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NRC Health (NRC)

Q2 2026 Earnings Call

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CORPORATE PARTICIPANTS

Jordan N. Freeman
Vice President-Finance, NRC Health

Trent Green
Chief Executive Officer & Director, NRC Health

Shane Harrison
Chief Financial Officer, NRC Health

OTHER PARTICIPANTS

Constantine Davides
Analyst, Citizens JMP Securities LLC

Jeffrey Wilson
Analyst, Morgan Stanley Investment Management Inc.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the NRC Q2 2026 Earnings Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Jordan Freeman, NRC Health's Chief Accounting Officer. Jordan, please go ahead.

Jordan N. Freeman
Vice President-Finance, NRC Health

Thank you, operator. Welcome to NRC Health's earnings conference call for the second quarter ended June 30, 2026. I wanted to first let you know that we posted our earnings press release to the Investor Relations section on our website. On this call today we have NRC Health's CEO, Trent Green; and CFO, Shane Harrison.

Today's call will include statements related to the expected future results of our company, which are therefore forward-looking statements. Actual results may differ materially from these expectations due to a number of risks and uncertainties, including those described in our earnings release and other SEC filings.

We will also reference non-GAAP financial measures. Definitions and reconciliations to the most comparable GAAP measures are provided in our earnings press release, which is available on our 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, NRC Health

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Thank you, Jordan, and good afternoon, everyone. Thank you for joining us for NRC Health's second quarter 2026 earnings call. Today, I'll begin with an overview of our second quarter performance, discuss the momentum we're seeing across the business and highlight how we continue to advance the next chapter of the NRC Health story with innovation across our product portfolio.

We delivered another strong quarter of execution in the second quarter, reflected in our year-over-year total recurring contract value, or TRCV, and revenue growth. During the quarter, TRCV increased 11% year-over-year with diversified growth across the business. Experience TRCV grew in the mid-teens compared to the prior year, driven by strong bookings activity during the first half of this year. Also notable in the quarter was The Governance Institute, which achieved its strongest bookings performance in seven years and grew its TRCV by nearly 10% year-over-year. This performance reinforces our conviction that healthcare leaders increasingly value trusted strategic guidance alongside technology-enabled solutions.

Our TRCV growth reflects more than market demand; it demonstrates the effectiveness of our strategy. The sales organization we redesigned around buyers continues to perform well, enabling deeper engagement across experience, market insights and The Governance Institute. By aligning with how health systems make decisions, we're creating larger, more strategic relationships and expanding our opportunity to deliver value across the enterprise.

We're also seeing encouraging returns from our continued product investments, particularly those that connect experience measurement with experience improvement. Those capabilities were a key differentiator in the landmark multi-solution agreement we discussed last quarter and continue to resonate with healthcare organizations looking for partners who can move beyond insight to measurable action.

Turning to our financial performance. Second quarter revenue increased approximately 4% year-over-year and 2% sequentially, despite an approximately 2-point headwind from an accounting change related to certain reputation monitoring solutions, which Shane will discuss in greater detail.

Adjusted EBITDA margin was 27%, consistent with the first quarter as we continued investing ahead of revenue and implementation, customer success and product development to support our large first quarter win and a growing pipeline of opportunities. This performance is consistent with the expectations we outlined last quarter. As planned, we maintain margins while building the delivery capacity required for the first phase of this multi-year engagement. We continue to expect margin expansion in the second half of the year, as revenue increasingly reflects the TRCV growth we've generated.

More broadly, our investment philosophy remains unchanged. We're investing deliberately in the capabilities that strengthen long-term customer relationships, accelerate product innovation and expand our competitive advantage. We believe these investments position NRC Health to deliver durable growth and attractive incremental margins as these programs mature and scale.

Product innovation remains one of our highest strategic priorities. And during the quarter, we continued to strengthen our solution families. Beginning with The Governance Institute, we've expanded our capabilities by engaging in a refresh of our board assessment tools, increasing our benchmarking capabilities and developing board effectiveness resources that help healthcare boards and executive teams govern more strategically. We believe governance is becoming an increasingly important differentiator as health systems navigate unprecedented financial, workforce and regulatory complexity. And we're investing to ensure The Governance Institute remains the trusted partner for healthcare leadership.

