasonality of certain operating costs. Excluding the impact of the Vitalware Transaction, we expect annual Adjusted EBITDA to continue to improve in the long-term.

The following is a reconciliation of our Adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP for the three and six months ended June 30, 2026 and 2025.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands)		(in thousands)	
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)
Add:				
Interest and other expense, net	3,742	3,803	7,877	7,159
Income tax provision	315	81	729	296
Depreciation and amortization	10,979	12,684	23,094	25,004
Stock-based compensation	2,709	8,323	6,479	15,866
Acquisition-related costs, net[(1)]	1,958	(3,720)	4,395	(691)
Restructuring costs[(2)]	3,706	382	5,497	3,940
Goodwill impairment[(3)]	27,047	28,769	122,548	28,769
Adjusted EBITDA	$ 9,919	$ 9,344	$ 19,056	$ 15,623

(1) Acquisition-related costs, net include third-party fees associated with due diligence, deferred retention expenses, post-acquisition restructuring costs incurred as part of business combinations, and changes in fair value of contingent consideration liabilities for potential earn-out payments. During the three and six months ended June 30, 2025, the fair value of the contingent consideration related to the Upfront acquisition earnout decreased, resulting in a net reduction in expense. For additional details refer to Notes 1, 3, and 8 in our condensed consolidated financial statements.

(2) Restructuring costs include severance and other team member costs from workforce reductions, as well as legal and advisory fees related to shareholder activism defense costs regarding our former CEO's retirement and transition in the first quarter of 2026 and significant board of director refreshment that are non-recurring and outside the ordinary course of our business. For additional details, refer to Notes 1 and 20 in our condensed consolidated financial statements.

(3) Goodwill impairment was recognized as a result of impairment indicators and quantitative tests indicating the fair values of the following were below the carrying values: (i) Technology reporting unit as of June 4, 2026 and March 31, 2026, and (ii) the Technology reporting unit and the Professional Services reporting unit as of June 30, 2025.

Key Factors Affecting Our Performance

We believe that our future growth, success, and performance are dependent on many factors, including those set forth below. While these factors present significant opportunities for us, they also represent the challenges that we must successfully address in order to grow our business and improve our results of operations.

- ***Impact of challenging macroeconomic environment, including high inflation, high interest rates, uncertainty with tariffs, cuts in Medicaid and research funding, regional or global conflicts (including the conflicts in the Middle East), the tight labor market or the market volatility and measures taken in response thereto.*** Ongoing macroeconomic challenges (including the high levels of inflation, high interest rates, uncertainty with tariffs, cuts in Medicaid and research funding, regional or global conflicts (including conflicts in the Middle East), or market volatility and measures taken in response thereto) and the tight labor market continue to adversely affect workforces, organizations, governments, clients, economies, and financial markets globally, leading to an economic downturn and increased market volatility. These challenges have also disrupted the normal operations of many businesses, including ours. Our health system end market recently experienced meaningful financial strain from significant inflation. In particular, the health system end market experienced increases in labor and supply costs without a commensurate increase in revenue, leading to significant margin pressure. We are also continuing to monitor the implications of any policy developments around Medicaid and research funding reductions, including the OBBBA, which has and could continue to negatively impact our end market, as well as implications of the evolving tariff landscape. These uncertainties in our end market have caused and could cause further potential delays in client decisions, which has and could continue to negatively affect our business and results of operations.

- ***Add new clients.*** We believe our ability to increase our client base will enable us to drive growth. Our potential client base is generally in the early stages of data and analytics adoption and maturity. We expect to further penetrate the market over time as potential clients invest in commercial data and analytics solutions. As one of the first data platform and analytics vendors focused specifically on healthcare organizations, we have an early-mover advantage and strong brand awareness. Our clients are large, complex organizations who typically have long procurement cycles, which, as a result, may lead to challenges with adding new clients.

- ***Leverage recent product and services offerings to drive expansion.*** We believe that our ability to expand within our client base will enable us to drive growth. Over the last few years, we have developed and deployed several new analytics applications and intend to launch new applications in the future. Because we are in the early stages of certain of our applications' lifecycles and maturity, we do not have enough information to know the impact on revenue growth by upselling these applications and associated services to current and new clients.

- ***Impact of acquisitions.*** We have acquired multiple companies over the last few years, including Medicity in June 2018, Able Health in February 2020, Healthfinch in July 2020, Vitalware in September 2020 (which we divested in connection with the Vitalware Transaction on July 31, 2026), Twistle in July 2021, KPI Ninja in February 2022, ARMUS in April 2022, ERS in October 2023, Carevive in May 2024, Lumeon in August 2024, Intraprise in November 2024, and Upfront in January 2025. The historical and go-forward revenue growth profiles of these businesses may vary from our core Solutions, which can positively or negatively impact our overall growth rate. For example, Medicity clients have generated a lower revenue retention rate and we have experienced and expect declining revenue from Medicity clients in the foreseeable future. As we integrate the teams acquired via our recent acquisitions, we have also incurred integration-related costs and duplicative costs that could impact our operating cost profile in the near term.

- ***Changing revenue mix***. Our technology and professional services offerings have materially different gross margin profiles. While our professional services offerings help our clients achieve measurable improvements and make them stickier, they have lower gross margins than our technology revenue.

For the six months ended June 30, 2026, our technology revenue and professional services revenue represented 70% and 30% of total revenue, respectively. Changes in our percentage of revenue attributable to Technology and Professional Services would impact future gross margin and Adjusted Gross Margin. Furthermore, changes within the types of professional services we offer over time can have a material impact on our Adjusted Professional Services Gross Margin, impacting our future gross margin and Total Adjusted Gross Margin. See "Reconciliation of Non-GAAP Financial Measures" above for more information.

- ***Migration to Health Catalyst Ignite.*** We are in the process of migrating our DOS clients to Ignite. These migrations have and will continue to result in higher cost of technology revenue, which has and will negatively impact Adjusted Technology Gross Margin. We experienced retention pressure in 2025 and the first half of 2026 due to the ongoing migration efforts, and we expect to face similar pressure through the remainder of 2026 and 2027. An Ignite migration can take a variety of forms, including a client's migration from our DOS platform to the Ignite platform, the incorporation of Ignite componentry into a specific Solution that is deployed to all clients using that Solution, or our deeming a Solution using our latest technology to be part of Ignite (our latest technology) because we do not plan to devote additional professional service or R&D resources to adding Ignite componentry to the Solution. There may be instances in which we expect the client to remain on our legacy technology for the foreseeable future. We anticipate making meaningful progress on the Ignite migrations in 2026 and to generally be through the churn pressure associated with migrations by the end of 2027, with some clients choosing to remain on DOS. We are committed to providing more flexibility and meeting clients where they are with the goal of improving client experience and retention of at-risk annual recurring revenue.

- ***Vitalware Transaction.*** In connection with Project Nexus, we determined that the Vitalware Business was not part of our planned core business going forward. The Vitalware Transaction provides us with flexibility to focus on our core business of driving measurable improvement for health systems across cost, clinical, and consumer performance. Though the proceeds from the Vitalware Transaction, together with cash on hand, were used to voluntarily repay in full all outstanding obligations under the Credit Agreement, which significantly reduces interest expense, we expect that our future total revenue, gross profit, net income (loss), Adjusted Gross Profit, and Adjusted EBITDA will be negatively impacted due to the disposition of this high margin business.

Recent Acquisitions and Dispositions

Vitalware Transaction

On the Vitalware Closing Date, we completed the previously announced Vitalware Transaction pursuant to which we received from Med-Metrix an aggregate base purchase price of $147 million in cash, subject to customary adjustments for cash, indebtedness, net working capital and transaction expenses. Concurrently with the closing of the Vitalware Transaction, on the Vitalware Closing Date, we used the net cash proceeds received from the Vitalware Transaction, together with cash on hand, to voluntarily repay in full all outstanding obligations under the Credit Agreement, which resulted in the termination of the Credit Agreement and simultaneous release in full of all liens thereunder.

Upfront Healthcare, Inc.

On January 22, 2025, we acquired Upfront Healthcare Services, Inc. (Upfront), a next-generation patient engagement platform provider. We accounted for the acquisition of Upfront as a business combination. The acquisition consideration transferred was $80.0 million and was comprised of estimated net cash consideration of $41.1 million, shares of our common stock with an aggregate acquisition-date fair value of $31.6 million, and contingent consideration based on certain earn-out performance targets for Upfront during an earn-out period ending on December 31, 2026, with an aggregate acquisition-date fair value of $7.3 million, that, if achieved, would be paid 62.5% in common stock and 37.5% in cash. Certain Upfront shareholders also received shares of our common stock subject to revesting that are accounted for as post-acquisition stock-based compensation. The purchase resulted in Health Catalyst acquiring 100% ownership in Upfront.

Components of Our Results of Operations

Revenue

We derive our revenue from sales of technology and professional services. For the three months ended June 30, 2026 and 2025, technology revenue represented 69% and 66% of total revenue, respectively, and professional services revenue represented 31% and 34% of total revenue, respectively. For the six months ended June 30, 2026 and 2025, technology revenue represented 70% and 65% of total revenue, respectively, and professional services revenue represented 30% and 35% of total revenue, respectively. We expect our near-term revenue growth to be negatively impacted by policy developments around Medicaid and research funding reductions, which has and will likely continue to create additional financial strain for many of our clients and prospective clients. We also expect near-term headwinds to revenue, including a reduction in technology revenue from the Vitalware Transaction, a reduction in TEMS revenue due to down-selling and our exit from certain lower-margin TEMS arrangements, a reduction in technology revenue related to migrating DOS clients to Health Catalyst Ignite, and the timing of non-recurring revenue driven by the timing of project completions.

Technology revenue. Technology revenue primarily consists of subscription fees charged to clients for access to use our Platform and analytics applications. We provide clients access to our technology through either an all-access or limited-access, modular subscription. Most of our subscription contracts are cloud-based and generally have a three- or five-year term, of which many are terminable after one year upon 90 days' notice. The majority of our platform subscription contracts have built-in annual escalators for technology access fees. Also included in technology revenue is the maintenance and support we provide, which generally includes updates and support services.

Professional services revenue. Professional services revenue primarily includes analytics services, domain expertise services, TEMS, and implementation services. Professional services arrangements typically include a fee for making FTE services available to our clients on a monthly basis or a fixed fee for a scope of work. FTE services generally consist of a blend of analytic engineers, analysts, and data scientists based on the domain expertise needed to best serve our clients.

Deferred revenue

Deferred revenue consists of client billings in advance of revenue being recognized from our technology and professional services arrangements. We primarily invoice our clients for technology arrangements annually or quarterly in advance. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue and the remaining portion is recorded as deferred revenue, net of current portion on our condensed consolidated balance sheets.

Cost of revenue, excluding depreciation and amortization

Cost of technology revenue. Cost of technology revenue primarily consists of costs associated with hosting and supporting our technology, including third-party cloud computing and hosting costs, license and revenue share fees, contractor costs, and salary and related personnel costs for our cloud services and support teams.

We anticipate cost of technology revenue as a percentage of technology revenue will generally decrease over the long term. However, we expect cost of technology revenue as a percentage of technology revenue to fluctuate and potentially increase in the near term, primarily due to additional costs associated with migrating DOS clients to Health Catalyst Ignite and the impact of the Vitalware Transaction.

Cost of professional services revenue. Cost of professional services revenue consists primarily of costs related to delivering our team's expertise in analytics, strategic advisory, improvement, and implementation services. These costs primarily include salary and related personnel costs, travel-related costs, and outside contractor costs. The January 2025 Restructuring Plan, the August 2025 Restructuring Plan (together with the January 2025 Restructuring Plan, the 2025 Restructuring Plans), and restructuring activities related to Project Nexus together have reduced our ongoing cost of professional services revenue. Project Nexus has also increased cost of professional services revenue in the second quarter of 2026 due to severance costs, but, consistent with the impact of the 2025 Restructuring Plans, we expect the reduction in headcount will reduce future, ongoing cost of professional services revenue. Our cost of professional services revenue may fluctuate as a percentage of our revenue from period to period due to the timing and extent of non-recurring professional services arrangements.

Operating expense

Sales and marketing. Sales and marketing expenses primarily include salary and related personnel costs for our sales, marketing, and account management teams, lead generation, marketing events, including our Healthcare Analytics Summit, marketing programs, and outside contractor costs associated with the sale and marketing of our offerings. We plan to continue to invest in sales and marketing to grow our client base, expand in new markets, and increase our brand awareness. The trend and timing of sales and marketing expenses will depend in part on the timing of our expansion into new markets and marketing campaigns. Our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Research and development. Research and development expenses primarily include salary and related personnel costs for our data platform and analytics applications teams, subscriptions, and outside contractor costs associated with the development of products. We have developed an open, flexible, and scalable data platform. We plan to continue to invest in research and development to develop new solutions and enhance our applications library. The January 2025 Restructuring Plan, the August 2025 Restructuring Plan, and restructuring activities related to Project Nexus increased our research and development expenses in the first quarter of 2025, third quarter of 2025, and second quarter of 2026 respectively, in each case due to severance costs. However, we expect that the reduction in headcount pursuant to these restructuring initiatives will reduce future, ongoing research and development expenses.

Our research and development expenses may fluctuate as a percentage of revenue from period to period due to the nature, timing and extent of these expenses.

General and administrative. General and administrative expenses primarily include salary and related personnel costs for our legal, finance, people operations, IT, and other administrative teams, including certain executives. General and administrative expenses also include facilities, subscriptions, corporate insurance, outside legal, accounting, directors' fees, and the change in fair value of contingent consideration liabilities. Our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses, including due to restructuring initiatives.

Depreciation and amortization. Depreciation and amortization expenses are primarily attributable to our capital investment and consist of fixed asset depreciation, amortization of intangibles considered to have definite lives, and amortization of capitalized internal-use software costs.

Impairment of goodwill and intangible assets. Goodwill is assessed for impairment annually on October 31 or more frequently if indicators of impairment are present or circumstances suggest that impairment may exist. If the carrying amount of the reporting unit exceeds its fair value, we recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Long-lived assets, including intangible assets, are also tested for recoverability as indicators of impairment arise, and if the carrying amount of an asset group is deemed not recoverable, we recognize a long-lived asset impairment charge based on the asset group's fair value compared to its carrying amount.

Interest and other expense, net

Interest and other expense, net primarily consists of interest expense from our debt arrangements offset by income from our investment holdings. Interest expense is primarily attributable to the Credit Agreement and also includes the amortization of deferred financing costs related to our debt arrangements. We expect our future interest expense to decrease significantly due to the closing of the Vitalware Transaction, which allowed us to eliminate our outstanding term loan arrangements under the Credit Agreement.

Income tax provision

Income tax provision consists of U.S. federal, state, and foreign income taxes. Because of the uncertainty of the realization of the deferred tax assets, we have a full valuation allowance for our net deferred tax assets, including net operating loss carryforwards (NOLs) and tax credits related primarily to research and development. As of December 31, 2025, we had federal and state NOLs of $787.8 million and $647.7 million, respectively, which will begin to expire for federal and state tax purposes in 2032 and 2026, respectively. Our existing NOLs may be subject to limitations arising from ownership changes and, if we undergo an ownership change in the future, our ability to utilize our NOLs and tax credits could be further limited by Sections 382 and 383 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 and 383 of the Code. Our NOLs and tax credits may also be limited under similar provisions of state law.

On July 4, 2025, President Trump signed the OBBBA into law. The OBBBA includes numerous changes to existing tax law including extending or making permanent certain business and international tax measures initially established under the 2017 Tax Cuts and Jobs Act, which were set to expire. The OBBBA includes provisions providing current deductibility of certain property additions, limitations on interest deductions based on a tax EBITDA framework, and current deductibility of domestic research and development costs. These provisions were generally effective beginning in 2025, and we anticipate they will partially defer our income tax payments in future years and will not have a material impact on our effective tax rate in the near-term.

