

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

May 09, 2011

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

Commission file number 000-32085

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. - Form 10-Q

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)

(866) 358-6869

(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 April 29, 2011, there were 190,227,512 shares of the registrant's \$0.01 par value common stock outstanding.

Table of Contents

Explanatory Note

On August 24, 2010, Allscripts-Misys Healthcare Solutions, Inc. (which changed its name to Allscripts Healthcare Solutions, Inc., Allscripts) completed the merger (the Eclipsys Merger) contemplated by an Agreement and Plan of Merger dated June 9, 2010 (Merger Agreement) by and among Allscripts, Arsenal Merger Corp., a wholly-owned subsidiary of Allscripts, and Eclipsys Corporation (Eclipsys). Eclipsys became a wholly-owned subsidiary of Allscripts as a result of the merger. The results of Eclipsys are consolidated with the results of Allscripts from August 24, 2010. The merger is described in greater detail within this Form 10-Q. On August 23, 2010, the Board of Directors approved a change of fiscal year end from May 31 to December 31. As a result of this change, Allscripts is filing this quarterly report on Form 10-Q for the three months ended March 31, 2011. Historical consolidated results of Allscripts have been recast to provide comparative financial results for the three months ended March 31, 2010.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

TABLE OF CONTENTS

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010</u>	3
<u>Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	60
Item 4. <u>Controls and Procedures</u>	61
<u>PART II. OTHER INFORMATION</u>	62
Item 1. <u>Legal Proceedings</u>	62
Item 2. <u>Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	62
Item 6. <u>Exhibits</u>	62
<u>SIGNATURES</u>	63

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

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 145,446	\$ 129,403
Restricted cash	0	2,225
Accounts receivable, net of allowance of \$9,288 and \$11,321 at March 31, 2011 and December 31, 2010, respectively	320,433	317,214
Deferred taxes, net	30,734	30,739
Inventories	2,575	3,816
Prepaid expenses and other current assets	99,435	92,059
Total current assets	598,623	575,456
Long-term marketable securities	1,716	1,733
Fixed assets, net	117,913	114,294
Software development costs, net	73,671	61,299
Intangible assets, net	538,384	554,669
Goodwill	1,037,004	1,037,004
Deferred taxes, net	5,497	5,497
Other assets	73,133	68,635
Total assets	\$ 2,445,941	\$ 2,418,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 45,164	\$ 46,592
Accrued expenses	87,539	84,675
Accrued compensation and benefits	34,378	40,447
Deferred revenue	249,233	228,606
Current maturities of long-term debt and capital lease obligations	35,661	30,751
Total current liabilities	451,975	431,071
Long-term debt	413,769	459,750
Deferred revenue	15,233	6,451
Deferred taxes, net	87,313	88,501
Other liabilities	49,837	49,046
Total liabilities	1,018,127	1,034,819
Commitments and contingencies		
Stockholders' equity:		

Edgar Filing: ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. - Form 10-Q

Preferred stock:		
Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at March 31, 2011 and December 31, 2010	0	0
Common stock:		
\$0.01 par value, 349,000 shares authorized at March 31, 2011 and December 31, 2010; 252,492 and 190,167 shares issued and outstanding at March 31, 2011, respectively, 250,710 and 188,288 shares issued and outstanding at December 31, 2010, respectively	2,525	2,507
Treasury stock, 61,308 shares at cost	(613)	(613)
Additional paid-in capital	1,499,673	1,469,527
Accumulated deficit	(77,373)	(89,986)
Accumulated other comprehensive income	3,602	2,333
Total stockholders' equity	1,427,814	1,383,768
Total liabilities and stockholders' equity	\$ 2,445,941	\$ 2,418,587

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

Table of Contents

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Revenue:		
System sales	\$ 54,496	\$ 44,607
Professional services	55,595	19,356
Maintenance	100,334	63,835
Transaction processing and other	124,883	56,594
Total revenue	335,308	184,392
Cost of revenue:		
System sales	34,914	24,064
Professional services	45,623	16,995
Maintenance	33,047	21,053
Transaction processing and other	61,874	18,223
Total cost of revenue	175,458	80,335
Gross profit	159,850	104,057
Selling, general and administrative expenses	104,148	56,969
Research and development	22,004	12,534
Amortization of intangible assets	9,227	2,488
Income from operations	24,471	32,066
Interest expense	(7,927)	(634)
Interest income and other, net	404	91
Income before income taxes	16,948	31,523
Provision for income taxes	(4,335)	(12,946)
Net income	\$ 12,613	\$ 18,577
Earnings per share:		
Basic	\$ 0.07	\$ 0.12
Diluted	\$ 0.06	\$ 0.12

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

Table of Contents**ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 12,613	\$ 18,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,866	9,116
Stock-based compensation expense	8,747	3,937
Excess tax benefits from stock-based compensation	(4,176)	1,268
Provision for doubtful accounts	2,001	2,722
Deferred taxes	2,895	9,794
Other loss	2,031	146
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable	(5,189)	(24,467)
Inventories	1,242	(397)
Prepaid expenses and other assets	(8,812)	(3,365)
Accounts payable	(2,288)	10,900
Accrued expenses	2,707	326
Accrued compensation and benefits	(5,757)	2,161
Deferred revenue	29,409	24,437
Other liabilities	605	229
Net cash provided by operating activities	66,894	55,384
Cash flows from investing activities:		
Capital expenditures	(11,784)	(5,636)
Capitalized software	(16,321)	(5,256)
Purchases of marketable securities and other investments	(4,221)	(4)
Sales and maturities of marketable securities and other investments	41	49
Change in restricted cash	2,225	0
Net cash used in investing activities	(30,060)	(10,847)
Cash flows from financing activities:		
Net proceeds (payments) from stock-based compensation activities	16,338	(679)
Proceeds from employee stock purchase plan, net	559	386
Excess tax benefits from stock-based compensation	4,176	(1,268)
Payments of capital lease obligations	(366)	(297)
Credit facility payments	(89,515)	(23,995)
Credit facility borrowings, net of issuance costs	47,362	0
Net cash used in financing activities	(21,446)	(25,853)
Effect of exchange rates on cash and cash equivalents	655	0
Net increase in cash and cash equivalents	16,043	18,684
Cash and cash equivalents, beginning of period	129,403	81,301
Cash and cash equivalents, end of period	\$ 145,446	\$ 99,985

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

Table of Contents

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollar and share amounts in thousands, except per-share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation