

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Form 10-Q

November 09, 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 September 30, 2010

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 November 2, 2010, there were 186,258,545 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 transactions contemplated by an Agreement and Plan of Merger dated June 9, 2010 by and among Allscripts-Misys Healthcare Solutions, Inc., 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 and nine month periods ended September 30, 2010. Comparative financial results are provided for the three and nine month periods ended August 31, 2009.

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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)**

	<b>September 30, 2010</b>	<b>May 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 120,067	\$ 143,410	\$ 81,301
Restricted cash	2,225	0	0
Accounts receivable, net of allowance of \$11,673, \$8,531 and \$6,984 at September 30, 2010, May 31, 2010 and December 31, 2009, respectively	308,377	181,920	160,566
Deferred taxes, net	14,546	29,042	1,684
Inventories	4,303	3,184	3,898
Prepaid expenses and other current assets	100,642	50,598	45,622
<b>Total current assets</b>	<b>550,160</b>	<b>408,154</b>	<b>293,071</b>
Long-term marketable securities	1,778	1,925	1,896
Fixed assets, net	101,623	24,637	18,494
Software development costs, net	45,008	29,900	21,564
Intangible assets, net	558,721	206,642	215,398
Goodwill	1,051,234	413,390	413,390
Other assets	69,119	10,042	12,009
<b>Total assets</b>	<b>\$ 2,377,643</b>	<b>\$ 1,094,690</b>	<b>\$ 975,822</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 42,739	\$ 32,295	\$ 7,408
Accrued expenses	76,025	56,495	45,451
Accrued compensation and benefits	41,249	18,206	13,977
Deferred revenue	200,420	103,984	89,290
Other current liabilities	24,827	1,113	731
<b>Total current liabilities</b>	<b>385,260</b>	<b>212,093</b>	<b>156,857</b>
Long-term debt	506,500	0	23,995
Deferred revenue	5,930	0	0
Deferred taxes, net	63,143	71,264	22,377
Other liabilities	48,327	4,508	4,001
<b>Total liabilities</b>	<b>1,009,160</b>	<b>287,865</b>	<b>207,230</b>

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Commitments and contingencies

Stockholders' equity:

Preferred stock:

Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at September 30, 2010, May 31, 2010 and December 31, 2009	0	0	0
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Common stock:

\$0.01 par value, 349,000 shares authorized; 247,937 and 186,148 shares issued and outstanding at September 30, 2010, respectively, 146,367 shares issued and outstanding at May 31, 2010, 145,971 shares issued and outstanding at December 31, 2009	2,479	1,464	1,460
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Treasury stock, 61,308 shares at cost	(613)	0	0
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Additional paid-in capital	1,449,946	889,738	883,947
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Accumulated deficit	(83,763)	(84,421)	(116,803)
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Accumulated other comprehensive income/(loss)	434	44	(12)
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Total stockholders' equity	1,368,483	806,825	768,592
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Total liabilities and stockholders' equity	\$ 2,377,643	\$ 1,094,690	\$ 975,822
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The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2010	August 31, 2009	September 30, 2010	August 31, 2009
<b>Revenue:</b>				
System sales	\$ 46,913	\$ 33,457	\$ 135,573	\$ 98,135
Professional services	38,948	15,918	82,341	48,557
Maintenance	76,827	59,419	206,472	172,215
Transaction processing and other	79,705	56,116	193,772	163,318
Total software and related services	242,393	164,910	618,158	482,225
Prepackaged medications	0	0	0	9,721
Total revenue	242,393	164,910	618,158	491,946
<b>Cost of revenue:</b>				
System sales	22,199	19,579	70,250	52,203
Professional services	33,556	15,503	71,553	48,472
Maintenance	26,806	20,949	68,352	61,258
Transaction processing and other	35,420	19,809	74,961	57,923
Total software and related services	117,981	75,840	285,116	219,856
Prepackaged medications	0	0	0	7,626
Total cost of revenue	117,981	75,840	285,116	227,482
Gross profit	124,412	89,070	333,042	264,464
Selling, general and administrative expenses	103,826	52,959	227,165	155,849
Research and development	16,697	11,978	44,545	32,524
Amortization of intangible assets	5,576	2,563	10,552	8,004
(Loss) income from operations	(1,687)	21,570	50,780	68,087
Interest expense	(3,069)	(685)	(3,851)	(2,142)
Interest income and other, net	250	101	979	432
(Loss) income before income taxes	(4,506)	20,986	47,908	66,377
Benefit (provision) for income taxes	5,879	(8,054)	(14,868)	(26,829)
Net income	\$ 1,373	\$ 12,932	\$ 33,040	\$ 39,548
<b>Earnings per share:</b>				