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Within the experience family, we're particularly excited about the recent launch of ambient listening with agentic AI in our rounding solution. Rather than having frontline leaders use clipboards and static question sets to engage with patients and document those conversations, our ambient listening feature allows them to remain fully present, while AI securely captures interaction in the background, saving them transcribing time, automatically organizing conversations into meaningful summaries, identifying themes, surfacing service recovery opportunities, and preparing documentation for review.

Early deployments have demonstrated dramatically richer documentation and insights without increasing the time leaders spend rounding, a meaningful step forward and helping healthcare organizations move from measuring the experience after the fact to improving it in real time.

But perhaps the most exciting opportunity extends well beyond any single product release. Over more than four decades, NRC Health has been solely focused on healthcare and has built both deep client relationships in one of healthcare's richest and most interconnected experience datasets. We uniquely connect what consumers expect before they choose care, what patients experience throughout their care journey, and how employees help shape those experiences from within the organization. No other organization can offer our laser-focus in this breadth, depth and longitudinal history of healthcare experience data. That foundation creates a significant competitive advantage as AI continues to reshape our industry.

Our objective is not simply to apply AI to healthcare; it's to apply AI to one of healthcare's most differentiated datasets. By mining decades of interconnected patient, consumer, employee and market data, we can identify patterns, uncover drivers of loyalty and experience, predict opportunities for improvement, and recommend actions with a level of context that generic AI models simply cannot provide, all of which can drive a virtuous cycle of higher consumer attraction, better patient outcomes, improved caregiver careers, and higher customer return on investment. In our view, this is the next evolution of human understanding. We aren't simply helping healthcare organizations understand what happened. We're helping them understand why it happened, what's most likely to happen next, and what actions will create the greatest impact for patients, communities and caregivers they serve.

Stepping back, our strategy continues to be grounded in three elements: insight, engagement and enablement. Insight provides a continuous view into what patients, families, employees and communities expect and experience throughout their healthcare journey. Engagement aligns leaders and teams around what needs to change, supported by our customer success teams, partnerships like the one we recently announced with the Healthcare Experience Foundation, and platforms like The Governance Institute. Enablement is where improvement happens through tools, workflows and practices that convert insight into better performance, which may be measured in improved patient and employee experience, stronger volumes and lower costs.

We believe we are increasingly differentiating ourselves in this industry, particularly in those engagement and enablement layers. Many players can generate data and dashboards, but fewer can help a health system act on what the data is telling them, especially when those answers are nuanced or financially meaningful. Our opportunity is to combine healthcare-specific intelligence, governance expertise and enablement tools to drive real behavior change across the thousands of care sites we serve.

I'm proud of how our teams executed in the quarter, driving double-digit year-over-year TRCV growth, sustaining revenue momentum, advancing The Governance Institute offering and investing with discipline in delivery and product. The foundation is solid, our opportunity ahead is clear, and the healthcare industry's need for what NRC Health delivers, turning human understanding into meaningful, measurable action, has never been greater.

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With that, I'll turn it over to Shane to walk through our second quarter financial results.

Shane Harrison

Chief Financial Officer, NRC Health

Thank you, Trent, and good afternoon, everyone. I'll take the next few minutes to walk through our Q2 2026 results, provide context on our profitability dynamics as we invest to support our TRCV growth and give an update on capital allocation, including our dividend and share repurchase activity.

Starting with TRCV, we finished the quarter with total recurring contract value of $151.9 million, up 11% year-over-year, reflecting continued strength across our experience, market insights and The Governance Institute portfolios. Q2 revenue was up approximately 4% year-over-year and 2% sequentially. This included a roughly 2-point growth headwind related to a change in revenue recognition for several of our reputation management SKUs. This was due to the strategic replacement of a third-party vendor for some elements of these solutions, where the new arrangement requires net revenue accounting, which means the vendor's fees are offset as contra revenue rather than expense.

