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PRESENTATION

Operator

Greetings. Welcome to the Allscripts Q4 and Full Year 2018 Earnings Conference Call. (Operator Instructions)

Please note, this conference is being recorded. I will now turn the conference over to your host, Stephen Shulstein, VP of Investor Relations. Mr. Shulstein, you may begin.

Stephen M. Shulstein *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you very much. Good afternoon, and welcome to the Allscripts Fourth Quarter 2018 Earnings Conference Call. Our speakers today are Paul Black, Allscripts Chief Executive Officer; Rick Poulton, our President; and Dennis Olis, our Chief Financial Officer.

We'll be making a number of forward-looking statements during the presentation and the Q&A part of the call. These statements are based on current expectations and involve a number of risks and uncertainties that cause our actual results to vary materially. We undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our earnings release and SEC filings for more detailed descriptions of the risk factors that may affect our results.

Please reference the GAAP and non-GAAP financial statements as well as the non-GAAP tables in our earnings release and the supplemental workbook that are both available on our Investor Relations website. And with that, I'm going to hand the call over to Rick Poulton.

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President*

Okay. Thanks, Stephen. Good afternoon, everybody. Thanks for joining our call today. As always, we appreciate both your time and your interest in Allscripts.

It was a busy 2018 for Allscripts with a number of significant moves to both strengthen our financial foundation as well as position the company on a path to sustainable growth. With the closing of the sale of Netsmart at the end of the year, I think it's a really good time to catalog and summarize what these moves of the last few years have done for us.

So first, from a financial perspective, our M&A activity added more than \$300 million of annual recurring revenue to the company. And the net cost of all this activity of the last five years was zero. What I mean by that is without adding any debt, capital inflows have equaled all capital outflows. As a result, virtually all of our operating cash flow generated over the last five years has either been reinvested back into our solutions or returned to our shareholders. Dennis will talk later about our free cash flow expectations, but suffice it to say, the company has never been financially sounder than it is today.

Second and more importantly, we have added some great growth platforms for the future in the form of new customers, new solutions



and new end markets. So these include, first, in the EHR space, we continue the integration of the former McKesson business, which brought us more than 200 new clinical client relationships and more than an additional 250 financial client relationships. Collectively, these clients provide more opportunities to cross-sell additional products and services, and they also provide an opportunity to get better efficiency from our cost base.

Second, our acquisition of HealthGrid positioned Allscripts with the leading patient engagement platform in the industry. We integrated the HealthGrid capabilities into the FollowMyHealth platform, which enables provider organizations now to reach 100% of their patient populations, both pre-visit and post-visit, without requiring their healthcare consumers to sign into a portal. We expect to see success in selling this patient engagement platform both inside and outside of our base of EHR clients.

Third, the addition of Practice Fusion to the company's previous investments in the payer and life science end markets has given Allscripts a platform that is unrivaled amongst our EHR peers. Our platform, which we rebranded Veradigm, is allowing Allscripts to provide solutions to these end markets and bring insights into the clinical workflow to drive results and improved care.

And finally, with the integration of CarePort to our hospital discharge planning and post-acute referral platform, we have created the largest bridge, if you will, in the industry between traditional acute and post-acute care, with bidirectional flow of information. With the explosion of Medicare Advantage and other risk sharing plans, the value of this platform to our hospital clients as well as to payers continues to increase significantly, and we expect nice future growth opportunities from it.

So while we know the constant change in our reporting entity can make it difficult to follow us, the changes have been very intentional, and we believe they have positioned the company well in what you all know as a very rapidly changing market. So now let me turn to the fourth quarter results and some customer highlights.

We reported record bookings in the quarter of \$531 million, reflecting a 69% increase year-over-year, with broad-based strength across all of our solution areas. While Netsmart had a strong sales quarter, if we exclude Netsmart from both periods, bookings still grew by double digits on a year-over-year basis. And our pipeline remains strong, reflecting the strength in both our provider and our Veradigm business. Dennis will give some further color on our outlook for bookings later in the call.