Results of Operations

The following tables set forth our condensed consolidated results of operations data and such data as a percentage of total revenue for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands)		(in thousands)	
Revenue:				
Technology	$ 48,795	$ 52,876	$ 98,263	$ 104,358
Professional services	21,692	27,845	42,980	55,776
Total revenue	70,487	80,721	141,243	160,134
Cost of revenue, excluding depreciation and amortization shown below:				
Technology[1][2][3]	18,188	18,352	35,471	35,917
Professional services[1][2][3]	17,439	24,128	35,449	49,741
Total cost of revenue, excluding depreciation and amortization	35,627	42,480	70,920	85,658
Operating expenses:				
Sales and marketing[1][2][3]	10,360	13,206	20,945	27,944
Research and development[1][2][3]	11,026	12,392	20,805	27,578
General and administrative[1][2][3]	11,928	8,284	25,888	22,446
Depreciation and amortization	10,979	12,684	23,094	25,004
Goodwill impairment	27,047	28,769	122,548	28,769
Total operating expenses	71,340	75,335	213,280	131,741
Loss from operations	(36,480)	(37,094)	(142,957)	(57,265)
Interest and other expense, net	(3,742)	(3,803)	(7,877)	(7,159)
Loss before income taxes	(40,222)	(40,897)	(150,834)	(64,424)
Income tax provision	(315)	(81)	(729)	(296)
Net loss	$ (40,537)	$ (40,978)	$ (151,563)	$ (64,720)

(1) Includes stock-based compensation expense, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Stock-Based Compensation Expense:	(in thousands)		(in thousands)	
Cost of revenue, excluding depreciation and amortization:				
Technology	$ 72	$ 295	$ 190	$ 514
Professional services	345	1,194	894	2,196
Sales and marketing	613	2,542	1,409	4,704
Research and development	366	1,316	956	2,449
General and administrative	1,313	2,976	3,030	6,003
Total	$ 2,709	$ 8,323	$ 6,479	$ 15,866

(2) Includes acquisition-related costs, net, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Acquisition-related costs (benefit), net:	(in thousands)		(in thousands)	
Cost of revenue, excluding depreciation and amortization:				
Technology	$ —	$ 33	$ 1	$ 107
Professional services	—	56	6	176
Sales and marketing	—	(57)	3	441
Research and development	—	190	6	357
General and administrative	1,958	(3,942)	4,379	(1,772)
Total	$ 1,958	$ (3,720)	$ 4,395	$ (691)

(3) Includes restructuring costs, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Restructuring costs:	(in thousands)		(in thousands)	
Cost of revenue, excluding depreciation and amortization:				
Technology	$ 296	$ —	$ 296	$ 401
Professional services	264	145	566	1,142
Sales and marketing	1,251	—	1,360	352
Research and development	1,490	237	1,590	1,909
General and administrative	405	—	1,685	136
Total	$ 3,706	$ 382	$ 5,497	$ 3,940

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue:				
Technology	69 %	66 %	70 %	65 %
Professional services	31	34	30	35
Total revenue	100	100	100	100
Cost of revenue, excluding depreciation and amortization shown below:				
Technology	26	23	25	22
Professional services	25	30	25	31
Total cost of revenue, excluding depreciation and amortization	51	53	50	53
Operating expenses				
Sales and marketing	15	16	15	17
Research and development	16	15	15	17
General and administrative	17	10	18	14
Depreciation and amortization	16	16	16	16
Goodwill impairment	38	36	87	19
Total operating expenses	102	93	151	83
Loss from operations	(53)	(46)	(101)	(36)
Interest and other (expense) income, net	(5)	(5)	(6)	(5)
Loss before income taxes	(58)	(51)	(107)	(41)
Income tax provision	—	—	(1)	—
Net loss	(58)%	(51)%	(106)%	(41)%

Discussion of the Three Months Ended June 30, 2026 and 2025

Revenue

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Revenue:				
Technology	$ 48,795	$ 52,876	$ (4,081)	(8)%
Professional services	21,692	27,845	(6,153)	(22)%
Total revenue	$ 70,487	$ 80,721	$ (10,234)	(13)%
Percentage of revenue:				
Technology	69 %	66 %		
Professional services	31	34		
Total	100 %	100 %		

Total revenue was $70.5 million for the three months ended June 30, 2026, compared to $80.7 million for the three months ended June 30, 2025, a decrease of $10.2 million, or 13%.

Technology revenue was $48.8 million, or 69% of total revenue, for the three months ended June 30, 2026, compared to $52.9 million, or 66% of total revenue, for the three months ended June 30, 2025.

The technology revenue decrease was primarily related to elevated churn levels and down-sell related to DOS to Ignite migrations, partially offset by growth from new clients.

Professional services revenue was $21.7 million, or 31% of total revenue, for the three months ended June 30, 2026, a decrease compared to $27.8 million, or 34% of total revenue, for the three months ended June 30, 2025. The professional services revenue decrease was primarily due to our exit of certain lower margin TEMS arrangements and churn of some FTE-based arrangements.

Cost of revenue, excluding depreciation and amortization

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Cost of revenue, excluding depreciation and amortization:				
Technology	$ 18,188	$ 18,352	$ (164)	(1)%
Professional services	17,439	24,128	(6,689)	(28)%
Total cost of revenue, excluding depreciation and amortization	$ 35,627	$ 42,480	$ (6,853)	(16)%
Percentage of total revenue	51 %	53 %		

Cost of technology revenue, excluding depreciation and amortization, was $18.2 million for the three months ended June 30, 2026, compared to $18.4 million for the three months ended June 30, 2025, a decrease of $0.2 million, or 1%. The decrease was primarily due to a $1.9 million decrease in salary and related personnel costs primarily due to restructuring activities related to Project Nexus and the 2025 Restructuring Plans, including stock-based compensation, partially offset by a $1.4 million increase in cloud computing and hosting costs largely from the expanded use of Microsoft Azure to serve existing and new clients.

Cost of professional services revenue was $17.4 million for the three months ended June 30, 2026 and $24.1 million for the three months ended June 30, 2025, a decrease of $6.7 million or 27.7%. The decrease was primarily due to a $6.7 million decrease in salary and related personnel costs, including stock-based compensation, primarily due to restructuring activities related to Project Nexus and the 2025 Restructuring Plans.

Operating expenses

Sales and marketing

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	$ 10,360	$ 13,206	$ (2,846)	(22)%
Percentage of total revenue	15 %	16 %		

Sales and marketing expenses were $10.4 million for the three months ended June 30, 2026, compared to $13.2 million for the three months ended June 30, 2025, a decrease of $2.8 million, or 22%. The decrease was primarily due to a $4.0 million decrease in salary and related personnel costs, including stock-based compensation, partially offset by a $1.3 million increase in severance costs related to our restructuring activities related to Project Nexus.

Sales and marketing expense as a percentage of total revenue decreased from 16% in the three months ended June 30, 2025 to 15% in the three months ended June 30, 2026.

Research and development

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Research and development	$ 11,026	$ 12,392	$ (1,366)	(11)%
Percentage of total revenue	16 %	15 %		

Research and development expenses were $11.0 million for the three months ended June 30, 2026, compared to $12.4 million for the three months ended June 30, 2025, a decrease of $1.4 million, or 11%. The decrease was primarily due to a $1.8 million decrease in salary and related personnel costs, including stock based compensation and a $0.7 million decrease in contractor and outside service provider fees, partially offset by a $1.3 million increase in severance costs related to our restructuring activities related to Project Nexus.

Research and development expense as a percentage of revenue increased from 15% in the three months ended June 30, 2025 to 16% in the three months ended June 30, 2026.

General and administrative

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$ 11,928	$ 8,284	$ 3,644	44 %
Percentage of total revenue	17 %	10 %		

General and administrative expenses were $11.9 million for the three months ended June 30, 2026, compared to $8.3 million for the three months ended June 30, 2025, an increase of $3.6 million, or 44%. The increase is primarily due to the prior year expense being netted down by a $5.2 million decrease in fair value of contingent consideration liabilities related to the earn-out associated with the Upfront acquisition. There was also a $1.2 million increase in acquisition related costs. These increases were partially offset by a $1.9 million decrease in salary and related personnel costs, including stock based compensation.

General and administrative expense as a percentage of revenue increased from 10% in the three months ended June 30, 2025 to 17% in the three months ended June 30, 2026.

Depreciation and amortization

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	$ 10,979	$ 12,684	$ (1,705)	(13)%
Percentage of total revenue	16 %	16 %		

Depreciation and amortization expenses were $11.0 million for the three months ended June 30, 2026, compared to $12.7 million for the three months ended June 30, 2025, a decrease of $1.7 million, or 13%. This decrease was primarily due to certain intangible assets from past business combinations becoming fully amortized or impaired.

Depreciation and amortization expense as a percentage of revenue remained flat at 16% in the three months ended June 30, 2025 and 2026.

Goodwill impairment

During the three months ended June 30, 2026, in connection with the Vitalware Transaction, certain assets and liabilities representing the Vitalware Business met the held for sale criteria as of the date of the announcement of the transaction. Immediately prior to such classification, elements of the disposal group were evaluated for impairment under their respective models as required and no impairment adjustment was recorded. Following the allocation of goodwill to the disposal group, we evaluated the remaining technology reporting unit for goodwill impairment due to the triggering event created by the transaction. Based on this interim test of goodwill, the fair value of the remaining technology reporting unit was below its carrying value, resulting in the recognition of a goodwill impairment charge of $27.0 million.

During the three months ended June 30, 2025, we observed overall declines in our stock price and market capitalization, which along with a downward revision of our future revenue forecast, led to our conclusion that an impairment triggering event had occurred and therefore we performed a quantitative goodwill impairment test that resulted in a non-cash goodwill impairment charge of $28.8 million.

Interest and other expense, net

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Interest income	$ 924	1,659	$ (735)	(44)%
Interest expense	(4,645)	(5,787)	1,142	(20)%
Other income (expense)	(21)	325	(346)	(106)%
Total interest and other (expense) income, net	$ (3,742)	$ (3,803)	$ 61	(2)%

Interest and other expense, net decreased $0.1 million, or 2%, for the three months ended June 30, 2026, compared to the three months ended June 30, 2025. This change is primarily due to a $1.1 million decrease in interest expense from the settlement of our convertible senior notes in April 2025, partially offset by a $0.7 million decrease in interest income on our short-term investments and cash equivalents.

Income tax provision

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Income tax provision	$ (315)	$ (81)	$ (234)	289 %

Our income tax provision consists of current and deferred taxes for U.S. federal, state, and foreign income taxes. As we have a full valuation allowance on our net deferred tax assets, our income tax provision typically consists primarily of minimal state and foreign income taxes, which is the case for the three months ended June 30, 2026 and 2025.

Discussion of the Six Months Ended June 30, 2026 and 2025

Revenue

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Revenue:				
Technology	$ 98,263	$ 104,358	$ (6,095)	(6)%
Professional services	42,980	55,776	(12,796)	(23)%
Total revenue	$ 141,243	$ 160,134	$ (18,891)	(12)%
Percentage of revenue:				
Technology	70 %	65 %		
Professional services	30	35		
Total	100 %	100 %		

Total revenue was $141.2 million for the six months ended June 30, 2026, compared to $160.1 million for the six months ended June 30, 2025, a decrease of $18.9 million, or 12%.

Technology revenue was $98.3 million, or 70% of total revenue, for the six months ended June 30, 2026, compared to $104.4 million, or 65% of total revenue, for the six months ended June 30, 2025. The technology revenue decrease was primarily related to elevated churn levels and down-sell related to DOS to Ignite migrations, partially offset by growth from new clients.

Professional services revenue was $43.0 million, or 30% of total revenue, for the six months ended June 30, 2026, compared to $55.8 million, or 35% of total revenue, for the six months ended June 30, 2025. The professional services revenue decrease was primarily due to our exit of certain lower margin TEMS arrangements and churn of some FTE-based arrangements.

Cost of revenue, excluding depreciation and amortization

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Cost of revenue, excluding depreciation and amortization:				
Technology	$ 35,471	$ 35,917	$ (446)	(1)%
Professional services	35,449	49,741	(14,292)	(29)%
Total cost of revenue, excluding depreciation and amortization	$ 70,920	$ 85,658	$ (14,738)	(17)%
Percentage of total revenue	50 %	53 %		

Cost of technology revenue, excluding depreciation and amortization, was $35.5 million for the six months ended June 30, 2026, compared to $35.9 million for the six months ended June 30, 2025, a decrease of $0.4 million, or 1%. The decrease was primarily due to a $4.1 million decrease in salary and related personnel costs, including stock-based compensation, partially offset by a $3.7 million increase in cloud computing and hosting costs largely from the expanded use of Microsoft Azure to serve existing and new clients.

Cost of professional services revenue was $35.4 million for the six months ended June 30, 2026, compared to $49.7 million for the six months ended June 30, 2025, a decrease of $14.3 million, or 29%. This decrease was primarily due to a $13.9 million decrease in salary and related personnel costs including stock-based compensation and a $0.6 million decrease in severance costs associated with our restructuring activities.

Sales and marketing

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	$ 20,945	$ 27,944	$ (6,999)	(25)%
Percentage of total revenue	15 %	17 %		

Sales and marketing expenses were $20.9 million for the six months ended June 30, 2026, compared to $27.9 million for the six months ended June 30, 2025, a decrease of $7.0 million, or 25%. The decrease was primarily due to a $7.9 million decrease in ongoing salary and related personnel costs including stock-based compensation, partially offset by a $1.0 million increase in severance costs associated with our restructuring activities.

Sales and marketing expense as a percentage of total revenue decreased from 17% in the six months ended June 30, 2025 to 15% in the six months ended June 30, 2026.

Research and development

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Research and development	$ 20,805	$ 27,578	$ (6,773)	(25)%
Percentage of total revenue	15 %	17 %		

Research and development expenses were $20.8 million for the six months ended June 30, 2026, compared to $27.6 million for the six months ended June 30, 2025, a decrease of $6.8 million, or 25%. The decrease was primarily due to a $4.1 million decrease in ongoing salary and related personnel costs, including stock-based compensation, a $1.9 million decrease in contractor and outside services fees, and a $0.3 million decrease in severance costs related to our restructuring activities.

Research and development expense as a percentage of revenue decreased from 17% in the six months ended June 30, 2025 to 15% in the six months ended June 30, 2026.

General and administrative

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$ 25,888	$ 22,446	$ 3,442	15 %
Percentage of total revenue	18 %	14 %		

General and administrative expenses were $25.9 million for the six months ended June 30, 2026, compared to $22.4 million for the six months ended June 30, 2025, an increase of $3.4 million, or 15%. The increase is primarily due to the prior year expense being netted down by a $5.2 million decrease in fair value of contingent consideration liabilities related to the earn-out associated with the Upfront acquisition.. There was also a $2.0 million increase in acquisition related costs, and a $1.6 million increase in severance costs related to our restructuring activities. These increases were partially offset by a $4.2 million decrease in ongoing salary and related personnel costs, including stock-based compensation, and a $0.7 million decrease in occupancy related costs.

General and administrative expense as a percentage of revenue increased from 14% in the six months ended June 30, 2025 to 18% in the six months ended June 30, 2026.

Depreciation and amortization

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	$ 23,094	$ 25,004	$ (1,910)	(8)%
Percentage of total revenue	16 %	16 %		

Depreciation and amortization expenses were $23.1 million for the six months ended June 30, 2026, compared to $25.0 million for the six months ended June 30, 2025, a decrease of $1.9 million, or 8%. This decrease was primarily due to certain intangible assets from past business combinations becoming fully amortized or impaired.

Depreciation and amortization expense as a percentage of revenue remained flat at 16% in the six months ended June 30, 2025 and 2026.

Goodwill impairment

During the six months ended June 30, 2026, and 2025, we recorded impairment charges to goodwill as we observed overall declines in our stock price and market capitalization, which along with a downward revision of our future revenue forecast and Vitalware Transaction meeting the criteria for held for sale accounting, led to our conclusion that impairment triggering events had occurred and therefore we performed quantitative goodwill impairment tests that resulted in non-cash goodwill impairment charges of $122.5 million and $28.8 million, respectively.

Interest and other expense, net

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Interest income	$ 1,722	5,490	$ (3,768)	(69)%
Interest expense	(9,387)	(13,103)	3,716	(28)%
Other income (expense)	(212)	454	(666)	(147)%
Total interest and other (expense) income, net	$ (7,877)	$ (7,159)	$ (718)	10 %

Interest and other expense, net increased $0.7 million for the six months ended June 30, 2026, compared to the six months ended June 30, 2025. This change is primarily due to a $3.8 million decrease in interest income on our short-term investments and cash equivalents and a $0.7 million change in unrealized foreign currency exchange gain (loss) amounts, partially offset by a $3.7 million decrease in interest expense from the settlement of our convertible senior notes in April 2025.

Income tax provision

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(in thousands, except percentages)			
Income tax provision	$ (729)	$ (296)	$ (433)	146 %

Our income tax provision consists of current and deferred taxes for U.S. federal, state, and foreign income taxes. As we have a full valuation allowance on our net deferred tax assets, our income tax provision typically consists primarily of minimal state and foreign income taxes, which is the case for the six months ended June 30, 2026 and 2025.

Liquidity and Capital Resources

As of June 30, 2026, we had cash, cash equivalents, and short-term investments of $103.4 million, which were held for working capital and other general corporate purposes, which may include, among other things, acquisitions and strategic transactions, such as share repurchases and debt reduction. Our cash equivalents and short-term investments are currently comprised of money market funds, but in the past have also commonly included U.S. treasury notes, commercial paper, corporate bonds, and U.S. agency securities.

Since inception, we have financed our operations primarily from the proceeds we received through private sales of equity securities, payments received from clients under technology and professional services arrangements, borrowings under our loan and security agreements (including our Credit Agreement described below), our IPO, the Note Offering, and the Secondary Public Equity Offering (as defined below). Our future capital requirements will depend on many factors, including our pace of new client growth and expanded client relationships, technology and professional services renewal activity, and the timing and extent of spend to support the expansion of sales, marketing, development, share repurchases, and acquisition-related activities. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

We believe our existing cash, cash equivalents, and marketable securities will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months, though we may require additional capital resources in the future.

Vitalware Transaction and Debt Extinguishment

On the Vitalware Closing Date, we completed the previously announced disposition of our Vitalware Business, pursuant to which we received from Med-Metrix the payment of an aggregate base purchase price of $147 million, subject to customary adjustments for cash, indebtedness, net working capital and transaction expenses. Concurrently with the closing of the Vitalware Transaction, on the Vitalware Closing Date, we used the net cash proceeds received from the Vitalware Transaction, together with cash on hand, to voluntarily repay in full all outstanding obligations under the Credit Agreement, which resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder.

Credit Agreement

We entered into the Credit Agreement on July 16, 2024 (the Closing Date). The Credit Agreement provides a five-year term loan facility in an aggregate principal amount of up to $225 million, consisting of an initial term loan in the aggregate principal amount of $125 million, which was funded on the Closing Date, and a delayed draw term loan facility in the aggregate principal amount of $100 million, which was undrawn on the Closing Date.

We had the option to draw up to $40.0 million under the delayed draw facility within six months after the Closing Date and on October 29, 2024, we drew an additional principal amount of $37.7 million. We also had the option to draw up to an additional $60.0 million under the delayed draw facility within eighteen months after the Closing Date, but did not utilize this to draw down any additional debt. Borrowings under the Credit Agreement bear interest at a rate per annum equal to the secured overnight financing rate (SOFR) plus 6.5%. Commencing with the quarter ended December 31, 2024, we are required to make quarterly principal payments in an amount equal to 0.25% of the aggregate original principal amount. The final maturity date of the term loans is July 16, 2029.We used a portion of the net proceeds from the initial term loan together with cash on hand to repay in full the outstanding principal and accrued interest on our 2.50% Convertible Senior Notes due 2025 at maturity on April 14, 2025 and we expect to use the remaining net proceeds from the initial term loan for working capital and general corporate purposes. We used proceeds from the delayed draw term loan facility to fund our inorganic growth strategy through permitted acquisitions (including deferred purchase price or similar arrangements related thereto) and to pay fees, costs, and expenses in connection therewith.

As discussed above, in connection with the closing of the Vitalware Transaction, we voluntarily repaid in full all outstanding obligations under the Credit Agreement, using the net cash proceeds from the Vitalware Transaction together with cash on hand. The repayment in full of our obligations under the Credit Agreement resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder.

Refer to "Note 11—Debt" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional details regarding the Credit Agreement.

Share repurchase plan

During the third quarter of 2022, our board of directors authorized a share repurchase program to repurchase up to $40.0 million of our outstanding shares of common stock (Share Repurchase Plan). During the six months ended June 30, 2026, there were no shares repurchased. During the six months ended June 30, 2025, we repurchased and retired 1,103,601 shares of our common stock for $5.0 million at an average purchase price of $4.51 per share.

The total remaining authorization for future shares of common stock repurchases under our Share Repurchase Plan is $24.8 million as of June 30, 2026.

Convertible senior notes

On April 14, 2020, we issued $230.0 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025, pursuant to an Indenture dated April 14, 2020, with U.S. Bank National Association, as trustee, in a private offering to qualified institutional buyers. We received net proceeds from the sale of the Notes of $222.5 million, after deducting the initial purchasers' discounts and offering expenses payable by us. The Notes are senior, unsecured obligations and accrued interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2020, at a rate of 2.50% per year. The Notes were fully repaid in cash at maturity on April 14, 2025. Refer to "Note 11—Debt" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional details regarding maturity of the Notes.

Cash flows

The following table summarizes our cash flows for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Net cash provided by (used in) operating activities	$ 18,786	$ (8,717)
Net cash (used in) provided by investing activities	(8,504)	44,537
Net cash (used in) financing activities	(454)	(234,811)
Effect of exchange rate changes	(53)	58
Net increase (decrease) in cash and cash equivalents	$ 9,775	$ (198,933)

Operating activities

Our largest source of operating cash flows is cash collections from our clients for technology and professional services arrangements. Our primary uses of cash from operating activities are for employee-related expenses, marketing expenses, and technology costs.

For the six months ended June 30, 2026, net cash provided by operating activities was $18.8 million, which included a net loss of $151.6 million. Non-cash adjustments primarily consisted of $122.5 million goodwill impairment charges, $23.1 million in depreciation and amortization, $6.5 million in stock-based compensation, and $1.0 million from the provision for expected credit losses.

For the six months ended June 30, 2025, net cash used in operating activities was $8.7 million, which included a net loss of $64.7 million. Non-cash adjustments primarily consisted of $25.0 million in depreciation and amortization, $15.9 million in stock-based compensation, $1.1 million from the provision for expected credit losses, offset by a $5.2 million change in the fair value of contingent consideration liabilities and $0.9 million in net interest income from the accretion of discounts on our short-term investments

Investing activities

Net cash used in investing activities for the six months ended June 30, 2026 of $8.5 million was primarily due to $46.1 million provided from the sale and maturity of short-term investments, reduced by $43.7 million in purchases of short-term investments and $9.4 million of capitalized internal-use software development costs.

Net cash provided by investing activities for the six months ended June 30, 2025 of $44.5 million was primarily due to $143.2 million provided from the sale and maturity of short-term investments, reduced by $46.8 million in purchases of short-term investments, $41.1 million used in the acquisition of businesses, and $10.1 million of capitalized internal-use software development costs.

Financing activities

Net cash used in financing activities for the six months ended June 30, 2026 of $0.5 million was primarily due to $0.8 million used in the repayment of principal on our debt facilities, reduced by $0.4 in proceeds from our ESPP.

Net cash used in financing activities for the six months ended June 30, 2025 of $234.8 million was primarily due to $230.8 million used in the repayment of principal on our debt facilities and $5.0 million of share repurchases, reduced by $1.0 million in proceeds from our ESPP.

Off-Balance Sheet Arrangements

As of June 30, 2026, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis.

Critical accounting policies and estimates are those that we consider critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. Due to the high level of inflation, rising interest rates, and market volatility, amongst other factors, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions. We will continue to actively monitor the impact of the recent inflationary pressures, market volatility caused by bank failures, the challenging macroeconomic environment in general, and other factors on our estimates, including our expected credit losses, goodwill impairment assessments, and the fair value and/or recoverability of other assets.

There have been no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K, filed with the SEC on March 12, 2026. See "Note 1—Description of Business and Summary of Significant Accounting Policies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding the Company's significant accounting policies.

Contractual Obligations and Commitments

There have been no material changes to the contractual obligations as disclosed in our Annual Report on Form 10-K, filed with the SEC on March 12, 2026.

Recent Accounting Pronouncements

See "Note 1—Description of Business and Summary of Significant Accounting Policies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates but may include foreign currency exchange risk and inflation in the future.

Interest rate risk

We had cash, cash equivalents, and short-term investments of $103.4 million as of June 30, 2026, which are held primarily for working capital purposes. We do not make investments for trading or speculative purposes.

We do not make investments for trading or speculative purposes. Our cash equivalents and short-term investments are subject to market risk due to changes in interest rates. Fixed-rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our investments as "available for sale," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

As of June 30, 2026, a hypothetical 100 basis point change in interest rates would not have had a material impact on the value of our cash equivalents or investment portfolio. Fluctuations in the value of our cash equivalents and investment portfolio caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income and are realized only if we sell the underlying securities prior to maturity.

On July 16, 2024, we entered into the Credit Agreement consisting of a $125 million funded term loan and a delayed draw term loan facility in the aggregate principal amount of $100 million which was undrawn as of the closing date. As of June 30, 2026, $37.7 million of the delayed draw term loan had been drawn upon. The maturity date of the term loans is July 16, 2029. The interest that accrues on outstanding principal of the term loans is payable in cash on a quarterly basis, which portion accrues at a floating rate equal to SOFR plus 6.5% per year. In the event that SOFR is unavailable, interest will accrue at a floating rate equal to the alternate base rate (as described in the Credit Agreement) plus 5.5% per year. Commencing with the quarter ended December 31, 2024, we are required to make quarterly principal payments in an amount equal to 0.25% of the aggregate original principal amount, and the final maturity date of the term loans is July 16, 2029. As discussed above, in connection with the closing of the Vitalware Transaction, we voluntarily repaid in full all outstanding obligations under the Credit Agreement, primarily using the net cash proceeds from the Vitalware Transaction. The repayment in full of our obligations under the Credit Agreement resulted in the termination of the Credit Agreement and the simultaneous release in full of all liens thereunder.

Foreign currency exchange risk

Our reporting currency is the U.S. dollar, and the functional currency of our international subsidiaries is typically their local currency. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound, Indian Rupee, and Singapore Dollar. Due to the relatively small size of our international operations to date, our foreign currency exposure has been fairly limited and not material to our business. Accordingly, we have not instituted a hedging program. We are considering the costs and benefits of initiating such a program and may in the future hedge balances and transactions denominated in currencies other than the U.S. dollar as we expand our international operations.

Today, our international sales contracts are generally denominated in U.S. dollars, while our international operating expenses are often denominated in local currencies. In the future, an increasing portion of our international sales contracts may be denominated in local currencies. Additionally, as we expand our international operations a larger portion of our operating expenses will be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars.

Inflation risk

The recent high inflationary environment has adversely affected workforces, organizations, governments, clients, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours.

Our health system end market recently experienced meaningful financial strain from significant inflation with increases in labor and supply costs without a commensurate increase in revenue, leading to significant margin pressure. We are encouraged that, in general, the operating margins of our health system end market improved in 2024, 2025, and in the first half of 2026 relative to 2022 and 2023. However, it is possible that inflation could negatively impact clients in the future. If our costs, including labor costs, were to become subject to significant inflationary pressures on an ongoing basis, we may not be able to fully offset such higher costs by increasing fees for our Solution. Our inability or failure to do so could harm our business, results of operations, or financial condition.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a–15(e) and Rule 15d–15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2026. Based on the evaluation of our disclosure controls and procedures as of June 30, 2026, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations on effectiveness of controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings

We are, and from time to time may be, party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows, or financial position. We are not presently party to any other legal proceedings that in the opinion of management, if determined to adversely affect us, may individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this Quarterly Report on Form 10-Q, including the section of this report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the events described in the following risk factors and the risks described elsewhere in this report occurs, our business, operating results and financial condition could be seriously harmed. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risks Related to Our Business and Industry

We operate in a highly competitive industry, and if we are not able to compete effectively, our business and results of operations will be harmed.

The market for healthcare solutions is intensely competitive. We compete across various segments within the healthcare market, including with respect to data analytics and technology platforms, healthcare consulting, care management and coordination, population health management, and health information exchange. Competition in our market involves rapidly changing technologies, evolving regulatory requirements and industry expectations, frequent new product introductions, and changes in client requirements. If we are unable to keep pace with the evolving needs of our clients and continue to develop and introduce new applications and services in a timely and efficient manner, demand for our Solution may be reduced and our business and results of operations will be adversely affected.

We face competition from industry-agnostic analytics companies, electronic health record (EHR) companies, such as Epic Systems and Oracle Health, point solution vendors, and healthcare organizations that perform their own analytics. These competitors include large, well-financed, and technologically sophisticated entities. Some of our current large competitors, such as Optum Analytics and IBM, have greater name recognition, longer operating histories, significantly greater resources than we do, and/or more established distribution networks and relationships with healthcare providers. As a result, our current and potential competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or client requirements. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products or services to increase the availability of their products or services to the marketplace. Current or future competitors may consolidate to improve the breadth of their products, directly competing with our Solution. Accordingly, new competitors may emerge that have greater market share, larger client bases, greater breadth and volume of data, more widely adopted proprietary technologies, broader offerings, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage.

Further, in light of these advantages, even if our Solution is more effective than the product or service offerings of our competitors, current or potential clients might select competitive products and services in lieu of purchasing our Solution. We also face competition from niche vendors, who offer stand-alone products and services, and from existing enterprise vendors, including those currently focused on software products, which have information systems in place with clients in our target markets. These existing enterprise vendors may now, or in the future, offer or promise products or services with less functionality than our Solution, but offer ease of integration with existing systems that leverage existing vendor relationships. Increased competition is likely to result in pricing pressures, which could negatively impact our sales, profitability, or market share.

Our patient engagement, population health, care coordination services, and other parts of our solution face competition from a wide variety of market participants. For example, certain health systems have developed their own population health and care coordination systems. If we fail to distinguish our offerings from the other options available to healthcare providers, the demand for and market share of those offerings may decrease.

Changes in the healthcare industry have and could further affect the demand for our Solution, cause our existing contracts to be terminated, and/or negatively impact the process of negotiating future contracts.

As the healthcare industry evolves, changes in our client and vendor bases may reduce the demand for our Solution, result in the termination of existing contracts or certain services provided under existing contracts, and make it more difficult to negotiate new contracts on terms that are acceptable to us. For example, the increasing market share of EHR companies in data analytic services, patient engagement and other parts of our Solution at healthcare providers may cause our existing clients to terminate contracts with us in order to engage EHR companies to provide these services. Similarly, client and vendor consolidation results in fewer, larger entities with increased bargaining power and the ability to demand terms that are unfavorable to us. If these trends continue, we cannot assure you that we will be able to continue to maintain or expand our client base, negotiate contracts with acceptable terms, or maintain our current pricing structure, and our revenue may decrease.

General reductions in expenditures by healthcare organizations, or reductions in such expenditures within market segments that we serve, have and could have further similar impacts with regard to our Solution. Such reductions have and may further result from, among other things, reduced governmental funding for healthcare, cuts to government research funding, a decrease in the number of, or the market exclusivity available to, new drugs coming to market; or adverse changes in business or economic conditions affecting healthcare payors or providers, the pharmaceutical industry, or other healthcare companies that purchase our services (e.g., changes in the design of health plans). In addition, changes in government regulation of the healthcare industry could potentially negatively impact our existing and future contracts. Any of these changes could reduce the purchase of our Solution by such clients, reducing our revenue and possibly requiring us to materially revise our offerings. In addition, our clients' expectations regarding pending or potential industry developments may also affect their budgeting processes and spending plans with respect to our Solution.

Macroeconomic challenges (including high inflationary and/or high interest rate environments, uncertainty with tariffs, cuts in Medicaid and research funding, or market volatility and measures taken in response thereto), the tight labor market, any natural disasters or new public health crises, and regional or global conflicts (including the conflicts in the Middle East) could harm our business, results of operations, and financial condition.

Ongoing macroeconomic challenges (including high inflationary and/or high interest rate environments, uncertainty with tariffs, cuts in Medicaid and research funding, regional or global conflicts (including the conflicts in the Middle East), or market volatility and measures taken in response thereto), and the tight labor market continue to adversely affect workforces, organizations, governments, clients, economies, and financial markets globally and have disrupted the normal operations of many businesses, including our business. These factors have and could further decrease healthcare industry spending, adversely affect demand for our Solution, cause one or more of our clients to file for bankruptcy protection or go out of business, cause one or more of our clients to fail to renew, terminate, or renegotiate their contracts, impact expected spending from new clients, negatively impact collections of accounts receivable, and harm our business, results of operations, and financial condition.

Further, the sales cycle for a new platform client, which we historically have estimated to be approximately one year, could lengthen, as we experienced in 2022 and 2023, resulting in a potentially longer delay between increasing operating expenses and the generation of corresponding revenue, if any. Our point solution applications generally have a shorter sales cycle, and while we have limited operating history selling Health Catalyst Ignite, we believe its sales cycle generally may be shorter than DOS.

We cannot predict with any certainty whether and to what degree the disruption caused by any natural disasters, new public health crises, regional or global conflicts (including the conflicts in the Middle East), the high inflationary environment, rising interest rates, tariffs (including uncertainty related to the implementation and enforceability thereof), cuts in Medicaid and research funding, market volatility and measures taken in response thereto, and reactions to any of the foregoing will continue and expect to face difficulty accurately predicting our internal financial forecasts. Further, it is not possible for us to predict the duration or magnitude of the adverse results of natural disasters, public health crises, regional or global conflicts (including the conflicts in the Middle East), and macroeconomic challenges (including the high inflationary and/or high interest rate environments, tariffs (including uncertainty related to the implementation and enforceability thereof) and cuts in Medicaid and research funding), and their effects on our business, results of operations, or financial condition at this time. Further, market volatility could lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs and create additional market and economic uncertainty. In the event of a failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position. Additionally, we are continuing to monitor the implications of any policy developments around Medicaid and research funding reductions, as well as implications of the evolving tariff landscape. These uncertainties in our end market could cause potential delays in client decisions.

We may be unable to successfully execute on our growth and client retention initiatives, business strategies, or operating plans, as well as cost reduction and restructuring initiatives.

We recently completed a strategic review of our growth and client retention initiatives, strategies, and operating plans in connection with our CEO transition, which resulted in new growth and client retention initiatives, strategies, operating plans, and cost reductions and restructuring initiatives, including the ongoing Project Nexus and the Vitalware Transaction as well as the voluntary repayment in full of our outstanding obligations under our Credit Agreement. These growth and client retention initiatives, strategies, and operating plans may not ultimately improve our business, results of operations or financial condition, and we may not be able to successfully complete them or realize any or all of their benefits, including growth and retention targets and cost savings, that we expect to achieve. It may also be more costly to complete these initiatives or realize these benefits than we anticipate. For example, the migration of existing clients using our DOS Solution to Health Catalyst Ignite, which has evolved and may further evolve as we plan to provide clients with increased flexibility, involves risk and may cause disruptions to our Solution, difficulties as clients acclimate to a new platform, or other challenges that could impair our clients' use of our technology, any of which could lead to client dissatisfaction, lower revenue, and non-renewals. It has also caused and may continue to cause us to lose annual recurring revenue from clients as they churn and downsell in connection with the migration. Moreover, largely as a result of recent funding cuts and the macroeconomic environment impacting our end market, DOS clients that have or are planning to migrate to our Ignite platform have elected to retain the inherent savings, resulting in smaller bookings. Further, costs associated with the transition to Health Catalyst Ignite have resulted and may further continue to result in higher cost of technology revenue, which may not decrease over time. Further, we expect that our future total revenue, gross profit, net income (loss), Adjusted Gross Profit, and Adjusted EBITDA will be negatively impacted due to the Vitalware Transaction as a result of the disposition of the high margin Vitalware Business.

In addition, a variety of factors could cause us not to realize some or all of the expected benefits of our growth and client retention initiatives, strategies, operating plans or cost reduction and restructuring initiatives. These factors include, among others, delays in the anticipated timing of activities related to such growth initiatives, strategies, operating plans, and cost reduction and restructuring initiatives, increased difficulty and cost in implementing these efforts, including difficulties in complying with new regulatory requirements and the incurrence of other unexpected costs associated with operating the business.

In addition, on October 31, 2023, our board of directors authorized a reduction of our global workforce as part of a restructuring plan intended to optimize our cost structure and focus our investment of resources in key priority areas to align with strategic changes (2023 Restructuring Plan). The 2023 Restructuring Plan reduced our global workforce by approximately 10% during the fourth quarter of 2023 and the first quarter of 2024.