Previous accounting was traditional gross revenue and expense recognition. This accounting change had a pronounced revenue impact in the second quarter and we expect to see a smaller headwind in Q3 and Q4. The relationship between TRCV and revenue recognition remains consistent with what we've described previously. TRCV growth leads revenue as implementations ramp, especially for larger, multi-site customers like the landmark win we discussed last quarter, which will begin to show revenue during Q3.

We continue to expect that the strong TRCV performance we posted over the past several quarters will support durable revenue growth as implementations mature.

Moving to profitability. Second quarter adjusted EBITDA was $9.4 million, with a margin of 27%, which was essentially flat with Q1, in line with our expectation that margins would remain steady this quarter while we invest in delivery and customer success for our large new implementations. Year-over-year EBITDA was 3 points or $900,000 lower, primarily driven by higher operating expenses tied to expansion in our delivery teams, ongoing product and platform investments and the normalization of certain corporate expenses following the executive team build-out we completed in 2025. These investments are intentional and aligned with our long-term growth strategy and we expect margin improvement as revenue catches up to the TRCV we've already secured.

For modeling purposes, we expect third quarter revenue to increase sequentially and adjusted EBITDA margin to be approximately the same as the first half of the year, due primarily to the timing of our annual customer conference occurring in September. And in the fourth quarter, we expect to see upside to our EBITDA margin as we scale revenue and see our operating expenses normalize from Q3. This underlying margin performance reflects the same discipline we've shown historically, funding growth initiatives while maintaining an attractive profitability profile.

Adjusted net income for the second quarter was $6.9 million and adjusted EPS was $0.31 per diluted share. The majority of the adjustments to arrive at adjusted net income in Q2 related to the previously announced acceleration of vesting of restricted shares and associated cash payments to offset personal taxes for three of our executives, which was done to honor the original intent of those 2025 share grants. Given that most of these expenses are non-deductible for NRC's taxes and due to the technical tax accounting related to allocating non-deductible items during a loss quarter, our Q2 tax provision will not be comparable to our second half provision. For both Q3 and Q4, we expect our effective tax rate to be approximately 40%.

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And lastly on the second quarter financial review, our Q2 free cash flow was $62,000, which was $4.2 million higher than prior year as executive cash bonuses and CapEx related to our headquarters renovation declined year-over-year.

Turning to capital allocation, our philosophy remains straightforward. We will be measured and disciplined in deploying cash to the highest return opportunities. Our first priority is investing in NRC, hiring and developing talented people, innovating new capabilities and supporting implementations that deepen customer relationships and expand our addressable market. Alongside these internal investments, we remain active in surveying various markets for possible acquisitions, gauging for opportunities that will strengthen our platform and deepen our expertise, while assessing their ability to be accretive to our financial profile.

Additionally, we look to return capital to shareholders in diversified ways through our dividend and opportunistic share repurchases. During the quarter, we paid our regular quarterly dividend of $0.16 per share and we repurchased approximately 397,000 shares under our existing $60 million authorization. Our philosophy around repurchases is to act when we identify an attractive risk-adjusted return opportunity relative to our other investment alternatives, and we balance that use of cash with our prudent leverage profile.

We'll continue to evaluate the relative attractiveness of internal investment, strategic M&A and share repurchases with the goal of compounding free cash flow per share over time.

Zooming out a bit on this Q2, these results reflect the balanced profile we aim to deliver: strong TRCV growth, returning to consistent revenue growth, maintaining attractive margins while funding our future, and executing a thoughtful capital allocation strategy that supports long-term value creation for our shareholders.

With that, we'll open the line up for questions.

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QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Your first question comes from the line of Constantine Davides with Citizens. Your line is open. Please go ahead.

Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

Thanks. I just wanted to drill in a bit on the bookings performance for TGI. Just talk a little bit about what's driving that. And how does that translate into future revenue? And I guess more to the point, what's the scale of that business line today? And I know you said TRCV is growing 10% for that business line, is that the right way to think about growth over the near term?

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah. Thanks. Constantine, this is Trent. Appreciate the question and thanks also for picking up coverage on us. We're grateful. Let me zoom out for a second on TGI, provide maybe some broader context on what's happening there and kind of zero-in on your question on where we are with TRCV and where we see growth.

