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National Research Corp. (NRC)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. Thank you for attending today's NRC Fourth Quarter 2025 Results. My name is Victoria and I'll be your moderator today. I would now like to pass the conference over to Jordan Freeman. Thank you. You may proceed, Jordan.

Jordan N. Freeman

Chief Accounting Officer, National Research Corp.

Welcome to NRC Health's earnings conference call for the fourth quarter ended December 31, 2025. I wanted to first let you know that we posted our earnings press release to the Investor Relations section on our website. On the call today, we have NRC Health's CEO, Trent Green; and CFO, Shane Harrison.

Before getting started, I'd like to emphasize that this call will include statements related to the expected future results of our company, which are therefore forward-looking statements. Our actual results may differ materially from our expectations due to a number of risks and uncertainties, including those described in our earnings release and other SEC filings.

Today's remarks will also include references to non-GAAP financial measures. Additional information, including definitions and reconciliations between non-GAAP financial information and GAAP financial information, is provided in the corresponding earnings press release, which is posted on NRC's Investor Relations website. A replay of this call will also be posted to the same website.

With that, let me turn our call over to our CEO, Trent Green.

Trent Green

Chief Executive Officer & Director, National Research Corp.

Good afternoon, everyone, and thank you for joining us for NRC Health's fourth quarter and full year 2025 earnings call. Today, we'll review our fourth quarter and full year results, highlight the progress we're seeing across the organization, and outline our strategic priorities as we head into 2026.

Starting with the fourth quarter, we delivered another strong period of execution, driven by deep engagement and alignment across our teams. Revenue for the quarter was $35 million and adjusted EBITDA totaled $9 million. Importantly, total recurring contract value, or TRCV, reached $144 million, up 8% year-over-year and marking our fifth consecutive quarter of sequential TRCV growth. With 99% of our revenue recurring, TRCV continues to be a reliable and predictable indicator of the revenue we expect to recognize over the next 12 months. This sustained

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momentum underscores the effectiveness of our go-to-market strategy and the strength of our value proposition, as healthcare providers navigate an increasingly complex operating environment.

Let me unpack what's driving this TRCV growth. At a high level, it reflects strong execution across our sales, customer success and product teams. First, our sales team reorganization and refined coverage model are clearly delivering results. Full year new sales increased 86% year-over-year, driven by a selling approach that more closely mirrors how healthcare systems are structured and how decisions are made. This realignment has enabled us to engage more effectively at multiple levels within customer organizations and drive larger, more strategic relationships.

Second, our customer success teams have elevated the quality, depth and consistency of customer engagement. By strengthening relationships with key users and decision makers, we achieved the highest gross dollar retention rate we've seen in more than seven years.

Both new sales and retention have been further supported by continued investment in our product portfolio. Over the course of the year, we enhanced capabilities that directly address our customers' needs, whether that's enabling operational improvement through our enablement solutions or delivering deeper, real-time insights that connect patient experience to health system outcomes.

In addition to the focus we've placed on our sales, customer success and product teams, we've also been intentional about strengthening our leadership team to support the next phase of growth. In early January, we welcomed David Burik to lead our strategic insights and governance strategy. With more than 30 years of experience in healthcare consulting, David brings deep expertise and governance, system transformation and strategic decision making. He has advised integrated delivery networks, managed care organizations, physician groups and hospitals for complex change and previously led Guidehouse Center for Healthcare (sic) [Health] (00:18:07) Insights. His experience and thought leadership uniquely positioned him to accelerate growth and innovation across our Market Insights platform and The Governance Institute. David's addition is emblematic of a broader leadership buildout. Over the past years, we've intentionally recruited leaders who combine deep healthcare operations and solutions experience with strong subscription software and technology expertise. This [ph] blend (00:18:36) is central to our strategy, pairing industry insight with the ability to scale technology-driven solutions so we can continue to deliver products that drive sustained results for our customers and the people they serve.

As I mentioned on last quarter's call, our customer value proposition is built on three pillars: clear and actionable insights, deep partnership and engagement, and enablement tools that help health systems turn insight into action. With that framework in mind, I'd like to highlight what differentiates NRC Health and why this value proposition continues to resonate in the market.