Further, our board of directors authorized a reduction of our global workforce on January 25, 2025 (the January 2025 Restructuring Plan), an additional reduction of our global workforce on August 5, 2025 (the August 2025 Restructuring Plan) and a third separate reduction of our global workforce on April 27, 2026 (as part of Project Nexus). The January 2025 Restructuring Plan and the August 2025 Restructuring Plan are separate restructuring plans, each intended to optimize our cost structure and focus our investment of resources in key priority areas to align with strategic changes. Project Nexus is a strategic initiative designed to fundamentally transform our operating model, simplify our organizational structure, and align resources around our highest-conviction technology opportunities. The January 2025 Restructuring Plan reduced our global workforce by approximately 4% in the first quarter of 2025 and primarily focused on research and development and professional services. The August 2025 Restructuring Plan reduced our global workforce by approximately 9%, with the vast majority occurring in the third quarter of 2025, and also primarily focused on research and development and sales and marketing. As of the second quarter of 2026, Project Nexus reduced our global workforce by approximately 7%, and primarily impacted research and development and professional services.

Project Nexus and any other or future restructuring or cost optimizing efforts may disrupt our operations and performance, and could lead to dissatisfaction or a reduction in morale among our workforce, attrition, or otherwise harm our relationship with our team members. As a result, we cannot assure you that we will realize these benefits. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies, operating plans, and cost reduction and restructuring initiatives adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition, and results of operations may be materially adversely affected.

The divestiture of the Vitalware Business may not achieve some or all of the expected benefits and may adversely affect our business.

We may not be able to achieve the expected strategic, financial, operational and other benefits from the Vitalware Transaction, or the associated benefits may be delayed. Even if we do realize the benefits from the Vitalware Transaction, the costs may outweigh the benefits. The divestiture of our Vitalware Business reduces the scope and diversification of our business and the functionalities that our Solution offers our clients, which may increase our operational risks and exposure to adverse conditions affecting our business, impair our ability to attract new clients or impede our ability retain and expand our relationships with existing clients. We further expect that our future total revenue, gross profit, net income (loss), Adjusted Gross Profit, and Adjusted EBITDA will be negatively impacted due to the disposition of this high margin business. If we are unable to successfully manage the transition following the Vitalware Transaction or realize the anticipated strategic and financial benefits of the divestiture of the Vitalware Business, our business, results of operations, and financial condition may be materially adversely affected.

If we fail to provide effective professional services and high-quality client support, our business and reputation would suffer.

Our professional services and high-quality, ongoing client support are important to the successful marketing and sale of our products and services and for the renewal of existing client agreements. Providing these services and support requires that our professional services and support personnel have healthcare, technical, and other knowledge and expertise, making it difficult for us to hire qualified personnel and scale our professional services and support operations. The demand on our client support organization will increase as we expand our business and pursue new clients, and such increased support could require us to devote significant development services and support personnel, which could strain our team and infrastructure and reduce our profit margins. If we do not help our clients quickly resolve any post-implementation issues and provide effective ongoing client support, our ability to sell additional products and services to existing and future clients could suffer and our reputation would be harmed.

Our sales cycles can be long and unpredictable, and our sales efforts require a considerable investment of time and expense. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our results of operations and growth would be harmed.

Our sales process entails planning discussions with prospective clients, analyzing their existing solutions, and identifying how these potential clients can use and benefit from our Solution. The sales cycle for a new platform client, from the time of prospect qualification to the completion of the first sale, we estimate to typically be approximately one year and in some cases has exceeded two years. While we have a limited operating history selling Health Catalyst Ignite, we believe its sales cycle generally may be shorter. We spend substantial time, effort, and money in our sales efforts without any assurance that our efforts will result in the sale of our Solution.

In addition, our sales cycle and timing of sales can vary substantially from client to client because of various factors, including the discretionary nature of potential clients' purchasing and budget decisions, the announcement or planned introduction of new analytics applications or services by us or our competitors, and the purchasing approval processes of potential clients. Further, the sales cycles of certain Solutions with a more limited operating history, such as TEMS, can be more difficult to predict and, at times, longer than our typical sales cycle. If our sales cycle lengthens, as we experienced in 2022 and 2023, or we invest substantial resources pursuing unsuccessful sales opportunities, our results of operations and growth would be harmed.

Our Solution may not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and results of operations.

Proprietary software development is time-consuming, expensive, and complex. Unforeseen difficulties can arise. We may encounter technical obstacles, and it is possible that we will discover additional problems that prevent our applications from operating properly. If our systems do not function reliably or fail to meet user or client expectations in terms of performance, clients could assert liability claims against us or attempt to cancel their contracts with us, and users of our software could choose to cease their use of our Solution. This could damage our reputation and impair our ability to attract or retain clients.

Information services as complex as those we offer have, in the past, contained, and may in the future develop or contain, undetected defects, vulnerabilities, or errors. We cannot be assured that material performance problems or defects in our software or software provided by our vendors will not arise in the future. Errors may result from sources beyond our control, including the receipt, entry, or interpretation of patient information; the interface of our software with legacy systems or vendor systems that we did not develop; or errors in data provided by third parties. Despite testing, defects or errors may arise in our existing or new software or service processes following introduction to the market. Clients rely on our Solution to collect, manage, and report clinical, financial, and operational data, and to provide timely and accurate information regarding medical treatment and care delivery patterns. They may have a greater sensitivity to service errors and security vulnerabilities than clients of software products in general. Clinicians may also refer to our predictive models for care delivery prioritization, and to inform treatment protocols.

Limitations of liability and disclaimers that purport to limit our liability for damages related to defects in our software or content which we may include in our subscription and services agreements may not be enforced by a court or other tribunal or otherwise effectively protect us from related claims. In most cases, we maintain liability insurance coverage, including coverage for errors and omissions. However, it is possible that claims could exceed the amount of our applicable insurance coverage or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. In light of this, defects, vulnerabilities, and errors and any failure by us to identify and address them could result in loss of revenue or market share; liability to clients, clinicians, their patients, or others; failure to achieve market acceptance or expansion; diversion of development and management resources; delays in the introduction of new services; injury to our reputation; and increased service and maintenance costs. Defects, vulnerabilities, or errors in our software and service processes might discourage existing or potential clients from purchasing services from us. Correction of defects, vulnerabilities, or errors could prove to be impossible or impractical. The costs incurred in correcting any defects, vulnerabilities, or errors or in responding to resulting claims or liability may be substantial and could adversely affect our results of operations.

If we are not able to maintain and enhance our reputation and brand recognition, our business and results of operations will be harmed.

We believe that maintaining and enhancing our reputation and brand recognition is critical to our relationships with existing clients and to our ability to attract new clients. The promotion of our brands may require us to make substantial investments and we anticipate that, as our market becomes increasingly competitive, these marketing initiatives may become increasingly difficult and expensive. Our marketing activities may not be successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur and our results of operations could be harmed.

In addition, any factor that diminishes our reputation or that of our management, including failing to meet the expectations of our clients, or any adverse publicity surrounding one of our investors or clients, could make it substantially more difficult for us to attract new clients. If we do not successfully maintain and enhance our reputation and brand recognition, our business may not grow and we could lose our relationships with clients, which would harm our business, results of operations, and financial condition.

If we do not continue to innovate and provide services that are useful to clients and users, we may not remain competitive, and our revenue and results of operations could suffer.

The market for healthcare in the United States is in the early stages of structural change and is rapidly evolving. Our success depends on our ability to keep pace with technological developments, satisfy increasingly sophisticated client and user requirements, and sustain market acceptance. Our ongoing financial performance will depend in part on growth in this market and on our ability to adapt to emerging demands of this market, including adapting to the ways our clients or users access and use our Solution. Although we have built several new software analytics applications in the last few years, we may not be able to sustain this rate of innovation and/or the new software analytics applications may not meet the evolving needs of our clients. Further, the divestiture of the Vitalware Business will reduce the scope of functionalities offered by our Solution, which may impair our ability to attract new clients and retain and expand our relationships with existing clients.

Our competitors are constantly developing products and services that may become more efficient or appealing to our clients or users. As a result, we must continue to invest significant resources in research and development in order to enhance our existing services and applications, and introduce new high-quality services and applications that clients will want, while offering our Solution at competitive prices. If we are unable to adequately invest in research and development or predict user preferences or industry changes, or if we are unable to maintain and improve our Solution on a timely or cost-effective basis, we may lose clients and users. Our results of operations would also suffer if our innovations or modifications to our Solution (including through the divestiture of the Vitalware Business) are not responsive to the needs of our clients, are not appropriately timed with market opportunity, or are not effectively brought to market, including as the result of delayed releases or releases that are ineffective or have errors or defects. As technology continues to develop, our competitors may invest more in research and development than we do or offer results that are, or that are perceived to be, substantially similar to, or better than, those generated by our Solution. This may force us to compete on additional service attributes and expend significant resources to remain competitive, and the failure to do so could materially adversely affect our business, financial condition, and results of operations.

Our business could be adversely affected if our clients are not satisfied with our Solution.

We depend on client satisfaction to succeed with respect to our Solution. Our sales organization is dependent on the quality of our offerings, our business reputation, and the strong recommendations from existing clients. If our Solution does not function reliably or fails to meet client expectations in terms of performance and availability, clients could assert claims against us, terminate their contracts with us or publish negative feedback. For example, clients that previously used the Vitalware Business may be dissatisfied with our Solution or terminate their contracts as a result of the Vitalware Transaction. This could damage our reputation and impair our ability to attract or retain clients. Furthermore, we provide professional services to clients to support their use of our Solution and to achieve measurable clinical, financial, and operational improvements.

Any failure to maintain high-quality professional services, or a market perception that we do not maintain high-quality professional services, could harm our reputation, adversely affect our ability to sell our Solution to existing and prospective clients, and harm our business, results of operations, and financial condition.

If our existing clients do not continue or renew their contracts with us, renew at lower fee levels, or decline to purchase additional technology and services from us, it could have a material adverse effect on our business, financial condition, and results of operations.

We expect to derive a significant portion of our revenue from the renewal of existing client contracts and sales of additional technology and services to existing clients. As part of our growth strategy, for instance, we have recently focused on expanding our Solution among current clients, including Solutions with a more limited operating history, while also focusing our Solution, including through the Vitalware Transaction. As a result, selling additional technology and services is critical to our future business, revenue growth, and results of operations. Factors that may affect our ability to sell additional technology and services include, but are not limited to, the following:

- the price, performance, and functionality of our Solution;
- the availability, price, performance, and functionality of competing solutions;
- our ability to develop and sell complementary technology and services;
- the stability, performance, and security of our hosting infrastructure and hosting services;
- our ability to continuously deliver measurable improvements;
- health systems' demand for professional services to augment their internal data analytics function;
- changes in healthcare laws, regulations, or trends;
- the business environment of our clients and, in particular, our clients' financial performance and headcount reductions by our clients; and
- the impact of macroeconomic challenges, including the impact of high inflationary and/or high interest rate environments, tariffs, cuts in Medicaid and research funding, market volatility and measures taken in response thereto, the tight labor market, any natural disasters or public health emergencies, and regional and global conflicts (including the conflicts in the Middle East) upon our clients.

We generally enter into subscription contracts with our clients for access to our Solution. Many of these contracts have initial terms of one to three years. Most of our clients have no obligation to renew their subscriptions for our Solution after the initial term expires. Although we have long-term contracts with many clients, these contracts may be terminated by the client (generally, subject to providing us with prior notice before their term expires) for convenience or for certain specified reasons, including changes in the regulatory landscape, loss of certain third-party licenses, breach of our contractual obligations, including poor performance by us in areas that include repeated failures by us to provide specified levels of service over certain performance periods, or dissatisfaction with changes in our Solution, such as the deployment of Health Catalyst Ignite and the migration of existing clients utilizing our DOS Solution to Health Catalyst Ignite.

We expect that future contracts will contain similar provisions. If any of our contracts with our clients are terminated, we may not be able to recover all fees due under the terminated contract and we will lose future revenue from that client, which may adversely affect our results of operations. In addition, our clients may negotiate terms less advantageous to us upon renewal, resulting in client and revenue churn and decreases in revenue, as we have seen during many of our DOS platform clients migrating to our Ignite Platform, which would reduce our revenue from these clients. We have also continued to experience churn or down-selling particularly related to the migration of our DOS platform clients to our Ignite platform, and may further experience churn or down-selling as a result of the Vitalware Transaction.

Our future results of operations also depend, in part, on our ability to upgrade and enhance our Solution. If our clients fail to renew their contracts, renew their contracts upon less favorable terms, or at lower fee levels or fail to purchase new technology and services from us, which has happened recently in connection with the Ignite migration, our revenue may further decline or our future revenue growth may continue to be constrained.

Our results of operations have in the past fluctuated and may continue to fluctuate significantly, and if we fail to meet the expectations of securities analysts or investors, our stock price and the value of an investment in our common stock could decline substantially.

Our results of operations are likely to fluctuate and may decline in the near term as we focus on our growth and client retention initiatives, business strategies, and operating plans, as well as cost reduction and restructuring initiatives, and if we fail to meet or exceed the expectations of securities analysts or investors, the trading price of our common stock could decline. Moreover, our stock price may be based on expectations of our future performance that may be unrealistic or that may not be met, particularly as it takes time for us to execute on our initiatives and strategies. Some of the factors that could cause our financial performance and results of operations to fluctuate from quarter to quarter include:

- the extent to which our Solution achieves or maintains market acceptance;
- our ability to introduce new applications, updates, and enhancements to our existing applications on a timely basis;
- new competitors and the introduction of enhanced products and services from new or existing competitors;
- the length of our contracting and implementation cycles and our fulfillment periods for our Solution;
- the mix of revenue generated from professional services as compared to technology subscriptions;
- the extent to which our clients opt for non-recurring project-based work rather than FTE subscription contracts since non-recurring, project-based fees are less predictable than our recurring services and can drive fluctuations in quarterly professional services revenues and in prior period comparisons;
- clients reducing or eliminating their spend with us in response to political or macroeconomic factors or otherwise, including in connection with their migration from our DOS platform to our Ignite platform;
- the financial condition of our current and future clients;
- changes in client budgets and procurement policies;
- changes in regulations or marketing strategies;
- the impact of macroeconomic challenges, including the high inflationary and/or high interest rate environments, tariffs, cuts in Medicaid and research funding, market volatility and measures taken in response thereto, natural disasters and public health crises, and regional or global conflicts (including the conflicts in the Middle East) on our clients, partners, and business;
- the amount and timing of our investment in research and development activities;
- the amount and timing of our investment in sales and marketing activities;
- technical difficulties or interruptions to our Solution, including related to updates to our technology or technology migrations, in particular, those related to our migration of existing DOS clients to Health Catalyst Ignite;
- our ability to hire and retain qualified personnel, including risks related to reduced morale, difficulty hiring, and unintended attrition as a result of our 2025 Restructuring Plans and restructuring activities related to Project Nexus;

- changes in the regulatory environment related to healthcare;
- regulatory compliance costs;
- the divestiture of the Vitalware Business in connection with the Vitalware Transaction and any other acquisition or disposition activity;
- the timing, size, and integration success of potential future acquisitions;
- unforeseen legal expenses, including litigation and settlement costs; and
- buying patterns of our clients and the related seasonality impacts on our business.

Many of these factors are not within our control, and the occurrence of one or more of them might cause our results of operations to vary widely. For example, we have experienced, and expect that we will continue to experience, seasonality in the number of new clients that subscribe to our Solution; specifically, new clients (platform clients in particular) tend to subscribe to our Solution at higher rates in the second and fourth quarters of the year. Seasonality in our business may cause period-to-period fluctuations in certain of our operating results and financial metrics, and thus limit our ability to predict our future results. As such, we believe that quarter-to-quarter comparisons of our revenue and results of operations may not be meaningful and should not be relied upon as an indication of future performance.

A significant portion of our operating expense is expected to be relatively fixed in nature in the short term, and planned expenditures are based in part on expectations regarding future revenue and profitability. Accordingly, unexpected revenue shortfalls, revenue decreases or lower-than-expected revenue increases as a result of planned expenditures, and longer-than-expected impact on profitability and margins as a result of planned expenditures may decrease our gross margins and profitability and could cause significant changes in our results of operations from quarter to quarter. In addition, our future quarterly results of operations may fluctuate and may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock could fall substantially, either suddenly or over time.

Our pricing may change over time and our ability to efficiently price our Solution will affect our results of operations and our ability to attract or retain clients.

In the past, we have adjusted our prices as a result of offering new applications and services and client demand. For example, in the fourth quarter of 2018, we began to introduce new pricing for our Solution to new clients and, in 2015, we introduced our subscription model, in each case, the full effect of which we expected would be realized in future years. While we determine our prices based on prior experience, feedback from clients, and other factors and information, our assessments may not be accurate and we could be underpricing or overpricing our Solution, which may require us to continue to adjust our pricing model. Furthermore, as our applications and services change, then we may need to, or choose to, revise our pricing as our prior experience in those areas will be limited. Such changes to our pricing model or our inability to efficiently price our Solution could harm our business, results of operations, and financial condition and impact our ability to predict our future performance.

If our Solution fails to provide accurate and timely information, or if our content or any other element of our Solution is associated with faulty clinical decisions or treatment, we could have liability to clients, clinicians, patients, or others, which could adversely affect our results of operations.

Our Solution may be used by clients to support clinical decision-making by providers and interpret information about patient medical histories, treatment plans, medical conditions, and the use of particular medications. If our Solution is associated with faulty clinical decisions or treatment, then clients or their patients could assert claims against us that could result in substantial costs to us, harm our reputation in the industry, and cause demand for our Solution to decline. In addition, our analytics services may be used by our clients to inform clinical decision-making, provide access to patient medical histories, and assist in creating patient treatment plans.

Therefore, if data analyses are presented incorrectly in our Solution or they are incomplete, or if we make mistakes in the capture or input of these data, adverse consequences, including death, may occur and give rise to product liability, medical malpractice liability, and other claims against us by clients, clinicians, patients, or others. We often have little control over data accuracy, yet a court or government agency may take the position that our storage and display of health information exposes us to personal injury liability or other liability for wrongful delivery or handling of healthcare services or erroneous health information.

