

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

August 09, 2011

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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 June 30, 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)

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 July 29, 2011, there were 187,965,044 shares of the registrant's \$0.01 par value common stock outstanding.

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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. Accordingly, Allscripts is filing this quarterly report on Form 10-Q for the three and six months ended June 30, 2011. Historical consolidated results of Allscripts have been recast to provide comparative financial results for the three and six months ended June 30, 2010.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

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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)**

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,671	\$ 129,403
Restricted cash	0	2,225
Accounts receivable, net of allowance of \$10,699 and \$11,321 at June 30, 2011 and December 31, 2010, respectively	356,938	317,214
Deferred taxes, net	31,850	30,739
Inventories	3,193	3,816
Prepaid expenses and other current assets	100,801	92,059
Total current assets	608,453	575,456
Long-term marketable securities	1,703	1,733
Fixed assets, net	99,089	114,294
Software development costs, net	81,903	61,299
Intangible assets, net	522,156	554,669
Goodwill	1,039,106	1,037,004
Deferred taxes, net	5,497	5,497
Other assets	87,700	68,635
Total assets	\$ 2,445,607	\$ 2,418,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 44,756	\$ 46,592
Accrued expenses	89,060	84,675
Accrued compensation and benefits	37,954	40,447
Deferred revenue	276,532	228,606
Current maturities of long-term debt and capital lease obligations	39,430	30,751
Total current liabilities	487,732	431,071
Long-term debt	384,327	459,750
Deferred revenue	14,083	6,451
Deferred taxes, net	93,690	88,501
Other liabilities	58,168	49,046
Total liabilities	1,038,000	1,034,819
Commitments and contingencies		
Stockholders' equity:		

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Preferred stock:		
Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at June 30, 2011 and December 31, 2010	0	0
Common stock:		
\$0.01 par value, 349,000 shares authorized at June 30, 2011 and December 31, 2010; 252,706 and 187,944 shares issued and outstanding at June 30, 2011, respectively, 250,710 and 188,288 shares issued and outstanding at December 31, 2010, respectively	2,527	2,507
Treasury stock at cost, 63,871 and 61,308 shares at June 30, 2011 and December 31, 2010, respectively	(50,664)	(613)
Additional paid-in capital	1,515,479	1,469,527
Accumulated deficit	(61,497)	(89,986)
Accumulated other comprehensive income	1,762	2,333
Total stockholders' equity	1,407,607	1,383,768
Total liabilities and stockholders' equity	\$ 2,445,607	\$ 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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
System sales	\$ 64,866	\$ 44,053	\$ 119,362	\$ 88,660
Professional services	58,134	24,037	113,729	43,393
Maintenance	103,249	65,810	203,583	129,645
Transaction processing and other	130,582	57,473	255,465	114,067
Total revenue	356,831	191,373	692,139	375,765
Cost of revenue:				
System sales	35,902	23,987	70,816	48,051
Professional services	48,439	21,002	94,062	37,997
Maintenance	35,076	20,493	68,123	41,546
Transaction processing and other	69,619	21,318	131,493	39,541
Total cost of revenue	189,036	86,800	364,494	167,135
Gross profit	167,795	104,573	327,645	208,630
Selling, general and administrative expenses	101,532	66,224	205,680	123,193
Research and development	24,764	15,314	46,768	27,848
Amortization of intangible assets	9,422	2,488	18,649	4,976
Income from operations	32,077	20,547	56,548	52,613
Interest expense	(5,050)	(294)	(12,977)	(928)
Interest income and other, net	355	638	759	729
Income before income taxes	27,382	20,891	44,330	52,414
Provision for income taxes	(11,506)	(7,801)	(15,841)	(20,747)
Net income	\$ 15,876	\$ 13,090	\$ 28,489	\$ 31,667
Earnings per share:				
Basic	\$ 0.08	\$ 0.09	\$ 0.15	\$ 0.22
Diluted	\$ 0.08	\$ 0.09	\$ 0.15	\$ 0.21

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

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 28,489	\$ 31,667
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,712	19,019
Stock-based compensation expense	19,221	6,833
Excess tax benefits from stock-based compensation	(7,051)	605
Provision for doubtful accounts	4,775	4,583
Deferred taxes	14,787	19,565
Other losses (gains)	2,231	(314)
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable	(44,404)	(29,278)
Inventories	623	207
Prepaid expenses and other assets	(17,402)	(9,401)
Accounts payable	(2,238)	11,410
Accrued expenses	11,309	6,162
Accrued compensation and benefits	(10,028)	3,830
Deferred revenue	55,556	24,248
Other liabilities	(433)	