

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

November 07, 2014

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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, 2014

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, 2014, there were 180,261,934 shares of the registrant's \$0.01 par value common stock outstanding.

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**ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**

**FORM 10-Q**

**For the Fiscal Quarter Ended September 30, 2014**

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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, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,345	\$ 62,954
Accounts receivable, net of allowance of \$39,355 and \$54,252 at September 30, 2014 and December 31, 2013, respectively	340,696	313,486
Deferred taxes, net	55,458	55,468
Prepaid expenses and other current assets	115,212	107,911
<b>Total current assets</b>	<b>548,711</b>	<b>539,819</b>
Long-term marketable securities	1,321	1,329
Fixed assets, net	152,213	174,013
Software development costs, net	85,018	88,244
Intangible assets, net	422,192	455,971
Goodwill	1,200,651	1,189,585
Deferred taxes, net	7,361	7,361
Other assets	153,394	163,341
<b>Total assets</b>	<b>\$ 2,570,861</b>	<b>\$ 2,619,663</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 86,432	\$ 72,956
Accrued expenses	79,751	96,499
Accrued compensation and benefits	55,638	80,196
Deferred revenue	277,243	251,038
Current maturities of long-term debt and capital lease obligations	24,703	16,350
<b>Total current liabilities</b>	<b>523,767</b>	<b>517,039</b>
Long-term debt	562,519	545,133
Deferred revenue	26,823	29,080
Deferred taxes, net	86,332	79,694
Other liabilities	88,594	130,572
<b>Total liabilities</b>	<b>1,288,035</b>	<b>1,301,518</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at September 30, 2014 and December 31, 2013	0	0
Common stock: \$0.01 par value, 350,000 shares authorized at September 30, 2014 and December 31, 2013; 264,914 and 180,242 shares issued and outstanding at September 30, 2014, respectively; 263,474 and 178,802 shares issued and outstanding at December 31, 2013, respectively	2,648	2,635

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Treasury stock: at cost, 84,672 at September 30, 2014 and December 31, 2013	(278,036)	(278,036)
Additional paid-in capital	1,745,416	1,716,847
Accumulated deficit	(185,831)	(121,556)
Accumulated other comprehensive loss	(1,371)	(1,745)
Total stockholders' equity	1,282,826	1,318,145
Total liabilities and stockholders' equity	\$ 2,570,861	\$ 2,619,663

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

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**ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Revenue:</b>				
System sales	\$ 21,440	\$ 26,498	\$ 70,601	\$ 85,978
Professional services	54,825	49,003	167,563	169,293
Maintenance	117,454	117,928	348,111	351,840
Transaction processing and other	151,670	136,762	450,695	414,973
<b>Total revenue</b>	<b>345,389</b>	<b>330,191</b>	<b>1,036,970</b>	<b>1,022,084</b>
<b>Cost of revenue:</b>				
System sales (excluding amortization of software development and acquisition-related assets shown below)	7,313	14,767	25,921	41,176
Amortization of software development and acquisition-related assets	20,582	23,006	61,525	62,536
Professional services	50,224	47,295	146,767	162,278
Maintenance	36,638	35,841	111,123	107,864
Transaction processing and other	99,176	83,735	282,004	251,973
<b>Total cost of revenue</b>	<b>213,933</b>	<b>204,644</b>	<b>627,340</b>	<b>625,827</b>
<b>Gross profit</b>	<b>131,456</b>	<b>125,547</b>	<b>409,630</b>	<b>396,257</b>
Selling, general and administrative expenses	97,034	104,506	273,643	310,326
Research and development	45,962	49,400	151,283	151,881
Asset impairment charges	188	7,371	2,134	10,504
Amortization of intangible and acquisition-related assets	7,112	7,722	22,414	23,602
<b>Loss from operations</b>	<b>(18,840)</b>	<b>(43,452)</b>	<b>(39,844)</b>	<b>(100,056)</b>
Interest expense	(7,542)	(6,895)	(22,005)	(21,031)
Other income (expense), net	171	(826)	369	7,523
<b>Loss before income taxes</b>	<b>(26,211)</b>	<b>(51,173)</b>	<b>(61,480)</b>	<b>(113,564)</b>
Income tax benefit (provision)	448	2,233	(2,795)	30,156
<b>Net loss</b>	<b>(\$ 25,763)</b>	<b>(\$ 48,940)</b>	<b>(\$ 64,275)</b>	<b>(\$ 83,408)</b>
<b>Loss per share basic and diluted</b>	<b>(\$ 0.15)</b>	<b>(\$ 0.27)</b>	<b>(\$ 0.36)</b>	<b>(\$ 0.47)</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****(Unaudited)**

<b>(In thousands)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net loss	(\$ 25,763)	(\$ 48,940)	(\$ 64,275)	(\$ 83,408)
Other comprehensive (loss) income, net of taxes:				
Unrealized gain on marketable securities, net of tax	8	27	19	11
Derivatives qualifying as hedges:				
Unrealized loss on interest rate swap	0	(79)	(38)	(112)
Reclassification adjustment for loss included in net loss	110	286	465	968
Tax effect	(43)	(82)	(168)	(334)
Unrealized gain on interest rate swap, net of tax	67	125	259	522
Change in foreign currency translation adjustments	(824)	725	96	(1,724)
Total other comprehensive (loss) income	(749)	877	374	(1,191)
Comprehensive loss	(\$ 26,512)	(\$ 48,063)	(\$ 63,901)	(\$ 84,599)

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

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**CONSOLIDATED STATEMENTS OF CA**