During the quarter, we had 12 new Sunrise facility wins, reflecting the strength of Sunrise platform for our acute clients. This brought our total hospital wins for 2018 up to 23 facilities or almost 3x as many as we realized in the 2017 and more than 2x what we saw in both 2015 and 2016. So we're obviously quite pleased with the momentum that we ended the year there. Our fourth quarter totals include nine facilities that are part of an integrated cancer services provider that will deploy the Sunrise platform as their oncology solution. Looking ahead, we see significant opportunity for further growth at this client with the potential to deploy the Sunrise platform at additional facilities.

We also signed agreements with two new hospitals in Austin, Texas. One was called Arise Medical Center, the other Westlake Medical Center. Both of them got the full Sunrise clinical and financial solution. I would also add that both of these wins were competitive bids.

And finally, we signed a 10-year extension and expansion agreement with Heritage Valley Health System for the integrated delivery systems, physician practices, outpatient facilities and three hospitals. And we also signed a Paragon expansion with Saint Anthony Hospital. Each of these expansions were fully integrated clinical and financial solutions.

These wins demonstrate our ability to win new clients in a slow-growing hospital EHR replacement market, our strong value proposition to community hospital space and our best-in-class capabilities in oncology. It also demonstrates our ability to cross-sell additional solutions to these healthcare providers. I'm very proud of what our team has been able to accomplish during the fourth quarter.

Moving to the ambulatory market, we also had several competitive wins. We signed Community Health of Northwest Florida as a net new ProSuite client after an extensive competitive process. And for TouchWorks, we signed a significant expansion at EngageMED, which included our practice management solution, replacing a competitor's solution.



Additionally, we signed a large revenue cycle management services deal with Adfinitas Health. This is a 120-provider group, which represents a competitive takeout and a new logo for Allscripts.

Moving to our Veradigm business. They had a very solid fourth quarter across all of its product lines, but perhaps the most exciting news related to Veradigm happened after quarter-end. First, in January, Veradigm signed a memorandum of understanding with Microsoft to develop an innovative integrated research model, enabling clinical research to be performed through point-of-care technology platforms. We believe this collaboration will drive development of a platform to help biopharmaceutical and clinical research organizations better conduct integrated clinical research and that's a recognition of the progress we've made developing solutions for our life science clients.

And secondly, last week at the HIMSS Conference, we announced that Veradigm signed a major 10-year agreement with NextGen. This agreement creates one of the largest EHR data networks in the world with approximately 150 million unique patient records, encompassing approximately half of the U.S. population. Biopharma organizations will be able to access this network and data to support research activities across the entire product development life cycle. And payer organizations will be able to access this network to more efficiently interact with healthcare providers and their health plans. We believe this agreement validates the strategy we've pursued at Veradigm and positions Veradigm as a leader in analyzing health data, along with making that data actionable by directly integrating it to the clinicians' workflow.

On the patient engagement front, we saw FollowMyHealth with the integrated HealthGrid capabilities gaining momentum as we integrated this product across our sales channels. Our fourth quarter resulted in six new wins across our acute and ambulatory base. In addition, we made significant traction outside of our EHR base with three new client wins, representing approximately 110 hospitals and 3,600 providers. With this momentum, we believe we have significant opportunities to continue driving adoption of our FollowMyHealth platform inside and outside our installed base.

And finally, our precision medicine platform, 2bPrecise, landed six new clients during the fourth quarter and continues to garner significant interest both inside and outside our EHR base. We expect continued success in this solution in 2019 and continued thought leadership in the industry from the team who has created it.

So overall, let me repeat. The investments we've made over the last several years have positioned Allscripts with a number of unique platforms. And we believe these will drive sustainable growth in the quarters and years ahead. So with that, let me turn the call over to Dennis to go through more financial details for the fourth quarter as well as our outlook for 2019.

Dennis M. Olis *Allscripts Healthcare Solutions, Inc. - CFO*

Thanks, Rick. So as we review this quarter's numbers, please reference the schedules in the earnings release as well as supplemental data workbook available on the Allscripts Investor Relations website. For clarity purposes, let me make a few opening remarks before diving into the results.

