

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

November 12, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2013

OR

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

Commission file number 001-35547

**ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**36-4392754**  
(I.R.S. Employer  
Identification Number)

**222 Merchandise Mart, Suite 2024**

**Chicago, IL 60654**

(Address of principal executive offices)

**(312) 506-1200**

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 October 31, 2013, there were 178,456,017 shares of the registrant's \$0.01 par value common stock outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

<b>(In thousands, except per share amounts)</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 60,790	\$ 103,956
Accounts receivable, net of allowance of \$55,787 and \$45,320 at September 30, 2013 and December 31, 2012 respectively	322,342	329,542
Deferred taxes, net	55,508	56,499
Prepaid expenses and other current assets	117,051	110,023
<b>Total current assets</b>	<b>555,691</b>	<b>600,020</b>
Long-term marketable securities	1,373	1,706
Fixed assets, net	166,579	155,494
Software development costs, net	89,226	95,579
Intangible assets, net	471,758	426,986
Goodwill	1,189,585	1,039,364
Deferred taxes, net	7,529	7,529
Other assets	156,673	50,304
<b>Total assets</b>	<b>\$ 2,638,414</b>	<b>\$ 2,376,982</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 50,995	\$ 45,874
Accrued expenses	92,386	93,100
Accrued compensation and benefits	59,087	44,124
Deferred revenue	304,055	283,171
Current maturities of long-term debt and capital lease obligations	13,624	79,305
<b>Total current liabilities</b>	<b>520,147</b>	<b>545,574</b>
Long-term debt	530,545	362,697
Deferred revenue	28,274	19,750
Deferred taxes, net	92,746	125,913
Other liabilities	135,668	38,707
<b>Total liabilities</b>	<b>1,307,380</b>	<b>1,092,641</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at September 30, 2013 and December 31, 2012	0	0
Common stock: \$0.01 par value, 349,000 shares authorized at September 30, 2013 and December 31, 2012; 263,074 and 178,402 shares issued and outstanding at September 30, 2013, respectively, 257,087 and 172,415 shares issued and outstanding at December 31, 2012, respectively	2,631	2,571

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Treasury stock: at cost, 84,672 shares at September 30, 2013 and December 31, 2012	(278,036)	(278,036)
Additional paid-in capital	1,708,492	1,577,260
Accumulated deficit	(100,938)	(17,530)
Accumulated other comprehensive (loss) income	(1,115)	76
<b>Total stockholders' equity</b>	<b>1,331,034</b>	<b>1,284,341</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,638,414</b>	<b>\$ 2,376,982</b>

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

**Table of Contents****ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

<b>(In thousands, except per share amounts)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenue:</b>				
System sales	\$ 26,498	\$ 35,220	\$ 85,978	\$ 116,176
Professional services	49,003	62,749	169,293	201,615
Maintenance	117,928	119,263	351,840	354,295
Transaction processing and other	136,762	143,462	414,973	423,276
<b>Total revenue</b>	<b>330,191</b>	<b>360,694</b>	<b>1,022,084</b>	<b>1,095,362</b>
<b>Cost of revenue:</b>				
System sales (excluding amortization of software development and acquisition-related assets shown below)	14,767	13,582	41,176	49,342
Amortization of software development and acquisition-related assets	23,006	16,378	62,536	47,266
Professional services	47,295	54,534	162,278	173,260
Maintenance	35,841	36,564	107,864	108,850
Transaction processing and other	83,735	82,600	251,973	246,441
<b>Total cost of revenue</b>	<b>204,644</b>	<b>203,658</b>	<b>625,827</b>	<b>625,159</b>
<b>Gross profit</b>	<b>125,547</b>	<b>157,036</b>	<b>396,257</b>	<b>470,203</b>
Selling, general and administrative expenses	104,506	90,412	310,326	280,020
Research and development	49,400	37,802	151,881	112,164
Asset impairment charges	7,371	11,101	10,504	11,101
Amortization of intangible and acquisition-related assets	7,722	8,537	23,602	27,047
<b>(Loss) income from operations</b>	<b>(43,452)</b>	<b>9,184</b>	<b>(100,056)</b>	<b>39,871</b>
Interest expense	(6,895)	(3,718)	(21,031)	(11,930)
Other (expense) income, net	(826)	(15,845)	7,523	(15,303)
<b>(Loss) income before income taxes</b>	<b>(51,173)</b>	<b>(10,379)</b>	<b>(113,564)</b>	<b>12,638</b>
Income tax benefit	2,233	19,754	30,156	10,531
<b>Net (loss) income</b>	<b>(\$ 48,940)</b>	<b>\$ 9,375</b>	<b>(\$ 83,408)</b>	<b>\$ 23,169</b>
<b>(Loss) earnings per share basic and diluted</b>	<b>(\$ 0.27)</b>	<b>\$ 0.05</b>	<b>(\$ 0.47)</b>	<b>\$ 0.13</b>

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

**Table of Contents****ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(Unaudited)**

<b>(In thousands)</b>	<b>Three Months Ended September 30, Nine Months Ended September 30,</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net (loss) income	(\$ 48,940)	\$ 9,375	(\$ 83,408)	\$ 23,169
Other comprehensive income (loss), net of taxes:				
Unrealized gain on marketable securities, net of tax	27	75	11	79
Derivatives qualifying as hedges:				
Unrealized loss on interest rate swap	(79)	(433)	(112)	(1,544)
Reclassification adjustment for loss included in net (loss) income	286	432	968	1,376
Tax effect	(82)	(1)	(334)	65
Unrealized gain (loss) on interest rate swap, net of tax	125	(2)	522	(103)
Change in foreign currency translation adjustments	725	556	(1,724)	429
Total other comprehensive income (loss)	877	629	(1,191)	405
Comprehensive (loss) income	(\$ 48,063)			