Our clinical guidelines, algorithms, and protocols may be viewed as providing healthcare professionals with guidance on care management, care coordination, or treatment decisions. If our content, or content we obtain from third parties or AI resources, contains inaccuracies, or we introduce inaccuracies in the process of implementing third-party content, it is possible that patients, clinicians, consumers, the providers of the third-party content, or others may sue us if they are harmed as a result of such inaccuracies. We cannot assure you that our software development, editorial, and other quality control procedures will be sufficient to ensure that there are no errors or omissions in any particular content or our software or algorithms.

The assertion of such claims and ensuing litigation, regardless of its outcome, could result in substantial cost to us, divert management's attention from operations, damage our reputation, and decrease market acceptance of our Solution. We attempt to limit by contract our liability for damages, have our clients assume responsibility for clinical treatment, diagnoses, medical oversight, and dosing decisions, and require that our clients assume responsibility for medical care and approve key algorithms, clinical guidelines, clinical protocols, content, and data. Despite these precautions, the allocations of responsibility and limitations of liability set forth in our contracts may not be enforceable, be binding upon patients, or otherwise protect us from liability for damages. Furthermore, general liability and errors and omissions insurance coverage and medical malpractice liability coverage may not continue to be available on acceptable terms or may not be available in sufficient amounts to cover one or more large claims against us. In addition, the insurer might disclaim coverage as to any future claim. One or more large claims could exceed our available insurance coverage. If any of these events occur, they could materially adversely affect our business, financial condition, or results of operations.

Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that exceed the limits of our insurance coverage. In addition, professional liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand our Solution. As a result, adequate professional liability insurance may not be available to our providers or to us in the future at acceptable costs or at all. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us, and divert the attention of our management and our providers from our operations, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, any claims may adversely affect our business or reputation.

Our increasing reliance on AI and machine learning technologies may expose us to significant risks, including development and deployment challenges, regulatory uncertainties, and potential third-party claims, which could adversely affect our reputation, business, results of operations, and financial condition.

We use AI and generative AI, machine learning, and automated decision-making technologies, including proprietary AI and machine learning algorithms and models (collectively, AI Technologies), throughout our business, and are making investments in this area. We expect that increased investment will be required in the future to continuously improve our use of AI Technologies. As with many technological innovations, there are significant risks involved in developing, maintaining, and deploying these technologies and there can be no assurance that the usage of or our investments in such technologies will always enhance our Solution, platform and service offerings or be beneficial to our business, including our efficiency or profitability.

AI Technologies have been known to produce false or "hallucinatory" inferences or outputs and may subject us to new or heightened legal, regulatory, ethical, or other challenges. In particular, if the models underlying our AI Technologies are: incorrectly designed or implemented; trained or reliant on incomplete, flawed, inadequate, inaccurate, biased, or otherwise poor quality data, or on data to which we do not have sufficient rights or in relation to which we and/or the providers of such data have not implemented sufficient legal compliance measures; used without sufficient oversight and governance to ensure their responsible use; and/or adversely impacted by unforeseen defects, technical challenges, cybersecurity threats or material performance issues, any of which may not be easily detectable, the performance of our Solution, and business, as well as our reputation and the reputations of our clients, could suffer or we could incur liability resulting from the violation of laws or contracts to which we are a party or civil claims.

In addition, market acceptance, understanding, and valuation of and consumer perceptions of platforms, products, and programs that incorporate AI Technology is uncertain and the perceived value of our AI Technologies could be inaccurate. For example, inappropriate or controversial data practices by developers and end-users, or other factors adversely affecting public opinion of AI Technologies, could impair the acceptance of such AI Technologies, including those incorporated in our Solution. Our failure to successfully develop AI Technologies and apply AI Technologies to our Solution could depress the market price of our stock and impair our ability to: raise capital; expand our business; provide, improve, and diversify our Solution, platform and service offerings; continue our operations and efficiently manage our operating expenses; and respond effectively to competitive developments.

In addition to our proprietary AI Technologies, we use AI Technologies licensed from third parties, including in our Solution, and our ability to continue to use such third-party AI Technologies at the scale we need may be dependent on access to specific third-party software and infrastructure. We cannot control the availability or pricing of such third-party AI Technologies, especially in a highly competitive environment, and we may be unable to negotiate favorable economic terms with the applicable providers. If any such third-party AI Technologies become incompatible with our Solution and programs or unavailable for use, or if the providers of such models unfavorably change the terms on which their AI Technologies are offered or terminate their relationship with us, our Solution may become less appealing to our clients and our business will be harmed.

In addition, to the extent any third-party AI Technologies are used as a hosted service, any disruption, outage, or loss of information through such hosted services could disrupt our operations or solutions, damage our reputation, cause a loss of confidence in our Solution, or result in legal claims or proceedings, for which we may be unable to recover damages from the affected provider.

Moreover, the regulatory framework for AI Technologies is rapidly evolving as many federal, state, and foreign government bodies and agencies have introduced or are currently considering additional laws and regulations. Additionally, existing laws and regulations may be interpreted in ways that would affect the operation of our AI Technologies. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or market perception of their requirements may have on our business and may not always be able to anticipate how to respond to these laws or regulations. Already, certain existing legal regimes, such as various U.S. governmental and regulatory agencies relating to data privacy, regulate certain aspects of AI Technologies, and various U.S. states and other foreign jurisdictions are applying, or are considering applying, their platform moderation, cybersecurity, and data protection laws to AI Technologies or are considering general legal frameworks for the regulation of AI Technologies.

In the United States, the regulatory framework for AI Technologies faces significant uncertainty. At the federal level, Congress has yet to enact meaningful AI legislation. Instead, federal policy on AI has been shaped by a series of executive orders that have shifted priorities and requirements substantially depending on the administration in power. In October 2023, President Biden issued an Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, which emphasized AI safety and security and addressed topics such as civil rights, privacy, consumer protection, and accountable federal use of AI. In January and July 2025, President Trump issued three executive orders on AI, one of which repealed President Biden's 2023 Executive Order, shifting the focus towards removing regulatory barriers to the adoption of AI Technologies and accelerating AI deployment.

In the absence of federal AI legislation, states have filled the void by enacting laws regulating different aspects of AI Technologies. For example, California has enacted laws and regulations related to AI safety protocols, reporting and transparency, among other AI-related topics. In addition, Colorado's Artificial Intelligence Act will require developers and deployers of "high-risk" AI systems to implement certain safeguards against algorithmic discrimination (among other requirements), and the Texas Responsible Artificial Intelligence Governance Act prohibits the development and deployment of AI systems for certain purposes while establishing a regulatory sandbox. Legislation related to AI Technologies has also been introduced at the state level. For example, the California Privacy Protection Agency has finalized regulations under the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the CCPA) regarding the use of automated decision-making. Other states have also passed AI-focused legislation, such as Colorado's Artificial Intelligence Act, which will require developers and deployers of "high risk" AI systems to implement certain safeguards against algorithmic discrimination, and Utah's Artificial Intelligence Policy Act, which establishes disclosure requirements and accountability measures for the use of generative AI in certain consumer interactions. Such additional regulations may impact our ability to develop and use AI Technologies in the future.

It is possible that further new laws and regulations will be adopted in the United States and in other non-U.S. jurisdictions, or that existing laws and regulations, including competition and antitrust as well as scope of practice laws, may be interpreted in ways that would limit our ability to use AI Technologies for our business, or require us to change the way we use AI Technologies in a manner that negatively affects the performance of our Solution and business and the way in which we use AI Technologies. We may not be able to anticipate how to respond to these rapidly evolving frameworks, and we may need to expend resources to adjust our Solution, platform and service offerings in certain jurisdictions if the laws, regulations, or decisions are not consistent across jurisdictions. Further, because AI Technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational or technological risks that may arise relating to the use of AI. The cost to comply with such laws, regulations, or decisions and/or guidance interpreting existing laws, could be significant and would increase our operating expenses (such as by imposing additional reporting obligations regarding our use of AI Technologies or limiting our use of AI Technologies to support our care team). Such an increase in operating expenses, as well as any actual or perceived failure to comply with such laws and regulations, could harm our business, results of operations, and financial condition.

Future litigation against us could be costly and time-consuming to defend and could result in additional liabilities.

We may from time to time be subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our clients or vendors in connection with commercial disputes, litigation related to intellectual property, and employment and acquisition-related claims made by our current or former employees. Claims may also be asserted by or on behalf of a variety of other parties, including government agencies, patients or vendors of our clients, or stockholders. Any litigation involving us may result in substantial costs, operationally restrict our business, and may divert management's attention and resources, which may seriously harm our business, overall financial condition, and results of operations.

Insurance may not cover existing or future claims, be sufficient to fully compensate us for one or more of such claims, or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our results of operations and resulting in a reduction in the trading price of our stock.

We derive a significant portion of our revenue from our largest clients. The loss, termination, or renegotiation of any contract could negatively impact our results.

Historically, we have relied on a limited number of clients for a significant portion of our total revenue and accounts receivable. Our three largest clients during 2025 comprised 5.7%, 4.4%, and 3.5% of our revenue, or 13.6% in the aggregate. Our three largest clients during 2024 comprised 5.5%, 4.4%, and 3.9% of our revenue, or 13.8% in the aggregate.

The sudden loss of any of our largest clients or the renegotiation of any of our largest client contracts could adversely affect our results of operations. In the ordinary course of business, we engage in active discussions and renegotiations with our clients in respect of our Solution and the terms of our client agreements, including our fees. As our clients' businesses respond to market dynamics and financial pressures, and as our clients make strategic business decisions in respect of the lines of business they pursue and programs in which they participate, we expect that certain of our clients will, from time to time, seek to restructure their agreements with us.

In the ordinary course, we renegotiate the terms of our agreements with our clients in connection with renewals or extensions of these agreements. These discussions and future discussions could result in reductions to the fees and changes to the scope of services contemplated by our original client contracts and consequently could negatively impact our revenue, business, and prospects. Because we rely on a limited number of clients for a significant portion of our revenue, we depend on the creditworthiness of these clients. Our clients are subject to a number of risks including reductions in payment rates from governmental payors, higher than expected healthcare costs, and lack of predictability of financial results when entering new lines of business. If the financial condition of our clients declines, our credit risk could increase. Should one or more of our significant clients declare bankruptcy, be declared insolvent, or otherwise be restricted by state or federal laws or regulation from continuing in some or all of their operations, this could adversely affect our ongoing revenue, the collectability of our accounts receivable, our bad debt reserves and net income.

Because we generally recognize technology and professional services revenue ratably over the term of the contract for our services, a significant downturn in our business may not be reflected immediately in our results of operations, which increases the difficulty of evaluating our future financial performance.

We generally recognize technology and professional services revenue ratably over the term of a contract. As a result, a substantial portion of our revenue is generated from contracts entered into during prior periods. Consequently, a decline in new contracts in any quarter, including a decrease of annual recurring revenue as part of the Ignite migration, may not affect our results of operations in that quarter but could reduce our revenue in future quarters. Additionally, the timing of renewals or non-renewals of a contract during any quarter may only affect our financial performance in future quarters. For example, the non-renewal of a subscription agreement late in a quarter will have minimal impact on revenue for that quarter but will reduce our revenue in future quarters.

Accordingly, the effect of significant declines in sales may not be reflected in our short-term results of operations, which would make these reported results less indicative of our future financial results. By contrast, a non-renewal occurring early in a quarter may have a significant negative impact on revenue for that quarter and we may not be able to offset a decline in revenue due to non-renewal with revenue from new contracts entered into in the same quarter. In addition, we may be unable to quickly adjust our costs in response to reduced revenue.

If we are unable to implement and maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. We are also required to provide an annual management report on the effectiveness of our internal control over financial reporting. Many of the internal controls we have implemented pursuant to the Sarbanes-Oxley Act are process controls with respect to which a material weakness may be found whether or not any error has been identified in our reported financial statements.

This may be confusing to investors and result in damage to our reputation, which may harm our business. Additionally, the proper design and assessment of internal controls over financial reporting are subject to varying interpretations, and, as a result, application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and as common practices evolve. This could result in continuing uncertainty regarding the proper design and assessment of internal controls over financial reporting and higher costs necessitated by ongoing revisions to internal controls.

We must continue to monitor and assess our internal control over financial reporting. If in the future we have any material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated. Additionally, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, are unable to assert that our internal controls over financial reporting are effective, identify material weaknesses in our internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We may acquire other companies or technologies, which could divert our management's attention, result in dilution to our stockholders, and otherwise disrupt our operations and we may have difficulty integrating any such acquisitions successfully or realizing the anticipated benefits therefrom, any of which could have an adverse effect on our business, financial condition, and results of operations.

We may seek to acquire or invest in businesses, applications, services, or technologies that we believe could complement or expand our Solution, enhance our technical capabilities, or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. We have in the past and may in the future have difficulty integrating acquired businesses. Between January 1, 2020 and March 31, 2025, we acquired Able Health, Healthfinch, Vitalware (which we divested in connection with the Vitalware Transaction on July 31, 2026), Twistle, ARMUS, KPI Ninja, ERS, Carevive, Lumeon, Intraprise, and Upfront. We may have difficulty cross-selling our Solution to acquired clients, and we may have difficulty integrating, or incur integration-related costs associated with, newly acquired team members.

If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations, and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including, but not limited to:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- difficulty integrating the accounting systems, operations, and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the clients of the acquired business onto our Ignite platform and contract terms, including disparities in the revenue, licensing, support, or professional services model of the acquired business;
- diversion of management's attention from other business concerns;
- adverse effects on our existing business relationships with business partners and clients as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns or fair value estimates deteriorate, we may be required to take charges to our results of operations based on this impairment assessment process, which could adversely affect our results of operations, such as the goodwill impairment charges of $105.4 million and $95.5 million expensed during the year ended December 31, 2025 and December 31, 2026, respectively, which were primarily due to overall declines in our stock price and market capitalization. Further declines in our stock price and market capitalization could result in further impairment charges, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations. In addition, if an acquired business fails to meet our expectations, our business, financial condition, and results of operations may suffer. Also, the anticipated benefit of any acquisition may not materialize or may be prohibited by contractual obligations we may enter into in the future with lenders or other third parties. Additionally, future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. Acquisitions can also result in litigation. We cannot predict the number, timing, or size of future acquisitions, or the effect that any such transactions might have on our results of operations.

Because competition for our target employees is intense, we may not be able to attract and retain the highly skilled employees we need to support our continued growth.

To continue to execute on our growth and operating plan, we must attract and retain highly qualified personnel, and we may modify our compensation program and practices for our team members. Competition for such personnel is intense, especially for senior sales executives and software engineers with high levels of experience in designing and developing applications and consulting and analytics services. We may not be successful in attracting and retaining qualified personnel, including due to changes to our compensation program or practices and the overall value of our stock and overall compensation packages. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. For example, the 2025 Restructuring Plans, restructuring activities related to Project Nexus, and other restructurings may result in attrition beyond our intended reduction in force or may adversely impact our ability to recruit and hire qualified personnel in the future.

In addition, our search for replacements for departed employees may cause uncertainty regarding the future of our business, impact employee hiring and retention, and adversely impact our revenue, results of operations, and financial condition. Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the equity awards they may receive in connection with their employment. Volatility in the price of our stock or failure to obtain stockholder approval for increases in the number of shares available for grant under our equity plans may, therefore, adversely affect our ability to attract or retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

We depend on our senior management team, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our key executive officers and recruitment of additional highly skilled employees. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, including the retirement by Dan Burton from his position as our CEO on February 12, 2026, which could disrupt our business. Hiring executives with needed skills or the replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

In addition, competition for qualified management in our industry is intense. Many of the companies with which we compete for management personnel have greater financial and other resources than we do. We have not entered into term-based employment agreements with our executive officers. All of our employees are "at-will" employees, and their employment can be terminated by us or them at any time, for any reason. The departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to hire other personnel to manage and operate our business, and there can be no assurance that we would be able to employ a suitable replacement for the departing individual, that a replacement could be hired on terms that are favorable to us, or that the transition between the departing individual and their replacement will be smooth or will not otherwise disrupt our business. In addition, volatility or lack of performance in our stock price may affect our ability to attract replacements should key personnel depart. If we are not able to retain any of our key management personnel, our business could be harmed.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, evolve or effect organizational changes, we could lose the innovation, creativity, and teamwork fostered by our culture, which could harm our business.

We believe that our corporate culture has been an important contributor to our success, which we believe fosters innovation, teamwork, and passion for providing high levels of client satisfaction. As we grow and evolve, we must effectively integrate, develop, and motivate new employees. In addition, the expense reduction measures taken in connection with the 2023 Restructuring Plan, the 2025 Restructuring Plans, restructuring activities related to Project Nexus or future restructuring or cost optimizing efforts may lead to dissatisfaction or a reduction in morale among our workforce, attrition, or otherwise harm our relationship with our team members, which could negatively impact our corporate culture. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, maintain our performance, or execute on our business strategy.

If we fail to effectively manage our growth and organizational change, our business and results of operations could be harmed.

We have experienced, and may in the future experience, rapid growth and organizational change, which has placed, and may continue to place, significant demands on our management, operational, and financial resources. In addition, if we fail to successfully integrate new team members or fail to effectively manage organizational changes, it could harm our culture, business, financial condition and results of operations.

For example, the expense reduction measures taken in connection with the 2023 Restructuring Plan, the 2025 Restructuring Plans, or restructuring activities related to Project Nexus may result in unintended consequences and costs, including costs associated with attrition beyond our intended reduction in force, a decrease in morale among team members following the completion of the 2023 Restructuring Plan, the 2025 Restructuring Plans, or restructuring activities related to Project Nexus, adverse impacts in our ability to recruit and hire qualified personnel in the future, and the loss of institutional knowledge and expertise, which could result in losses in future periods or otherwise prevent us from realizing, in full or in part, the anticipated benefits and savings from the 2023 Restructuring Plan, the 2025 Restructuring Plans, or restructuring activities related to Project Nexus.