First, my comments on the income statement will largely focus on non-GAAP metrics, unless otherwise stated. Full reconciliations of GAAP and non-GAAP figures are available in the earnings release.

Second, effective January 1 of 2018, we adopted the new 606 revenue recognition standard using the modified retrospective approach. The adoption of the new standard resulted in a single-digit adjustment to revenue, and therefore, did not materially impact our fourth quarter results. As such, all references to our current results are made after applying the new revenue recognition standard. Please review our SEC filings for further disclosures around the new standard.

Third, as a reminder, we closed Practice Fusion transaction on February 15 of 2018, and began consolidating the results of that as of that date. Q4 includes a full quarter contribution from both Practice Fusion and from the EIS business, which closed in October of 2017.

Fourth, the divestiture of our OneContent business closed on April 2 of 2018, and therefore, our Q4 results do not include financial results from this business unit.



And finally, we closed on the sale of Netsmart on December 31 of 2018, and as a result, our GAAP results now reflect Netsmart in discontinued operations for all periods presented. Our non-GAAP results, however, include the results from Netsmart through the date of sale.

Okay, moving on to the fourth quarter results. As Rick noted, bookings totaled \$531 million in the quarter, and we saw strong bookings across the entire portfolio of products. Our reported backlog excludes Netsmart and now stands at \$3.9 billion. This reflects both the impact of bookings as well as renewals in the quarter that are not included in the bookings metric. Q4 backlog was affected by the timing of renewals as well as adjustments to recently acquired businesses.

Turning to the income statement. Fourth quarter non-GAAP revenue totaled \$538 million, a decrease of \$8 million or 2% versus Q4 of 2017. Our year-over-year revenue was impacted by weakness in nonrecurring client service revenue. Non-GAAP revenue reflected \$1 million in acquisition-related deferred revenue adjustments in the fourth quarter of 2018. In the fourth quarter of 2017, such adjustments totaled \$29 million. GAAP revenue also excludes revenue from businesses classified as discontinued operations, and therefore, the Q4 2018 GAAP revenue of \$442 million represents a 1% growth versus the fourth quarter of a year ago. Netsmart's Q4 non-GAAP revenue totaled \$97.5 million, growing 15% year-over-year, but falling short of our expectations.

Looking at our total revenue split. Total recurring revenue was down slightly versus the same period a year ago and essentially flat sequentially. Nonrecurring revenue was flat versus Q4 of 2017 and up \$5 million sequentially. Thus, our total recurring revenue mix came in at 79% in the quarter. We continue to expect the trend in the high 70% to low 80% range for the full year of 2019.

Looking at revenue results by line item. Total software revenue in Q4 was flat year-over-year and now totals \$350 million. Recurring software revenue consisting of subscriptions, recurring transaction, support and new maintenance, was flat sequentially at \$291 million. In the quarter, nonrecurring software revenue increased 29% sequentially and 51% year-over-year.

Turning to client services. Consolidated non-GAAP revenue declined 5% year-over-year to \$188 million in Q4. The decline was primarily driven by delays in upgrade activity. Recurring service revenue was flat sequentially, but increased 8% year-over-year, driven by revenue cycle services and multiyear service offerings.

Moving to non-GAAP gross margin. Total gross margin was down 70 basis points year-over-year, primarily attributed to the sale of OneContent business earlier this year, which had higher margins than our overall business.

Looking at operating expenses. Non-GAAP SG&A totaled \$116 million, a slight increase year-over-year. The non-GAAP SG&A figure excludes transaction-related and other expenses.

Non-GAAP gross R&D was \$106 million, approximately flat year-over-year. Recall that non-GAAP gross R&D excludes transaction-related and other expenses.

Our software capitalization rate for the quarter was 31%, within our expectation to be in the low 30% range. We expect our software cap to be in the low 30% range in 2019.