First, trust. We serve 74% of the top 100 health systems in the country, and that scale is a direct result of the trust healthcare leaders place in our brand. We've reinforced our position as a secure, reliable and defensible partner through continued investment in data security and compliance, including our high trust certification. That trust is further reflected in our customer relationships, with a Net Promoter Score of 68, driven by our differentiated customer success model.

Second, expertise. NRC Health was built specifically for healthcare. For nearly 45 years, we've partnered with providers and helped define patient-centered care. Our solutions are grounded in deep healthcare operations knowledge, and that expertise translates into solutions that leaders can effectively use to drive action in their organizations. Additionally, through The Governance Institute, we engage C-suite executives and boards with

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insights, best practices and peer connections that inform decision making at the highest levels of healthcare organizations.

And third, portfolio breadth. While market research and patient experience remain foundational, we built a broader and more powerful portfolio over time, now spanning seven products across the following four solution categories. Our experience solutions, including patient experience, employee experience, reputation management and care transitions, deliver actionable insights into how organizations serve and connect with patients and employees. Our enablement solutions help operationalize those insights by structuring and automating workflows and delivering personalized, real-time guidance to frontline teams in the path of care. Our strategic insight solutions, which include our Market Insights and Community Insights products, provide healthcare leaders with intelligence on their competitive landscape by providing rich data on consumer preferences, brand perception and care delivery expectations. It is continuously updated via our surveying of over 300,000 consumers annually. And the fourth element of our portfolio, our governance solutions, through The Governance Institute, equip boards and executive leadership teams with the frameworks, education and insights needed to strengthen organizational performance and long-term resilience.

Together, these solutions create our differentiated insights, engagement, enablement flywheel. We capture insight into what patients, employees, and communities expect and experience. We work with leaders to translate that insight into strategy, and we enable action through workflows, tools and best practices that deliver measurable, hard return on investment, creating a continuous cycle of improvement.

Now, let me turn to what I see as our most compelling growth catalysts as we head into 2026. First, our go-to-market restructure is already showing up in our sales activity and results. As this model continues to scale, I expect it to be a meaningful tailwind through 2026.

Second, we see continued opportunity to deepen adoption of our enablement solutions. Rounding represents our first major investment in this area. Just over a year ago, we acquired a workflow-driven solution designed to guide care teams toward high value actions using both historical and real-time feedback. Now fully integrated into our platform, rounding has gained strong momentum, with TRCV nearly doubling in 2025. Importantly, the opportunity extends well beyond rounding. Healthcare systems are actively seeking solutions to drive measurable operational improvement across quality, safety, discharge planning and other critical functions. We believe enablement will be a meaningful and durable growth engine for NRC Health.

Third, product innovation remains a strategic priority. We're investing in capabilities to deepen our differentiation, expand our addressable market and consistently deliver measurable ROI to our customers. AI is playing an increasingly important role in this work. We're using AI to drive greater depth in accuracy and sentiment analysis through comment summarization and our AI-enabled complement and service recovery capabilities. We've also announced a beta release of a new AI-powered listening capability within our rounding solution, further enhancing the richness and timeliness of front-line feedback. Together, these innovations are helping our customers move faster from insights to action.

Fourth, cross-sell remains a meaningful growth opportunity. As we deepen relationships across our customers' organizations, we see clear potential to expand adoption of enablement, strategic insights and governance solutions.

Fifth, retention upside. Although we experienced a seven-year high with retention rate, we see opportunity to strengthen our retention efforts as we harden the customer success initiatives we deployed in 2025.

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And finally, new logo growth. Our differentiated data assets and insights opened the door to new buyers, new use cases and new markets beyond our historical footprint. As awareness of a broader platform continues to expand, we believe this represents a meaningful and long-term growth opportunity for NRC Health.

As I reflect on 2025, I'm proud of what our team has accomplished, driving strong TRCV growth, improving customer retention, strengthening our leadership team and maintaining disciplined expense management. The foundation is solid and the runway ahead is clear. The healthcare industry's need for what NRC Health delivers, turning human understanding into meaningful, measurable action, has never been greater. Healthcare leaders are navigating unprecedented complexity, and they need partners they can trust with the expertise to guide them and the technology to enable them.

With that, let me turn it over to Shane to walk through our financial results.

