

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

April 08, 2010

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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 February 28, 2010

OR

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

Commission file number 000-32085

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

36-4392754
(I.R.S. Employer

incorporation or organization)

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 7, 2010, there were 146,164,133 shares of the registrant's \$0.01 par value common stock outstanding.

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Explanatory Note

On October 10, 2008, Allscripts Healthcare Solutions, Inc. (which changed its name to Allscripts-Misys Healthcare Solutions, Inc. on October 10, 2008, Allscripts) completed the transactions (the Transactions) contemplated by an Agreement and Plan of Merger dated as of March 17, 2008 by and among Misys plc, Misys Healthcare Systems, LLC (MHS), Allscripts and Patriot Merger Company, LLC. The Transactions are described in greater detail in this Form 10-Q. As a result of the Transactions, MHS became a wholly-owned subsidiary of Allscripts and Allscripts changed its fiscal year to end on May 31. Since the Transactions constituted a reverse acquisition for accounting purposes, the pre-acquisition combined financial statements of MHS are treated as the historical financial statements of Allscripts, with the results of legacy Allscripts being included from October 10, 2008.

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

	February 28, 2010	May 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,757	\$ 71,159
Accounts receivable, net of allowance of \$8,183 and \$6,870 at February 28, 2010 and May 31, 2009, respectively	179,169	155,122
Deferred taxes, net	1,684	1,052
Inventories	3,606	2,583
Prepaid expenses and other current assets	47,602	31,061
Total current assets	347,818	260,977
Long-term marketable securities	1,876	2,267
Fixed assets, net	19,534	17,343
Software development costs, net	23,791	13,515
Intangible assets, net	211,896	227,766
Goodwill	413,390	418,431
Other assets	11,511	12,357
Total assets	\$ 1,029,816	\$ 952,656
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 22,367	\$ 19,239
Accrued expenses	49,397	41,498
Accrued compensation and benefits	14,904	16,567
Deferred revenue	103,719	86,032
Other current liabilities	1,028	792
Total current liabilities	191,415	164,128
Long-term debt	13,995	63,699
Deferred taxes, net	33,447	20,368
Other liabilities	3,732	4,091
Total liabilities	242,589	252,286
Preferred stock:		
Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at February 28, 2010 and May 31, 2009	0	0
Common stock:		
	1,461	1,423

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\$0.01 par value, 199,000 shares authorized; 146,090 shares issued and outstanding at February 28, 2010;
142,397 shares issued and outstanding at May 31, 2009

Additional paid-in capital	885,876	846,257
Accumulated deficit	(100,110)	(147,291)
Accumulated other comprehensive loss	0	(19)

Total stockholders' equity	787,227	700,370
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Total liabilities and stockholders' equity	\$ 1,029,816	\$ 952,656
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2010	2009	2010	2009
Revenue:				
System sales	\$ 44,116	\$ 27,375	\$ 111,138	\$ 61,166
Professional services	17,433	15,928	51,691	35,116
Maintenance	62,117	56,099	182,841	139,468
Transaction processing and other	56,253	52,847	168,504	133,201
Total software and related services	179,919	152,249	514,174	368,951
Prepackaged medications	0	8,454	0	13,154
Total revenue	179,919	160,703	514,174	382,105
Cost of revenue:				
System sales	22,565	15,031	60,463	34,445
Professional services	15,240	16,196	45,593	34,555
Maintenance	20,733	20,048	61,193	51,651
Transaction processing and other	19,707	19,481	60,637	50,846
Total software and related services	78,245	70,756	227,886	171,497
Prepackaged medications	0	6,666	0	10,570
Total cost of revenue	78,245	77,422	227,886	182,067
Gross profit	101,674	83,281	286,288	200,038
Selling, general and administrative expenses	54,672	47,709	163,250	144,721
Research and development	12,649	9,913	35,347	28,798
Amortization of intangible assets	2,488	2,872	7,572	4,315
Income from operations	31,865	22,787	80,119	22,204
Interest expense	(536)	(960)	(1,699)	(1,650)
Interest income and other, net	87	91	303	376
Income before income taxes	31,416	21,918	78,723	20,930
Provision for income taxes	(12,946)	(8,668)	(31,542)	(8,269)
Net income	\$ 18,470	\$ 13,250	\$ 47,181	\$ 12,661
Earnings per share:				
Basic	\$ 0.12	\$ 0.09	\$ 0.32	\$ 0.11
Diluted	\$ 0.12	\$ 0.09	\$ 0.31	\$ 0.11

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

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	Nine Months Ended February 28,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 47,181	\$ 12,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,952	14,656
Stock-based compensation expense	12,011	3,152
Excess tax benefits from stock-based compensation	(5,588)	0
Provision for doubtful accounts	5,842	4,603
Deferred taxes	20,469	(375)
Asset impairment losses	0	14,076
Changes in operating assets and liabilities:		
Accounts receivable	(29,889)	(35,883)
Inventories	(1,023)	(209)
Prepaid expenses and other assets	(13,950)	(5,934)
Accounts payable	3,128	(1,196)
Accrued expenses	7,679	(9,850)
Accrued compensation and benefits	(2,376)	(7,682)
Deferred revenue	17,687	19,300
Other liabilities	(502)	(131)
Net cash provided by operating activities	87,621	7,188
Cash flows from investing activities:		