In addition, we must continue to maintain, and may need to enhance, our information technology infrastructure and financial and accounting systems and controls, as well as manage expanded operations in geographically distributed locations, which may include offshore and near shore, which will place additional demands on our resources and operations. We also must attract, train, and retain a significant number of qualified sales and marketing personnel, professional services personnel, software engineers, technical personnel, service offering personnel, and management personnel. At times, this will require us to invest in and commit significant financial, operational, and management resources to grow and change in these areas without undermining the corporate culture that has been critical to our growth so far. If we do not achieve the benefits anticipated from these investments or organizational changes, or if the realization of these benefits is delayed, our results of operations may be adversely affected. If we fail to provide effective client training on our Solution and high-quality client support, our business and reputation could suffer.

Failure to effectively manage our growth or organizational changes could lead us to over-invest or under-invest in technology and operations; result in weaknesses in our infrastructure, systems, or controls; give rise to operational mistakes, losses, or loss of productivity or business opportunities; reduce client or user satisfaction; limit our ability to respond to competitive pressures; and result in loss of team members and reduced productivity of remaining team members. Our growth or organizational changes could require significant capital expenditures and may divert financial resources and management attention from other projects, such as the development of new or enhanced services or the acquisition of suitable businesses or technologies. If our management is unable to effectively manage our growth or organizational changes, our expenses may increase more than expected, cost savings may not be realized, our revenue could decline or may grow more slowly than expected, and we may be unable to implement our business strategy, and may adversely affect our business, financial condition and results of operations.

We may not grow or retain clients at the rates we historically have achieved or at all, even if our key metrics may indicate growth.

We have experienced periods of significant growth during our operating history. At times, our growth and client retention has moderated and contracted, including in recent periods. Future revenue may not grow at the same rates experienced during times of significant growth (if at all) or lower client retention rates - which has been the case in recent periods - or our revenue or client retention rates may decline. Further, revenue opportunities that include portions of our Solution with less operating history or that are no longer offered (such as the Vitalware Business) could cause our revenue or rate of growth to decline or become less predictable and/or choppier relative to prior periods. Our future growth, if any, will depend, in part, on our ability to grow our revenue from existing clients, to complete sales to potential future clients, to expand our client and member bases, to prevent churn and down-sell of existing clients, and to develop new solutions, as well as our ability to acquire other companies, as we have done from time to time in the past.

Our future growth may also be driven by expansion into adjacent markets and/or international expansion. We can provide no assurances that we will be successful in executing on these growth strategies or that we will grow our revenue or generate net income. Our historical results may not be indicative of future performance. Our ability to execute on our existing sales pipeline, create additional sales pipelines, and expand our client base depends on, among other things, the attractiveness of our Solution relative to those offered by our competitors, our ability to demonstrate the value of our existing and future services, and our ability to attract and retain a sufficient number of qualified sales and marketing leadership and support personnel. In addition, our existing clients may be slower to adopt our Solution than we currently anticipate, which could adversely affect our results of operations and growth prospects.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, or at all.

Our market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. The estimates and forecasts relating to the size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth forecasts, our business may not grow at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

Risks Related to Data and Intellectual Property

Failure by our clients to obtain proper permissions and waivers may result in claims against us or may limit or prevent our use of data, which could harm our business.

We require our clients to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of the information that we receive, and we require contractual assurances from them that they have done so and will do so. If they do not obtain necessary permissions and waivers, then our use and disclosure of information that we receive from them or on their behalf may be restricted or prohibited by state, federal, or international privacy or data protection laws, or other related privacy and data protection laws.

This could impair our functions, processes, and databases that reflect, contain, or are based upon such data and may prevent the use of such data, including our ability to provide such data to third parties that are incorporated into our service offerings. Furthermore, this may cause us to breach obligations to third parties to whom we may provide such data, such as third-party service or technology providers that are incorporated into our service offerings. In addition, this could interfere with or prevent data sourcing, data analyses, or limit other data-driven activities that benefit us. Moreover, we may be subject to claims, civil and/or criminal liability or government or state attorneys general investigations for use or disclosure of information by reason of lack of valid notice, permission, or waiver. These claims, liabilities or government or state attorneys general investigations could subject us to unexpected costs and adversely affect our financial condition and results of operations.

Our business and operations may suffer in the event of information technology system failures, cyberattacks, or deficiencies in our cybersecurity.

Our Solution involves the storage and transmission of our clients' proprietary information, including personal or identifying information regarding patients and their protected health information (PHI). We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business. We own and manage some of these information technology systems but also rely on third parties for a range of IT Systems and related products and services, including but not limited to cloud computing services. We and certain of our third-party providers collect, maintain and process data about customers, employees, business partners and others, including personally identifiable information, as well as proprietary information belonging to our business such as trade secrets. We face numerous and evolving cybersecurity risks that threaten the confidentiality, integrity and availability of our information technology systems and confidential information. Despite the implementation of security measures, our information technology systems and those of our clients, contractors, consultants, and collaborators are vulnerable to attack, damage and interruption from cyberattacks, "phishing" attacks, computer viruses and malware (e.g., ransomware), natural disasters, terrorism, war, telecommunication and electrical failures, employee theft or misuse, human error, fraud, denial or degradation of service attacks, "bugs" sophisticated nation-state and nation-state-supported actors or unauthorized access or use by persons inside our organization, or persons with access to systems inside our organization. Attacks upon information technology systems are increasing in their frequency, levels of persistence, sophistication, and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise.

We may also face increased cybersecurity risks due to our reliance on internet technology and the number of our employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. Additionally, any integration of AI in our or any of our third party's operations, products or services is expected to pose new or unknown cybersecurity risks and challenges. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period.

Moreover, the detection, prevention, and remediation of known or unknown security vulnerabilities, including those arising from third-party hardware or software, may result in additional direct or indirect costs and management time. Even if identified, we may be unable to adequately investigate or remediate incidents or breaches due to attackers increasingly using tools and techniques - including AI - that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence. As a result, unauthorized access or security breaches as a result of third-party action, employee error, malfeasance, or otherwise could result in the loss or inappropriate use of information, litigation, indemnity obligations, damage to our reputation, and other liability such as government or state Attorney General investigations.

We and certain of our service providers are from time to time subject to cyberattacks and security incidents. While we do not believe that we have experienced any significant system failure, accident, or security breach to date, if such an event were to occur and cause interruptions in our operations, it could adversely affect our ability to attract new clients, cause existing clients to elect to not renew their subscriptions, result in reputational damage, or subject us to lawsuits (including class actions), regulatory fines, mandatory disclosures, or other action or liability, which could adversely affect our results of operations. There can also be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our information technology systems and confidential information.

Our general liability insurance may not be adequate to cover all potential claims to which we are exposed and may not be adequate to indemnify us for liability that may be imposed or the losses associated with such events, and in any case, such insurance may not cover all of the specific costs, expenses, and losses we could incur in responding to and remediating a security breach. A security breach of another significant provider of cloud-based solutions may also negatively impact the demand for our Solution.

Our Solution is dependent on our ability to source data from third parties, and such third parties could take steps to block our access to data, or increase fees or impose fees for such access, which could impair our ability to provide our Solution, limit the effectiveness of our Solution or adversely affect our financial condition and results of operations.

Our data platform requires us to source data from multiple clinical, financial, and operational data sources, which sources are also typically third-party vendors of our clients. The functioning of our analytics applications and our ability to perform analytics services is predicated on our ability to establish interfaces that download the relevant data from these source systems on a repeated basis and in a reliable manner. We may encounter vendors that engage in information blocking practices that may inhibit our ability to access the relevant data on behalf of clients or impose new or additional costs.

In 2020, the U.S. Department of Health and Human Services' Office of the National Coordinator for Health Information Technology (ONC) and the Centers for Medicare and Medicaid Services promulgated final rules to support access, exchange, and use of electronic health information (EHI), referred to as the Final Rule. The Final Rule is intended to clarify provisions of the 21st Century Cures Act regarding interoperability and information blocking, and, subject to the interpretations of the Final Rule, and exceptions to what constitutes information blocking, may create significant new requirements for healthcare industry participants. The Final Rule requires certain electronic health record technology to incorporate standardized application programming interfaces to allow individuals to securely and easily access structured EHI using smartphone applications, provides patients with certain rights to electronic access to their EHI (structured and/or unstructured) at no cost and implements the information blocking provisions of the 21st Century Cures Act, subject to eight exceptions that will not be considered information blocking as long as specific conditions are met. In April 2023, the ONC issued a notice of proposed rulemaking that would modify certain components of the Final Rule, including modifying and expanding certain exceptions to the information blocking regulations, which are intended to support information sharing. The impact of the Final Rule on our business is unclear at this time, due to, among other things, uncertainty regarding the interpretation of safe harbors and exceptions to the Final Rule by industry participants and regulators.

The Final Rule focuses on health plans, payors, and healthcare providers and proposes measures to enable patients to move from health plan to health plan, provider to provider, and have both their clinical and administrative information travel with them. It is unclear whether the Final Rule may benefit us in that certain EHR vendors will no longer be permitted to interfere with our attempts at integration, but the rules may also make it easier for other similar companies to enter the market, creating increased competition, and reducing our market share. It is unclear at this time what the costs of compliance with the proposed rules, if adopted, would be, and what additional risks there may be to our business. If we face limitations on the development of data interfaces and other information blocking practices, including the imposition of increased fees, our data access and ability to download relevant data may be limited, which could adversely affect our ability to provide our Solution as effectively as possible. Any steps we take to enforce the anti-information blocking provisions of the 21st Century Cures Act could be costly, could distract management attention from the business, and could have uncertain results.

We rely on third-party providers, including Microsoft Azure, for computing infrastructure, network connectivity, and other technology-related services needed to deliver our Solution. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.

Our Solution is generally hosted from and uses computing infrastructure provided by third parties, including Microsoft Azure and other computing infrastructure service providers. We have migrated and expect to continue to migrate a significant portion of our DOS and analytics application computing infrastructure needs to Microsoft Azure. We have made and expect to continue to make substantial investments in transitioning clients using our DOS Solution from our own managed data center to Microsoft Azure and the migration of clients to Health Catalyst Ignite. This transition has increased and we anticipate it will continue to increase the cost of hosting our technology and negatively impact our technology gross margin in the near term.

Such migrations are risky and may cause disruptions to our Solution, service outages, downtime, or other problems and may increase our costs. Despite precautions taken during such transitions, any unsuccessful transition of technology may impair clients' use of our technology which may cause greater costs or downtime and which may lead to, among other things, client dissatisfaction and non-renewals.

Our computing infrastructure service providers have no obligation to renew their agreements with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our computing infrastructure service providers is acquired, we may be required to transition to a new provider and we may incur significant costs and possible service interruption in connection with doing so. Problems faced by our computing infrastructure service providers, including those operated by Microsoft, could adversely affect the experience of our clients. Microsoft Azure and other infrastructure vendors have had and may in the future experience significant service outages. Additionally, if our computing infrastructure service providers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect our service levels or cause our third-party hosted systems to fail. Our agreements with third-party computing infrastructure service providers may not entitle us to service level credits that correspond with those we offer to our clients.

Any changes in third-party service levels at our computing infrastructure service providers, or any related disruptions or performance problems with our Solution, could adversely affect our reputation and may damage our clients' data, information and/or stored files, result in lengthy interruptions in our services, or result in potential losses of client data. Interruptions in our services might reduce our revenue, cause us to issue refunds to clients for prepaid and unused subscriptions, subject us to service level credit claims and potential liability, allow our clients to terminate their contracts with us, or adversely affect our renewal rates.

We rely on Internet infrastructure, bandwidth providers, data center providers, other third parties, and our own systems for providing our Solution to our users, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation, potentially require us to issue credits to our clients, and negatively impact our relationships with users or clients, adversely affecting our brand and our business.

In addition to the services we provide from our offices, we serve our clients primarily from third-party data-hosting facilities. These facilities are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct. Their systems and servers could also be subject to hacking, spamming, ransomware, computer viruses or other malicious software, denial of service attacks, service disruptions, including the inability to process certain transactions, phishing attacks, and unauthorized access attempts, including third parties gaining access to users' accounts using stolen or inferred credentials or other means, and may use such access to prevent use of users' accounts. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems at two or more of the facilities could result in lengthy interruptions in our services. Even with our disaster recovery arrangements, our Solution could be interrupted.

Our ability to deliver our Internet- and telecommunications-based services is dependent on the development and maintenance of the infrastructure of the Internet and other telecommunications services by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security for providing reliable Internet access and services and reliable mobile device, telephone, facsimile, and pager systems, all at a predictable and reasonable cost. We have experienced and expect that we will experience interruptions and delays in services and availability of our Solution from time to time.

We rely on internal systems as well as third-party vendors, including data center, bandwidth, and telecommunications equipment or service providers, to provide our Solution. We do not maintain redundant systems or facilities for portions of our Solution. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could negatively impact our relationship with users or clients. To operate without interruption, both we and our service providers must guard against:

- damage from fire, power loss, and other natural disasters;
- communications failures;
- software and hardware errors, failures, and crashes;
- security breaches, computer viruses, ransomware, and similar disruptive problems; and
- other potential interruptions.

Any disruption in the network access, telecommunications, or co-location services provided by these third-party providers or any failure of or by these third-party providers or our own systems to handle the current or higher volume of use could significantly harm our ability to deliver our Solution and our business. We exercise limited control over these third-party vendors, which increases our vulnerability to problems with the services they provide.

Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services or our own systems could negatively impact our relationships with users and clients, adversely affect our brands and business, and expose us to third-party liabilities. The insurance coverage under our policies may not be adequate to compensate us for all losses that may occur. In addition, we cannot provide assurance that we will continue to be able to obtain adequate insurance coverage at an acceptable cost.

The reliability and performance of the Internet may be harmed by increased usage or by denial-of-service attacks. The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as the availability of the Internet to us for delivery of our Internet-based services.

We typically provide service level commitments under our client contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our results of operations. Finally, recent changes in law could impact the cost and availability of necessary Internet infrastructure. Increased costs and/or decreased availability would negatively affect our results of operations.

Our business could be adversely impacted by changes in laws and regulations related to the Internet or changes in access to the Internet generally.

The future success of our business depends upon the continued use of the Internet as a primary medium for communication, business applications, and commerce. Federal or state government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Legislators, regulators, or government bodies or agencies may also make legal or regulatory changes or interpret or apply existing laws or regulations that relate to the use of the Internet in new and materially different ways. Changes in these laws, regulations, or interpretations could require us to modify our Solution in order to comply with these changes, to incur substantial additional costs or divert resources that could otherwise be deployed to grow our business, or expose us to unanticipated civil or criminal liability, among other things.

In addition, government agencies and private organizations have imposed, and may in the future impose, additional taxes, fees, or other charges for accessing the Internet or commerce conducted via the Internet. Internet access is frequently provided by companies that have significant market power and could take actions that degrade, disrupt, or increase the cost of our clients' use of our Solution, which could negatively impact our business. Net neutrality rules, which were designed to ensure that all online content is treated the same by Internet service providers and other companies that provide broadband services were repealed by the Federal Communications Commission effective June 2018. The repeal of the net neutrality rules could force us to incur greater operating expenses or our clients' use of our Solution could be adversely affected, either of which could harm our business and results of operations.

These developments could limit the growth of Internet-related commerce or communications generally or result in reductions in the demand for Internet-based platforms and services such as ours, increased costs to us or the disruption of our business. In addition, as the Internet continues to experience growth in the numbers of users, frequency of use, and amount of data transmitted, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility, and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by "viruses," "worms," and similar malicious programs and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet generally, or our Solution specifically, is adversely affected by these or other issues, we could be forced to incur substantial costs, demand for our Solution could decline, and our results of operations and financial condition could be harmed.

Our Solution utilizes open-source software, and any failure to comply with the terms of one or more of these open-source licenses could adversely affect our business.

We use software modules licensed to us by third-party authors under "open-source" licenses in our Solution. Some open-source licenses contain affirmative obligations or restrictive terms that could adversely impact our business, such as restrictions on commercialization or obligations to make available modified or derivative works of certain open-source code. If we were to combine our proprietary software with certain open-source software subject to these licenses in a certain manner, we could, under certain open-source licenses, be required to release or otherwise make available the source code to our proprietary software to the public. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us.

Although we employ practices designed to manage our compliance with open-source licenses and protect our proprietary source code, we may inadvertently use open-source software in a manner we do not intend and that could expose us to claims for breach of contract and intellectual property infringement. If we are held to have breached the terms of an open-source software license, we could be required to, among other things, seek licenses from third parties to continue offering our products on terms that are not economically feasible, pay damages to third parties, to re-engineer our products, to discontinue the sale of our products if re-engineering cannot be accomplished on a timely basis, or to make generally available, in source code form, a portion of our proprietary code, any of which could adversely affect our business, results of operations, and financial condition. The terms of many open-source licenses have not been interpreted by U.S. courts, and, as a result, there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our Solution.

We employ third-party licensed software and software components for use in or with our Solution, and the inability to maintain these licenses or the presence of errors in the software we license could limit the functionality of our Solution and result in increased costs or reduced service levels, which would adversely affect our business.