So The Governance Institute is a very unique asset, it's a differentiated offering with an existing base of clients in the hundreds. Building this product from scratch would be incredibly difficult. It's also a top-of-funnel purchaser, meaning this is a product that is bought by the CEO or the CEO and their general counsel. So this gives us visibility at the top of the organization, and therefore a broader awareness of their organizational priorities. It's a bit clubby, in a good way. CEOs want a network of peers of like organizations or to network with organizations that are facing like problems, and we help make those connections.

In terms of the business fundamentals, the margin on this business is strong. We do need to upgrade some of our talent and service to the emerging value proposition for that product offering, but we'll do that in a thoughtful way and in sync with the growth signals.

Then, to your specific question, in terms of the overall, this is only about 10% of our business. So I don't expect it to significantly move top line, although we have in – this is a product offering we've owned for 20 years. It's been an offering in the market for over 40 years. And it had doubled the membership that we presently enjoy. So we see significant opportunities for growth. But I want to make sure that's measured with you. I don't anticipate it to be a significant top line mover for us, but it does create connectivity inside of organizations. It's really important for us. It's a good brand, and it helps us establish a strong foothold for ensuring that those organizations at the highest levels understand our full suite of capabilities.

Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

Great.

Trent Green
Chief Executive Officer & Director, NRC Health

A

Oh. And then, I guess, the other thing...

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Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

Sorry.

[indiscernible] (20:08)

Trent Green
Chief Executive Officer & Director, NRC Health

A

...relative to your question, similar to our other product lines, we now have a dedicated focused sales team on this product. We did not have a dedicated team previously. We now have dedicated leadership on sales. And what we're finding is as we refresh the value prop, not only is it helpful to have a dedicated sales team, but we're increasingly finding that our current members or prospective members are calling their friends, excited about the things that we are attempting to do. And so, it's generating some additional buzz and connectivity just through the network itself.

Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

That's great color. I just want to shift gears a little bit. You referenced the landmark customer win, obviously some investments ahead of standing that up. Wondering if you can just give us an update there.

And then, with respect to your pipeline, I guess, are you seeing larger deals, maybe not along the size of that, but I'm just wondering if you can comment on pipeline, how you'd characterize it with respect to demand for different solutions, average deal size, whatever else you'd want to highlight as well.

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah. Sure. Thanks. So we are now live with this landmark customer. We've brought on the first 25 hospitals and a number of ambulatory sites earlier this month. So data is flowing through the pipes, so to speak. We also began to recognize revenue associated with this customer this month. We'll bring on the next tranche of facilities in October, and we'll be fully deployed by the end of the year.

They also purchased another product from us, our rounding platform. That's not yet recognized in our TRCV, and that's expected to kick off in the second half of 2027. So that engagement is well underway. We did, as we noted during our first quarter call, bring on some additional resources to help support onboarding of this customer. We also intend to jointly announce this partnership publicly in the next couple of weeks, so we won't be as vague about who this is. And in fact, I'll be on site with their leadership team next week. So that engagement is going quite well.

In terms of sales pipeline, so there's not a lot of deals of this size coming to market every quarter. That being said, our pipeline generation has been strong. Our pipeline is up 60% higher than it was same quarter last year. I will say, in the pipe the average deal size is down, and that's just reflective of the size of the organizations that are actively coming to market. We somewhat expected some of this, given some of the near-term unknowns associated with the Qualtrics and Press Ganey acquisition. There's a little uncertainty in the market right now among buyers. So the average deal size that we're seeing is down.

We do look at a number of metrics with our sales team, particularly associated with the reorg that we executed last year, and we are seeing a significant increase in the number of meetings that we're getting access to and, in

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particular, on-site meetings. So we're up by 35% on sales activity. So all those leading indicators to us appear to be very solid. So pipe's up. Average deal size in that pipe is down. And we don't see deals like the one we landed in Q1 coming up every quarter, but certainly we'll be in the mix when those opportunities do present themselves.

Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

Okay. One more from me and I'll hop back in the queue. But Shane, you called out the 2-point headwind from the gross-to-net adjustment, which I get to around $1.5 million. I just want to understand, is TRCV because of that as well? Is that apples to apples sequentially with what we saw in the first quarter, or a little bit of [ph] both (25:00) adjustment there as well?

Shane Harrison
Chief Financial Officer, NRC Health

A

Yeah, it is still apples to apples. We have a policy on TRCV and the policy is a gross treatment. So we did not adjust TRCV for what you saw here. You're approximately right, the annual amount's about $1.5 million, so it's not going to move any needles really, either on the margin standpoint or at the TRCV level. Again, we're following our policy. We kept it where it's at. It's just affecting revenue as it flows in.

Constantine Davides
Analyst, Citizens JMP Securities LLC

Q

Thanks. I'll hop back in the queue.

Operator: Your next question comes from the line of Jeff Wilson with Atlanta Capital. Your line is open. Please go ahead.

Jeffrey Wilson
Analyst, Morgan Stanley Investment Management Inc.

Q

Hi, everyone. Can you hear me okay?

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yes.

Jeffrey Wilson
Analyst, Morgan Stanley Investment Management Inc.

Q

Okay, great. Well, I hope you're doing well, and thanks for the opportunity here. I have a couple bigger-picture questions. First, related to AI, and then a follow-up if time permits. On the revenue side, can you just elaborate on the early monetization strategy for the agentic AI features that you're talking about? Are they being positioned as premium add-ons to the current subscription model or primarily a retention tool to drive a higher ROI for your existing partners?

And then on the cost side, as we think about longer-term future margin prospects, are there specific areas within the customer success or data processing where AI is allowing you to scale your operations more efficiently and we should see that more as revenue growth begins to accelerate? Thanks.

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Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah, Jeff. This is Trent. Thanks so much for the question. So we don't presently have an AI SKU for our agentic tool that's embedded in our rounding product. So you subscribe to rounding, and it is part of the offering.

So presently, we see our AI innovations as more powerful features that we've added to our solutions to further differentiate NRC and improve our win rates and retention. And still, to our knowledge, we're certainly the first and, I think, still the only rounding platform that has this capability enabled.

We are actively evaluating other opportunities to monetize some of the thinking that we have around how we apply AI and where we insert AI into our products. So as you referenced, perhaps, some premium-type add-ons, we're not there yet. So that's where things stand presently in terms of customer-facing AI.

We are absolutely looking at ways in which AI can make our customer team, success and implementation teams more efficient and effective. So we've assigned engineering resources and

product resources to our customer success team so we can evaluate areas where we are ingesting data and can do it more efficiently and effectively.

And I do, in fact, believe that we will see, over time, some improvement in our cost to serve. May not result in an overall reduction in head count because I'm anticipating we want to continue to grow the business. So I just anticipate that we'll be able to service the business in a more efficient and effective manner.

Jeffrey Wilson
Analyst, Morgan Stanley Investment Management Inc.

Q

Okay. Thank you for that. And then, secondary question on the competitive front. And this is a good segue given your comments, but following the completion of the acquisition of Press Ganey by Qualtrics, just curious, how do you feel about NRC's competitive moat with this new competitive environment? And you mentioned some uncertainty in the marketplace. So are you seeing any shift in customer sentiment or RFP requirements now that your largest competitor is integrated into a broader experience management platform?

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah, Jeff. Thanks. Overall, I feel great about NRC and where and how we are positioned and where and how we differentiate our – and will continue to differentiate ourselves. It is still really fresh. The deal closed on May 18.

I would say just in terms of market sentiment, to respond to that, the early effect is this has caused some customers who are in active RFP processes to pause and reassess. Specifically, we've been engaged in two processes, where, prior to closing it was NRC, Qualtrics, Press Ganey who had proposed. Post closing, they've created an opportunity for Press Ganey and Qualtrics to submit a unified proposal. Those evaluation processes are still in motion, so I can't assess what the buyer reaction to that combined proposal has been.