Shane Harrison

Chief Financial Officer, National Research Corp.

Thank you, Trent. Today, I'll walk through our Q4 and full year 2025 results. Then I'd like to touch on how our financial profile is distinctive, as well as our strategy around capital allocation. Starting with the fourth quarter, revenue was $35.2 million, down 5% year-over-year but up 2% sequentially from Q3. The unusually heavy TRCV attrition we experienced in Q3 2024 continued to recognize revenue through Q4 of 2024, creating a difficult comparison for Q4 2025. Even against that headwind, our sequential revenue growth highlights the improving momentum in the business. TRCV reached $144.1 million, which was up 8% year-over-year and 2% sequentially. This was our fifth consecutive quarter of sequential TRCV growth and reflects the strong execution across our sales and customer success teams.

Fourth quarter adjusted EBITDA was $8.7 million. As mentioned on the Q3 call, our Q4 operating expenses came in higher than the prior year due to the timing of our annual customer conference, the Human Understanding Beyond or HUB Conference, which we held in Q4 this year versus Q3 last year. Adjusted net income for the quarter was $3.4 million, and adjusted EPS was $0.16 per share. Additionally, during the quarter, we paid a quarterly dividend of $0.12 per share, consistent with our commitment to returning capital to shareholders.

Now, turning to the full year picture. Revenue for 2025 was $137.4 million, down 4% from 2024. This decline was expected given our TRCV performance in 2024, where we saw elevated attrition in the second half of that year. However, with the TRCV growth of 8% in 2025, we are confident that revenue growth will follow in 2026.

Adjusted EBITDA for full year 2025 was $40.2 million, representing a 29% margin. We held our margin profile even as revenue declined, underscoring our ability to fund the growth initiatives Trent outlined while maintaining disciplined cost management. In other words, we're demonstrating that investing for growth and delivering strong profitability can go hand in hand. Adjusted net income for 2025 was $20.7 million, and adjusted EPS was $0.93 per share.

These results showcase our compelling financial profile. This profile includes our highly predictable revenue streams. With 99% of our revenue being recurring, we have a very good revenue visibility, and our TRCV metric has proven to be a very strong leading indicator of how our top line will perform. This predictability is rare and valuable. Our financial profile also bodes strong profit margins. Our adjusted EBITDA margin is currently near 30%, and we see upside as revenue recovers. As we execute on those six growth catalysts, we will ensure NRC is positioned well for margin expansion.

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Our free cash flow durability also adds to our unique financial profile. Our business converts earnings into free cash flow efficiently and our strong free cash flow margins allow us to fund growth investments and return capital to shareholders, which leads me to the final aspect of our financial profile, our thoughtful, impactful and diversified approach to capital allocation. We have a clear, flexible framework for deploying capital. First, we're investing meaningfully in our business and technology, hiring talented people, innovating new capabilities, and exploring blue water opportunities that can accelerate our growth and improve our competitive position.

Second, we're returning capital to our shareholders. We do so directly through our dividend, which reflects our confidence in this financial profile, as well as returning capital indirectly through opportunistic share repurchases that offset dilution and enhance per share returns.

Third, we are maintaining the flexibility to pursue highly strategic, accretive acquisitions that expand our addressable market, reinforce our competitive position, and create incremental value by leveraging NRC's operating model to drive cost efficiencies, sales expansion and integration synergies.

As we move into 2026, we look forward to driving growth, profitability and long-term value creation for our shareholders. The foundation is solid, the trajectory is clear, and I'm excited about the opportunity ahead.

With that, I'll turn it back to Trent.

Trent Green

Chief Executive Officer & Director, National Research Corp.

Thank you, Shane. I want to emphasize one key point. NRC Health is uniquely positioned to thrive in the evolving healthcare landscape. Our mission to turn human understanding into meaningful, measurable action resonates deeply with healthcare leaders navigating unprecedented complexity. The momentum we've built in customer growth, retention, team building and financial execution gives me tremendous confidence in our ability to create lasting value. I'm grateful to our incredible team of associates, our loyal customers and our supportive investors for the trust you place in NRC Health.

As a reminder, if you have questions or want to engage further, please contact us at the email address ir@nrchealth.com.

Operator: That concludes today's call. Thank you for your participation and have a wonderful rest of your day.

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