Our software applications might incorporate or interact with certain third-party software and software components (other than open-source software), such as data visualization software, obtained under licenses from other companies. We pay these third parties a license fee or royalty payment. We anticipate that we will continue to use such third-party software in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently make available, this may not always be the case, or it may be difficult or costly to replace. Furthermore, these third parties may increase the price for licensing their software, which could negatively impact our results of operations. Our use of additional or alternative third-party software could require clients to enter into license agreements with third parties. In addition, if the third-party software we make available has errors or otherwise malfunctions, or if the third-party terminates its agreement with us, the functionality of our Solution may be negatively impacted and our business may suffer.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. As of December 31, 2025, we had filed applications for a number of patents, and we have fifteen issued U.S. patents, four issued Canadian patents, one issued Great Britain patent, and one issued European patent. We also had thirty-nine registered trademarks in the United States, European Union, Singapore, United Arab Emirates, and United Kingdom. We also rely on copyright and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, clients, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. For example, other parties, including our competitors, may independently develop similar technology, duplicate our services, or design around our intellectual property and, in such cases, we may not be able to assert our intellectual property rights against such parties.

Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information, and we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our Solution, technology, or proprietary information, or provide us with any competitive advantages. Moreover, we cannot guarantee that any of our pending patent applications will issue or be approved. The United States Patent and Trademark Office and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and after a patent has issued.

There are situations in which noncompliance can result in abandonment or lapse of the patent, or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If this occurs, our competitors might be able to enter the market, which would have a material adverse effect on our business. Effective trademark, copyright, patent, and trade secret protection may not be available in every country in which we conduct business. Further, intellectual property law, including statutory and case law, particularly in the United States, is constantly developing, and any changes in the law could make it harder for us to enforce our rights.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights.

An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related pending patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Negative publicity related to a decision by us to initiate such enforcement actions against a client or former client, regardless of its accuracy, may adversely impact our other client relationships or prospective client relationships, harm our brand and business, and could cause the market price of our common stock to decline. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business.

We may be sued by third parties for alleged infringement of their proprietary rights or misappropriation of intellectual property.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, including so-called non-practicing entities (NPEs), may own or claim to own intellectual property relating to our Solution. From time to time, third parties have claimed or may claim that we are infringing upon their intellectual property rights or that we have misappropriated their intellectual property.

For example, in some cases, very broad patents are granted that may be interpreted as covering a wide field of healthcare data storage and analytics solutions or machine learning and predictive modeling methods in healthcare. As competition in our market grows, the possibility of patent infringement, trademark infringement, and other intellectual property claims against us increases. In the future, we expect others to claim that our Solution and underlying technology infringe or violate their intellectual property rights. In a patent infringement claim against us, we may assert, as a defense, that we do not infringe the relevant patent claims, that the patent is invalid or both.

The strength of our defenses will depend on the patents asserted, the interpretation of these patents, and our ability to invalidate the asserted patents. However, we could be unsuccessful in advancing non-infringement and/or invalidity arguments in our defense. In the United States, issued patents enjoy a presumption of validity, and the party challenging the validity of a patent claim must present clear and convincing evidence of invalidity, which is a high burden of proof. Conversely, the patent owner need only prove infringement by a preponderance of the evidence, which is a lower burden of proof.

We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Because patent applications can take years to issue and are often afforded confidentiality for some period of time there may currently be pending applications, unknown to us, that later result in issued patents that could cover one or more aspects of our technology and services.

Any claims or litigation could cause us to incur significant expenses and, whether or not successfully asserted against us, could require that we pay substantial damages, ongoing royalty or license payments, or settlement fees, prevent us from offering our Solution or using certain technologies, require us to re-engineer all or a portion of our Solution, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our clients or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Risks Related to Governmental Regulation

Risks Related to Healthcare and Data Privacy and Security Regulation

Actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards and other requirements could adversely affect our business, results of operations, and financial condition.

- *Health information privacy and security laws*. There are numerous federal and state laws and regulations that govern the privacy and security of health information. In particular, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and regulations implemented thereunder (collectively, HIPAA) imposes, among other things, certain standards relating to the privacy, security, transmission and breach reporting of PHI, as defined under HIPAA. By processing and maintaining PHI on behalf of our covered entity clients, we are a HIPAA business associate and are required to enter into business associate agreements (BAAs) with our covered entity clients to safeguard PHI, as well as BAAs with our subcontractors that access or otherwise process PHI on our behalf.

We may not be able to adequately address the business risks created by HIPAA implementation. Furthermore, we are unable to predict what changes to HIPAA or other laws or regulations might be made in the future or how those changes could affect our business or the costs of compliance. We are unable to predict what, if any, impact the changes in such standards will have on our compliance costs or our Solution. Penalties for failure to comply with a requirement of HIPAA vary significantly depending on the nature of violation and could include civil monetary or criminal penalties. HIPAA also authorizes state attorneys general to file suit under HIPAA on behalf of state residents. Courts can award damages, costs and attorneys' fees related to violations of HIPAA in such cases.

While HIPAA does not create a private right of action allowing individuals to sue us in civil court for HIPAA violations, its standards have been used as the basis for a duty of care claim in state civil suits such as those for negligence or recklessness in the misuse or breach of PHI. Certain states have also adopted privacy and security laws and regulations, some of which may be more stringent than HIPAA. Such laws and regulations will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our future clients and strategic partners.

Some of our analytics applications, including, for example, one of our benchmarking applications, require that we obtain permissions consistent with HIPAA to provide "data aggregation services" and the right to create de-identified information and to use and disclose such de-identified information. We may require large sets of de-identified information to enable us to continue to develop machine learning algorithms that enhance our Solution. If we are unable to secure these rights in client BAAs or as a result of any future changes to HIPAA or other applicable laws, we may face limitations on the use of PHI and our ability to use de-identified information that could negatively affect the scope of our Solution as well as impair our ability to provide upgrades and enhancements to our Solution.

We outsource important aspects of the storage and transmission of client information and PHI, and thus rely on third parties to manage functions that have material cybersecurity risks. We attempt to address these risks by requiring outsourcing subcontractors who handle client information to sign BAAs contractually requiring those subcontractors to adequately safeguard PHI in a similar manner that applies to us and in some cases by requiring such outsourcing subcontractors to undergo third-party security examinations as well as to protect the confidentiality of other sensitive client information. In addition, we periodically hire third-party security experts to assess and test our security measures. However, we cannot be assured that these contractual measures and other safeguards will adequately protect us from the risks associated with the storage and transmission of our clients' confidential and proprietary information and PHI.

- *Consumer protection laws.* Furthermore, the Federal Trade Commission (FTC) also has authority to initiate enforcement actions against entities that mislead customers about HIPAA compliance, make deceptive statements about privacy and data sharing in privacy policies, fail to limit third-party use of personal health information, fail to implement policies to protect personal health information or engage in other unfair practices that harm customers or that may violate Section 5(a) of the FTC Act. According to the FTC, failing to take appropriate steps to keep consumers' personal information secure can also constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Additionally, federal and state consumer protection laws are increasingly being applied by FTC and states' attorneys general to regulate the collection, use, storage, and disclosure of personal or personally identifiable information, through websites or otherwise, and to regulate the presentation of website content.

- *State data protection laws*. Certain states have also adopted privacy and security laws and regulations, which govern the privacy, processing, and protection of health-related and other personal information. Such laws and regulations will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our future clients and strategic partners. For example, the CCPA requires covered businesses that process the personal information of California residents to, among other things: (i) provide certain disclosures to California residents regarding the business's collection, use, and disclosure of their personal information; (ii) receive and respond to requests from California residents to access, delete, and correct their personal information, or to opt out of certain disclosures of their personal information; and (iii) enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Additional compliance investment and potential business process changes may be required. Similar laws have been enacted in other states, reflecting a trend toward more stringent privacy legislation in the United States. If we fail to comply with any of these privacy laws that apply to us, and are subject to the aforementioned penalties, our business and financial results could be adversely affected.

- *GDPR and foreign data privacy protection laws*. In addition, many foreign governments have established or are in the process of establishing privacy and data security legal frameworks governing the collection, use and disclosure of personal information obtained from their residents. For example, in Europe, the GDPR went into effect on May 25, 2018. The GDPR imposes data protection requirements for processing the personal data of individuals within the European Economic Area (EEA) or in the context of an establishment in the EEA, including requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the documentation we must retain, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of personal data. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements and potential fines for noncompliance of up to €20 million or 4% of the annual global revenues of the noncompliant group, whichever is greater. The GDPR has increased our responsibility and potential liability in relation to personal data that we process, and we may be required to put in place mechanisms to ensure compliance with GDPR. In addition, the GDPR increases the scrutiny of transfers of personal data from the EEA to the United States and other jurisdictions that the European Commission does not recognize as having "adequate" data protection laws and the efficacy and longevity of current transfer mechanisms between the EEA and the United States remain uncertain. Case law from the Court of Justice of the European Union (CJEU) states that reliance on the standard contractual clauses - a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism - alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case-by-case basis.

  We expect the existing legal complexity and uncertainty regarding international personal data transfers to continue and international transfers to the United States and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators. As the regulatory guidance and enforcement landscape in relation to data transfers continue to develop, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we operate our business, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results. Further, from January 1, 2021, companies have had to comply with the GDPR and also the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains the GDPR in UK national law. The UK GDPR mirrors the fines under the GDPR, e.g., fines up to the greater of €20 million (£17.5 million) or 4% of global turnover. As we continue to expand into other foreign countries and jurisdictions, we may be subject to additional laws and regulations that may affect how we conduct business.

- *Canadian data privacy protection laws*. Similarly, Canada's Personal Information Protection and Electronic Documents Act provides Canadian residents with privacy protections in regard to transactions with businesses and organizations in the private sector and sets out ground rules for how private-sector organizations may collect, use, and disclose personal information in the course of commercial activities. Foreign governments may attempt to apply such laws extraterritorially or through treaties or other arrangements with U.S. governmental entities.

Other jurisdictions besides the EU and Canada are similarly introducing or enhancing laws and regulations relating to privacy and data security, which enhances risks relating to compliance with such laws. Furthermore, as we enter into business arrangements in countries outside of the United States, we will need to be prepared to comply with applicable local privacy laws. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of personal data, such as health-related data or other sensitive information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate.

- *AI Technologies*: In addition, we use AI Technologies in our business. The regulatory framework for AI Technologies is rapidly evolving as many federal, state, and foreign government bodies and agencies have introduced or are currently considering additional laws and regulations. Additionally, existing laws and regulations may be interpreted in ways that would affect the operation of AI Technologies. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or market perception of their requirements may have on our business and may not always be able to anticipate how to respond to these laws or regulations. It is possible that new laws and regulations will be adopted in the United States and in other non-U.S. jurisdictions, or that existing laws and regulations, including competition and antitrust laws, may be interpreted in ways that would limit our ability to use AI Technologies for our business, or require us to change the way we use AI Technologies in a manner that negatively affects the performance of our products, services, and business and the way in which we use AI Technologies.

  We may need to expend resources to adjust our Solution or services in certain jurisdictions if the laws, regulations, or decisions are not consistent across jurisdictions. Further, the cost to comply with such laws, regulations, or decisions and/or guidance interpreting existing laws, could be significant and would increase our operating expenses (such as by imposing additional reporting obligations regarding our use of AI Technologies). Such an increase in operating expenses, as well as any actual or perceived failure to comply with such laws and regulations, could adversely affect our business, financial condition and results of operations.

We cannot be certain that the privacy policies and other statements regarding our practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information. There is ongoing concern from privacy advocates, regulators, and others regarding data protection and privacy issues, and the number of jurisdictions with data protection and privacy laws has been increasing. Also, there are ongoing public policy discussions regarding whether the standards for de-identified, anonymous, or pseudonymized health information are sufficient, and the risk of re-identification sufficiently small, to adequately protect patient privacy. We expect that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, and information security in the United States, including the CCPA, and we cannot yet determine the impact such laws, regulations, and standards may have on our business.

Future laws, regulations, standards, and other obligations, and changes in the interpretation of existing laws, regulations, standards, and other obligations could impair our or our clients' ability to collect, use, or disclose information relating to consumers, which could decrease demand for our Solution, increase our costs, and impair our ability to maintain and grow our client base and increase our revenue. Any failure or perceived failure by us to comply with international, federal or state laws or regulations, industry standards, or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release, or transfer of personally identifiable information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines, and penalties or adverse publicity and could cause our clients to lose trust in us, which could have an adverse effect on our reputation and business.

We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited. Any of these developments could harm our business, financial condition, and results of operations. Privacy and data security concerns, whether valid or not valid, may inhibit market adoption of our Solution.

Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies.

Many healthcare laws are complex, and their application to specific services and relationships may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the data analytics and improvement services that we provide, and these laws and regulations may be applied to our Solution in ways that we do not anticipate, particularly as we develop and release new and more sophisticated solutions. Our failure to accurately anticipate the application of these laws and regulations, or our other failure to comply with them, could create significant liability for us, result in adverse publicity, and negatively affect our business. Some of the risks we face or may face from healthcare regulation are described below.

The federal Anti-Kickback Statute prohibits, among other things, the offering, paying, soliciting, or receiving anything of value, directly or indirectly, for the referral of patients covered by Medicare, Medicaid, and other federal healthcare programs or the leasing, purchasing, ordering, or arranging for or recommending the lease, purchase, or order of any item, good, facility, or service covered by these programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Some enforcement activities focus on below or above market payments for federally reimbursable healthcare items or services as evidence of the intent to provide a kickback. Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. Moreover, both federal and state laws prohibit bribery and similar behavior. We do not believe we directly order or provide healthcare services that are reimbursable by Medicare, Medicaid or other third-party payors or submit claims or receive reimbursement from any such payor. However, nonetheless, in addition to direct enforcement action against us, if our advisory services or our Solution offered to clients are associated with action by clients that is determined or alleged to be in violation of these laws and regulations, it is possible that an enforcement agency would also try to hold us liable and, as a result of such attempt to hold us liable, our results of operations and financial condition may be negatively impacted, even if we are ultimately found not liable.

There are also numerous federal and state laws that prohibit the submission of false information, or the failure to disclose information, in connection with submission and payment of claims for healthcare items and services by healthcare providers. For example, the federal civil False Claims Act prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, or knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim. The government has prosecuted revenue cycle management service providers for causing the submission of false or fraudulent claims in violation of the False Claims Act. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.

HIPAA also created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Any determination by a court or regulatory agency that we or any of our clients, vendors, or partners have violated these laws could subject us to significant civil or criminal penalties, invalidate all or portions of some of our client contracts, require us to change or terminate some portions of our business, require us to refund portions of our services fees, subject us to additional reporting requirements and oversight under a corporate integrity agreement or similar agreement to resolve allegations of noncompliance with these laws, cause us to be disqualified from serving clients doing business with government payors, and have an adverse effect on our business.

Our clients' failure to comply with these laws and regulations in connection with our services could result in substantial liability (including, but not limited to, criminal liability), adversely affect demand for our Solution, and force us to expend significant capital, research and development, and other resources to address the failure. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity, distract management attention from our business, require a costly response from us, and negatively impact the price of our common stock.

If our arrangements with clinicians and other healthcare professionals are found to constitute the improper rendering of professional medical services or fee splitting under applicable state laws, our business, financial condition, and our ability to operate in those states could be adversely impacted.

We employ and contract with physicians and other licensed healthcare professionals who assist our clients with the clients' care coordination, care management, population health management, and patient safety activities. Although we do not intend to provide medical care, treatment, or advice, our relationships with such healthcare professionals may implicate certain state laws in the United States in which we operate that generally prohibit non-professional entities from providing licensed medical services, exercising control over licensed physicians or other licensed healthcare professionals, or engaging in certain practices such as fee-splitting with such licensed professionals. There can be no assurance that these laws will be interpreted in a manner consistent with our practices or that other laws or regulations will not be enacted in the future that could have a material and adverse effect on our business, financial condition, and results of operations.

Regulatory authorities, state boards of medicine, state attorneys general, and other parties may assert that we are engaged in the provision of professional medical services, and/or that our arrangements with our affiliated physicians and other licensed healthcare professionals constitute unlawful fee-splitting. If a jurisdiction's prohibition on the corporate practice of medicine or fee-splitting is interpreted in a manner that is inconsistent with our practices, we may be required to restructure or terminate some portions of our business, which may in turn require us to refund portions of our services fees, which would have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity, distraction of management attention from our business, a costly response from us, and a substantial negative impact upon the price of our common stock.

The FDA may modify its enforcement policies with respect to medical software products, and our software products may become subject to extensive regulatory requirements, which may increase the cost of conducting, or otherwise harm, our business.

We develop and offer certain analytical software applications in connection with our business. The FDA may regulate medical or health-related software, including machine learning functionality and predictive algorithms, if such software falls within the definition of a "medical device" under the Federal Food, Drug, and Cosmetic Act (FDCA). Medical devices are subject to extensive and rigorous regulation by the FDA and by other federal, state, and local authorities.

The FDCA and related regulations govern the conditions of safety, efficacy, clearance, approval, manufacturing, quality system requirements, labeling, packaging, distribution, storage, recordkeeping, reporting, marketing, advertising, and promotion of medical devices. However, historically, the FDA has exercised enforcement discretion for certain low-risk software functions, and has issued several guidance documents outlining its approach to the regulation of software as a medical device. In addition, the 21st Century Cures Act amended the FDCA to exclude from the definition of "medical device" certain medical-related software, including software used for administrative support functions at a healthcare facility, software intended for maintaining or encouraging a healthy lifestyle, software designed to store electronic health records, software for transferring, storing, or displaying medical device data or in vitro diagnostic data, and certain clinical decision support software. We believe our currently marketed products provide functionality that is exempt from the FDCA's definition of a "medical device," and therefore that our software products are not currently regulated by the FDA as medical devices, or that our products are otherwise subject to FDA's current enforcement discretion policies applicable to software products.

However, there is a risk that the FDA could disagree with our determination, or that the FDA could alter its enforcement discretion policies, and in either case, subject our software to more stringent medical device regulations. If the FDA determines that any of our current or future analytics applications are regulated as medical devices and not otherwise subject to enforcement discretion, we would become subject to various requirements under the FDCA and the FDA's implementing regulations. If this occurs, we may be required to cease marketing or to recall our product until we obtain the requisite clearances or approvals, which would entail significant cost and could harm our reputation, business, financial condition, and results of operations.

Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA, or comparable state or foreign regulatory authorities, including: untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties, recalls, termination of distribution, administrative detentions, seizure of our products, operating restrictions, partial suspension or total shutdown of production, delays in or refusal to grant clearances or approvals, prohibitions on sales of our products, and criminal prosecution. Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, financial condition, and results of operations.

The healthcare regulatory and political framework is uncertain and evolving.

Existing and new laws and regulations affecting the healthcare industry, or changes to existing laws and regulations could create unexpected liabilities for us, cause us to incur additional costs, and/or restrict our operations. Reforming the healthcare industry has been a priority for U.S. politicians, and key members of the legislative and executive branches have proposed a wide variety of potential changes and policy goals. Certain changes to laws impacting our industry, or perceived intentions to do so, could affect our business and results of operations. By way of example, in March 2010, the Affordable Care Act (ACA), was enacted, which substantially changed the way healthcare is financed by both governmental and private insurers and has significantly impacted our industry and, to some degree, our business. Since its enactment, there have been judicial, executive, and Congressional challenges to certain aspects of the ACA. On June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA. Thus, the ACA will remain in effect in its current form.

In July 2025, the One Big Beautiful Bill Act (the OBBBA) was enacted, which imposes significant reductions in the funding of the Medicaid program and restrictions for certain groups to access the ACA Marketplace. These changes are expected to decrease the number of persons enrolled in Medicaid and reduce the services covered by Medicaid, and may result in an increase in the number of individuals who are unable to access health insurance benefits and medical care. We anticipate that new cost containment measures or other healthcare reforms will continue to be implemented at both the federal and state level, any of which could harm our business, financial condition, and results of operations.

Due to the particular nature of certain services we provide or the manner in which we provide them, we may be subject to additional government regulation and foreign government regulation.

While our Solution is primarily subject to government regulations pertaining to healthcare, certain aspects of our Solution may require us to comply with regulatory schema from other areas. Examples of such regulatory schema include:

- *Antitrust laws*. Our national cloud-based network allows us access to cost and pricing data for a large number of providers in most regional markets, as well as to the contracted rates for third-party payors. To the extent that our Solution enables providers to compare their cost and pricing data with those of their competitors, those providers could collude to increase the pricing for their services, to reduce the compensation they pay their employees, or to collectively negotiate agreements with third parties. Similarly, if payors are able to compare their contracted rates of payment to providers, those payors may seek to reduce the amounts they might otherwise pay. Such actions may be deemed to be anti-competitive and a violation of federal antitrust laws. To the extent that we are deemed to have enabled such activities, we could be subject to fines and penalties imposed by the U.S. Department of Justice or the FTC and be required to curtail or terminate the services that permitted such collusion.

- *Foreign Corrupt Practices Act (FCPA) and foreign anti-bribery laws*. Subject to the February 2025 executive order ceasing enforcement of the FCPA, the FCPA makes it illegal for U.S. persons, including U.S. companies, and their subsidiaries, directors, officers, employees, and agents, to promise, authorize or make any corrupt payment, or otherwise provide anything of value, directly or indirectly, to any foreign official, any foreign political party or party official, or candidate for foreign political office to obtain or retain business. To the extent it is enforced, violations of the FCPA can also result in violations of other U.S. laws, including anti-money laundering, mail and wire fraud, and conspiracy laws. There are severe penalties for violating the FCPA. In addition, the Company may also be subject to other non-U.S. anti-corruption or anti-bribery laws, such as the U.K. Bribery Act 2010. If our employees, contractors, vendors, or partners fail to comply with the FCPA and/or foreign anti-bribery laws, we may be subject to penalties or sanctions, and our ability to develop new prospects and retain existing clients could be adversely affected.

- *Economic sanctions and export controls*. Economic and trade sanctions programs that are administered by the U.S. Treasury Department's Office of Foreign Assets Control prohibit or restrict transactions to or from, and dealings with specified countries and territories, their governments, and in certain circumstances, with individuals and entities that are specially designated nationals of those countries, and other sanctioned persons, including narcotics traffickers and terrorists or terrorist organizations. As federal, state and foreign legislative regulatory scrutiny and enforcement actions in these areas increase, we expect our costs to comply with these requirements will increase as well. Failure to comply with any of these requirements could result in the limitation, suspension or termination of our services, imposition of significant civil and criminal penalties, including fines, and/or the seizure and/or forfeiture of our assets. Further, our Solution incorporates encryption technology. This encryption technology may be exported from the United States only with the required export authorizations, including by a license, a license exception, or other appropriate government authorizations. Such solutions may also be subject to certain regulatory reporting requirements. Various countries also regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our clients' ability to import our Solution into those countries. Governmental regulation of encryption technology and of exports and imports of encryption products, or our failure to obtain required approval for our Solution, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the provision of our Solution, including with respect to new applications, may delay the introduction of our Solution in various markets or, in some cases, prevent the provision of our Solution to some countries altogether.

- *Regulatory certification*. We must obtain certification from governmental agencies, such as the Agency for Healthcare Research and Quality (AHRQ) to sell certain of our analytics applications and services in the United States. We cannot be certain that our Solution will continue to meet these standards. The failure to comply with these certification requirements could result in the loss of certification, which could restrict our Solution offerings and cause us to lose clients.

Risks Related to Tax Regulation

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value-added or similar transactional taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value-added, and similar transactional taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or that we are not required to collect such taxes with respect to the jurisdiction. Sales and use, value-added, and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, interest or future requirements, increase in tax rates, or a combination of the foregoing may result in an increase in our sales and similar transactional taxes, increase administrative burdens or costs, or otherwise adversely affect our business, results of operations, or financial condition.

Unanticipated changes in our effective tax rate and additional tax liabilities, including as a result of our international operations or implementation of new tax rules, could harm our future results.

We are subject to income taxes in the United States and are expanding into various foreign jurisdictions that are subject to income tax. Our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Tax rates in the jurisdictions in which we operate may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual effective tax rate. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in available tax attributes, decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes, and changes in federal, state, or international tax laws and accounting principles. Finally, we may be subject to income tax audits throughout the world. An adverse resolution of one or more uncertain tax positions in any period could have a material impact on our results of operations or financial condition for that period.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2025, we had net operating loss (NOL) carryforwards for federal and state income tax purposes of approximately $787.8 million and $647.7 million, respectively, which may be available to offset taxable income in the future, and which expire in various years beginning in 2032 for federal purposes if not utilized. The state NOLs will expire depending upon the various rules in the states in which we operate. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), a corporation that undergoes an "ownership change" (as defined under Section 382 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs to offset its future taxable income.

We may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state income tax purposes.

Certain provisions of the Tax Act (as defined below), as amended by the CARES Act, also limit the use of NOLs, as discussed further below. For these reasons, we may not be able to utilize a material portion of our NOLs, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our results of operations and financial condition.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act contains, among other things, significant changes to corporate taxation, including (i) a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, (ii) a limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses) (increased to 50% by the CARES Act for taxable years beginning in 2019 and 2020), (iii) a limitation of the deduction for NOLs in taxable years beginning after December 31, 2020 to 80% of current year taxable income in respect of NOLs generated during or after 2018 and elimination of net operating loss carrybacks for NOLs arising in tax years ending after December 31, 2020, (iv) a one-time tax on offshore earnings at reduced rates regardless of whether they are repatriated, (v) immediate deductions for certain new investments instead of deductions for depreciation expense over time, and (vi) a modification or repeal of many business deductions and credits. For federal NOLs arising in tax years beginning after December 31, 2017, the Tax Act (as modified by the CARES Act) limits a taxpayer's ability to utilize federal NOL carryforwards in taxable years beginning after December 31, 2020 to 80% of taxable income. In addition, federal NOLs arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback of federal NOLs arising in tax years ending after December 31, 2020 is generally prohibited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law.

Beginning in 2022, the Tax Act eliminated the option to currently deduct research and development expenditures in the period incurred and requires taxpayers to capitalize and amortize such domestic and foreign expenditures over five or fifteen years, respectively, pursuant to Section 174 of the Code. We will continue to examine the impact the Tax Act and CARES Act may have on our results of operations and financial condition.

Risks Related to an Investment in Our Securities

We have experienced significant net losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.

We have incurred significant net losses in the past, including a net loss of $178.0 million and $69.5 million in the years ended December 31, 2025 and 2024, respectively. We had an accumulated deficit of $1,364.6 million as of December 31, 2025. Our costs could increase over time as we continue to invest to grow our business and build relationships with clients, develop our Solution, develop new solutions, execute of our strategies and initiatives, and operate as a public company. These efforts may prove to be more expensive than we currently anticipate and external factors, such as macroeconomic challenges, including the high inflationary environment and rising interest rates, could cause an increase in our expenses, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. As a result, we may need to raise additional capital through equity and debt financings in order to fund our operations.

To date, we have financed our operations principally from the proceeds we received through private sales of equity securities, payments received from sales of our Solution, borrowings under our loan and security agreements, our IPO in July 2019, the Note Offering in April 2020, and an underwritten public offering of 4,882,075 shares (inclusive of the underwriters' over-allotment option to purchase 636,792 shares) of our common stock at $53.00 per share in August 2021, from which we received net proceeds of $245.2 million, after deducting the underwriting discounts and commissions and other offering costs (the Secondary Public Equity Offering).

We have a relatively limited operating history in an evolving industry which makes it difficult to evaluate our current business future prospects and increases the risk of your investment.

We launched operations in 2008 and we acquired Able Health, Healthfinch, Vitalware (which we divested in connection with the Vitalware Transaction on July 31, 2026), Twistle, ARMUS, KPI Ninja, ERS, Carevive, Lumeon, Intraprise and Upfront between February 2020 and January 2025. Our limited operating history, in particular with respect to the businesses we have recently acquired or which we divested, makes it difficult to effectively assess or forecast our future prospects. You should consider our business and prospects in light of the risks and difficulties we encounter or may encounter.

These risks and difficulties include our ability to cost-effectively acquire new clients and retain existing clients, maintain the quality of our technology infrastructure that can efficiently and reliably handle the requirements of our clients and deploy new features and solutions, and successfully compete with other companies that are currently in, or may enter, the healthcare solution space. Additional risks include our ability to effectively manage growth, achieve synergies, responsibly use the data that clients share with us, process, store, protect, and use personal data, including PHI, in compliance with governmental regulation, contractual obligations, and other legal obligations related to privacy and security and avoid interruptions or disruptions in our service or slower than expected load times for our Solution. If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above, our business and our results of operations will be adversely affected. We may also fail to improve the gross margins of our business. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition, and results of operations would be adversely affected. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

The market price of our common stock has decreased in recent periods, may be volatile, and may further decline for many reasons, including reasons that are not related to our operating performance, and you may lose all or part of your investments.

The market price of our common stock has decreased in recent periods, may be volatile, may further decline or fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and/or publicly-listed technology and healthcare companies;
- actual or anticipated fluctuations in our total revenue, Adjusted EBITDA or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- our ability to execute on our strategic initiatives;
- the economy as a whole and market conditions in our industry;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, acquisitions or dispositions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits or investigations threatened or filed against us;
- confidence in and recruitment or departure of key personnel and directors; and
- other events or factors, including those resulting from macroeconomic challenges (including high inflationary and/or high interest rate environment, tariffs and cuts in Medicaid and research funding, war, regional or global conflicts (including the conflicts in the Middle East), bank or financial institution failures, incidents of terrorism, public health crises, political changes, or responses to these events.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many technology companies' and healthcare companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the companies' operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility and periods of stock price decline. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business. Moreover, because of these fluctuations, comparing our results of operations on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our total revenue or results of operations fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated net revenue or earnings forecasts that we may provide.

If securities or industry analysts do not continue to publish research, or publish inaccurate or unfavorable research, about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us, the trading price for our common stock could be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us on a regular basis, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

We cannot guarantee that the Share Repurchase Plan will be fully consummated or will enhance stockholder value, and share repurchases could affect the price of our common stock.

On August 2, 2022, our board of directors authorized and approved the Share Repurchase Plan, pursuant to which we may repurchase up to $40.0 million of our outstanding shares of common stock. We repurchased shares of common stock under this program during the third quarter of 2022, first quarter of 2023 and first quarter of 2025. There were no repurchases made during 2024 and we had $24.8 million available to purchase under the Share Repurchase Plan as of June 30, 2026. Repurchases of shares of common stock under the Share Repurchase Plan may be made from time to time, in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases to be determined at the discretion of our management, depending on market conditions and corporate needs.

Open market repurchases will be structured to occur in accordance with applicable federal securities laws, including within the pricing and volume requirements of Rule 10b-18 under the Exchange Act. We may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of our shares of common stock under this authorization. The timing, pricing, and sizes of these repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The Share Repurchase Plan could affect the price of our common stock, increase volatility, and diminish our cash reserves.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans, or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors, and consultants under our stock incentive plans. We may also raise capital through equity financings in the future, including through offerings similar to our Secondary Public Equity Offering during the third quarter of 2021.

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment, such as our issuance of equity securities in connection with our acquisitions. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per-share value of our common stock to decline.

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition.

We may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We intend to invest substantial resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition is more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies.

We do not intend to pay dividends on our common stock and, consequently, the ability of common stockholders to achieve a return on investment will depend on appreciation, if any, in the price of our common stock.

You should not rely on an investment in our common stock to provide dividend income. We have never declared or paid any dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of any future credit facility or financing we obtain may contain, terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. As a result, common stockholders may only receive a return on investment if the market price of our common stock increases.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because technology and healthcare technology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

Risks Related to Our Charter and Bylaws

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws, include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only a majority of our board of directors will be authorized to call a special meeting of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws include an exclusive forum provision that provides that the Court of Chancery of the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty owed to us or our stockholders by any of our current or former directors, officers or other employees;
- any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- any action that is governed by the internal affairs doctrine and asserts a claim against us or any of our current or former directors, officers or other employees or stockholders.

This exclusive forum provision will not apply to any causes of action arising under the Securities Act. Further, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act; however, a court may not enforce such provision.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision which will be contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

General Risks

Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.

We prepare our financial statements in accordance with U.S. GAAP which are subject to interpretation or changes by the Financial Accounting Standards Board (FASB), the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results. Furthermore, any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Economic uncertainties or downturns in the general economy or the industries in which our clients operate could disproportionately affect the demand for our Solution and negatively impact our results of operations.

General worldwide economic conditions have experienced significant downturns during the last ten or more years, and market volatility and uncertainty remain widespread, making it potentially very difficult for our clients and us to accurately forecast and plan future business activities. During challenging economic times, our clients may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, increased costs, and/or other negative financial impacts, each of which could impair their ability to make timely payments to us, reduce client expansion and new client acquisition, increase client churn, and adversely affect our revenue. If that were to occur, our financial results could be harmed. Further, challenging economic conditions may impair the ability of our clients to pay for the applications and services they already have purchased from us and, as a result, our write-offs of accounts receivable could increase. We cannot predict the timing, strength, or duration of any economic slowdown or recovery. If the condition of the general economy or markets in which we operate worsens, our business could be harmed.

Investors' expectations of our performance relating to environmental, social, and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, employees, and other stakeholders concerning corporate responsibility, specifically related to environmental, social, and governance factors. In addition, some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate. Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance. The criteria by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. For example, increasingly there are disclosure regulations focused on environmental, social and sustainability matters. The SEC recently adopted final climate change disclosure regulation that, if it survives the litigation it is currently subject to, will require us to make certain disclosures that may be costly for our company. We are currently evaluating this regulation to determine its impact on us.

Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, employees, and other stakeholders, or, if our initiatives are not executed as planned, our reputation and business, operating results, and financial condition could be adversely impacted.

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

There were no unregistered sales of equity securities during the three months ended June 30, 2026.

Item 5. Other Information

(a) None.

(b) None.

(c) There were no “non-Rule 10b5-1 trading arrangements,” as defined in Item 408(c) of Regulation S-K, adopted, terminated, or modified by our directors or officers during the three months ended June 30, 2026.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference from Form	Incorporated by Reference from Exhibit Number	Date Filed
3.1	Amended and Restated Certificate of Incorporation.	S-1/A	3.2	July 12, 2019
3.2	Amended and Restated Bylaws.	S-1/A	3.4	July 12, 2019
3.3	Amendment to the Amended and Restated Bylaws.	8-K	3.1	August 2, 2021
4.1	Form of common stock certificate.	S-1/A	4.1	July 12, 2019
10.1*	Unit Purchase Agreement, dated June 4, 2026, between Health Catalyst, Inc. and Med-Metrix	8-K	2.1	June 4, 2026
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith		
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith		
32.1^	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	Filed herewith		

* The schedules and exhibits to the Purchase Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Registrant will furnish copies of such exhibits and schedules to the Securities and Exchange Commission upon request.

# Indicates management contract or compensatory plan.

^ The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Health Catalyst, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Signature	Title	Date
/s/ Jason Alger Jason Alger	Chief Financial Officer *(Principal Financial and Accounting Officer)*	August 6, 2026

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin Albert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Health Catalyst, 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: August 6, 2026

/s/ Benjamin Albert

Benjamin Albert
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jason Alger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Health Catalyst, 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: August 6, 2026

/s/ Jason Alger

Jason Alger
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Benjamin Albert, Chief Executive Officer of Health Catalyst, Inc. (the "Company"), and Jason Alger, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1 The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: August 6, 2026

/s/ Benjamin Albert
Benjamin Albert
Chief Executive Officer
(Principal Executive Officer)

/s/ Jason Alger
Jason Alger
Chief Financial Officer
(Principal Financial Officer)