So I think generally, what's happened is we've entered an era of buyer uncertainty relative to what exactly materializes from the combination and what products and services are available and in what form. And therefore, I can't get really specific with you on kind of their emerging value proposition and how and which we differentiate because, frankly, it is uncertain. I do see this as temporary. I don't have a crystal ball as to how long this is going to be before the market has greater clarity. But for us, it means we continue to build our pipeline. As I mentioned

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earlier, our Q2 pipeline grew 60%. And we can focus on communicating what we believe are our strategic differentiators, particularly how our rounding, The Governance Institute, our consumer intelligence platform of market insights complements experience insights for a really holistic experience and brand improvement strategy.

Operator: Your next question comes from the line of [ph] Josh Peters with Shiba Insight LLC. Josh, (31:34) your line is open. Please go ahead.

Q

Hello, Trent. Hello, Shane. Thanks for taking my call, and congratulations on another solid quarter. Better than solid, I'd say, of execution. I'm curious if you have any more color that you might add to what Qualtrics and Press Ganey may be communicating to customers in terms of potential changes to their existing platform, if they're planning a systems integration, anything that would shake up the marketplace still a little bit further. The way I've approached it is NRC offers certainty because you already have a fully stood-up platform. So what more are you hearing from perhaps customers and potential prospects on that front?

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah, [ph] Josh (32:28) thank you. And yeah, we agree, we offer certainty where there is uncertainty. It's interesting, [ph] Josh, (32:36) it's ambiguous. We've heard of customers who are on Press Ganey that have some interest in Qualtrics, but they're not being given any indication as to whether there is a – or what the platform migration plan is. We have heard, at least in those – I mentioned the two deals that have been kind of paused for reassessment. We do know in one of those, very clearly, that – it's currently a Press Ganey customer – they have been given what the Qualtrics platform transition would be to Qualtrics. But there's not been, at least that we've heard of, any kind of overarching communication plan on what they're doing with their platform strategy.

Q

Okay. And then, by way of a quick follow-up question, Shane, you mentioned tax rate is going to be unusual here, affected by some of the non-recurring activity here in Q2. What's a good normalized number to think about in 2027 and beyond?

Shane Harrison
Chief Financial Officer, NRC Health

A

Yeah. There's some of the activity that has happened in Q2. And you can see the impact last year, too, when we had the similar kind of bonus structure, you can see what it did to the tax rate. So yeah, a significant amount of the accelerated vesting and the bonuses are not deductible, so it's jumping up our effective tax rate. We'll wash that through, right? By the end of the year, we'll be through that.

A good way that we model ourselves is we're at the high-20s, is how we do our effective tax rate. Now, that's not cash taxes. That's the effective. On the cash side, it's usually a little bit lower than that. But I think, call it 28%, 29%, at the effective level. And then, on the actual cash going out the door, it's probably more in the lower to mid-20s.

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Q

All right. Thank you very much.

Trent Green
Chief Executive Officer & Director, NRC Health

A

Thanks, [ph] Josh. (34:45)

Operator: Your next question comes from the line of John Lewis with Willis Investment Counsel. Your line is open. Please go ahead.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

Q

Congratulations on another solid quarter. I was curious to hear a little bit more about how these new service offerings are allowing you to access customers more and potentially how that's impacting TRCV [ph] growth. (35:13)

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah. Thanks, John. You broke up just a little bit. It's hard to hear. How new – are you referring to our announcement with the Healthcare Experience Foundation or our rounding platform? Can you just help me? I want to make sure I'm precisely addressing your question.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

Q

[ph] Sorry about that. (35:39) Adding additional rounding capabilities and things like that, how is that allowing you to engage [audio gap] (35:43)

Trent Green
Chief Executive Officer & Director, NRC Health

A

Okay. Yeah. Got you. Thank you. Yeah. As I think about our rounding offering, some of the work that we're doing on a tool we call improvement navigator, these are all tools that move from helping organizations, our customers move from insights about their business and how customers, patients, employees are experiencing their business, to improving that experience. So rounding is very much an engagement tool with frontline leaders. And so what happens is you actually expand the number of individuals that are actively using, on a day-to-day basis, NRC tools because they become embedded in daily workflows for an organization. So we start to become, in my view, even stickier with organizations.

So irrespective of capturing the insights, although the insights that is doing the surveys is still important to us, where we really become sticky with organizations is when we can get more embedded in their daily operations and workflows. And that's where I see as a – for instance, a rounding platform and a couple of other emerging product innovations that we're working on.

We also – as you might have seen, we announced in June a partnership with an organization called the Health (sic) [Healthcare] (37:22) Experience Foundation. This is an organization that's been in operation since 2017. It's

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led by an individual, who has a historical connection to Quint Studer, and Quint Studer is a big name brand in healthcare. It may not mean anything to you, but it means a lot to leaders in hospitals and health systems. And we see this partnership as further reinforcing our engagement and enablement pillars of what we do. So this is an experienced team of clinicians, operators, executives. They're collaborating to connect governance, leadership development and frontline enablement to help us translate our human understanding into really practical operating disciplines that sustain improvement.

Because ultimately, in my view, that's what this is about. It's about producing the outcomes. And the more we can demonstrate that our tools become embedded in daily workflows that produce positive outcomes, whether those are just improvement in patient satisfaction scores or whether they start to drive quality improvement, safety improvement, workforce engagement, more efficiency in day-to-day operations, all of that is – it's great stuff.

And we see this relationship with HX Foundation as further blossoming into one where we can kind of bake them in as part of a deeper advisory capability tied to our key products and services, further advancing what I'm talking about here with engagement driving to improved outcomes for our customers.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

Q

That makes sense. And where do you feel that you [audio gap] (39:07-39:13) new customers to be able to have them buy multiple solutions from you?

Trent Green
Chief Executive Officer & Director, NRC Health

A

Yeah. I'm sorry, John, again, you cut out. I think you were asking about where we are relative to customers buying multiple solutions.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

Q

That's correct. I'm sorry, I'm traveling. Hopefully, you can hear me a little better now.

Trent Green
Chief Executive Officer & Director, NRC Health

A

No, no, not at all. No worries. Just want to make sure I get the question right. So yeah, cross-sell is a big opportunity for us. I mean, the large Q1 deal that we announced, just as a reminder, was a cross-sell. That was a customer that already bought a product from us, and now we've sold in both our experience measurement tool, as well as the rounding tool. We still have a very long runway of cross-sell opportunity in our base. So 70% of our customers only buy one product from NRC today, or roughly. I think it might be 71 customers or something buy only one product. So we have a lot of opportunity to grow there.

As I mentioned in our Q1 call, we're working really hard to strengthen the connective tissue between our product families to facilitate these cross-sell opportunities. And as I mentioned at the start of the call, as I reflect on the opportunities with The Governance Institute, I see that as a – we're entering at a high level of the organization and have an opportunity to expose that high level to our full suite of products.

CEOs don't typically buy. They may be involved somewhat in the buying process, but they don't typically purchase. It's generally delegated to a different leader. They don't generally purchase patient experience measurement solutions. But by strengthening our connectivity at that level, we can start to expose the full breadth

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and depth of our capabilities. So the two kind of leaders that I see there for us opening those doors are The Governance Institute and our consumer intelligence product that we refer to as Market Insights.

So anyway, long way to go, big opportunity for us, and it's all about strengthening the connective tissue and the cross connections between our product offerings.

John M. Lewis
Analyst, Willis Investment Counsel, Inc.

Q

Thank you so much for letting me join the call. Sorry for the technical difficulties.

Trent Green
Chief Executive Officer & Director, NRC Health

A

Not at all, John. Thanks so much. Glad you were able to join.

Operator: There are no further questions at this time. I will now turn the call back to Trent Green for closing remarks.

Trent Green
Chief Executive Officer & Director, NRC Health

Well, thanks, all, for joining the call today, and thanks for the questions. In closing, just reiterate we're confident in the foundation of the business. We're encouraged by the momentum in our product portfolio and customer relationships, and we're committed to sound execution and capital allocation that'll drive long-term value for our shareholders. So I'm grateful to our incredible NRC associates for their commitment, to our customers for their trust, and to our shareholders for your continued support.

Thanks for your time and interest in NRC Health.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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