Adjusted EBITDA totaled \$104 million, which equates to 19% adjusted EBITDA margin. Adjusted EBITDA in the quarter was negatively impacted by higher-than-expected employee healthcare costs, higher expenses at Netsmart from acquired businesses and additional investments in Veradigm. Netsmart's adjusted EBITDA totaled \$30 million in the fourth quarter and \$102 million for 2018. This was below our expectations for the fourth quarter and was a result of higher expenses at their acquired businesses.

Looking below the line, total cash interest increased to \$10 million, which compares to \$8 million from a year ago.

GAAP diluted earnings per share in the quarter was \$2.14 and reflected a \$500 million pretax gain from the sale of Netsmart. Please note that the GAAP results this quarter included transaction-related costs, severance fees and other costs of \$9 million.



In the fourth quarter, we made an adjustment to our 2018 effective tax rate to reflect the impact of R&D credits and a reduction of the base erosion and anti-abuse tax, or the BEAT tax, which came as the result of the Netsmart divestiture. The result of this adjustment was a reduction in our full year effective tax rate to 23%. As a result of the gain recognized from the sale of Netsmart, we have exhausted most of our NOLs and expect to be a cash taxpayer for 2019.

Finally, excluding noncash adjustments and transaction-related and other expenses, non-GAAP net income attributed to Allscripts totaled \$35 million, up 7% year-over-year. And non-GAAP EPS was \$0.20 for the quarter, representing an 11% year-over-year increase. As a reminder, non-GAAP EPS is calculated net of noncontrolling interest to reflect Allscripts ownership portion of the partially owned, controlled and consolidated businesses.

We ended the quarter with a principal balance of \$350 million in secured debt and \$345 million of convertible senior notes, a reduction of approximately \$360 million in long-term debt quarter-over-quarter. These amounts exclude Netsmart's total debt, which is no longer reflected in our year-end balance sheet. As a result, we expect significant interest expense savings in 2019 as compared to 2018.

Our leverage ratio at the end of the year is 1.7x net debt, looking at -- divided by 2018 EBITDA excluding Netsmart's. This is the lowest net debt ratio we have had since 2012. This reflects the elimination of Netsmart-related debt and proceeds from the sale.

Our balance sheet gives a significant flexibility for additional investments in high-growth areas and a return of capital to shareholders. We repurchased \$37 million of stock in the fourth quarter and \$139 million for the full year. We now have \$213 million remaining under our existing stock repurchase authorization. We expect to be opportunistic with additional share repurchases going forward.

Turning to cash. Q4 operating cash flow totaled a negative \$14 million compared with \$106 million of a year ago. Our free cash flow totaled a negative \$62 million after adjusting for capital expenditures, capitalized software and purchased software. Our free cash flow was negatively impacted in 2018 due to transaction-related expenses, Netsmart's lower-than-expected cash flow and transaction fees, and a material prepayment with one of our key vendors that reduced the total overall cost of relationship but negatively impacted cash flow in the fourth quarter.

As we've noted in the past, cash flow will vary from quarter to quarter. As we move into 2019, we expect cash flow to improve from 2018 levels as one-time cash costs related to transactions will trend lower throughout 2019. We expect some cash transaction-related expenses to continue in the first half of 2019. On a go-forward basis, we would expect a more normalized range of approximately 80% to 100% conversion from non-GAAP net income to free cash flow.

Turning to our outlook. We're providing guidance for the full year 2019 bookings and non-GAAP earnings per share. In addition, we're providing non-GAAP revenue guidance for the first quarter of 2019.

So we expect bookings for 2019 of between \$900 million and \$1 billion. This reflects strength in both of our provider and Veradigm businesses.

We expect earnings per share of between \$0.65 and \$0.70 per share for 2019. This outlook reflects an effective tax rate of 24% for 2019.

For the first quarter of 2019, we expect non-GAAP revenue between \$430 million and \$440 million. As a reminder, we had a full quarter of OneContent revenue in the first quarter of 2018 and closed the acquisition of Practice Fusion midway through the first quarter of 2018, so this creates a difficult comp -- revenue comp for us year-over-year.

We are reiterating our three-year revenue outlook of a CAGR of between 5.5% and 9% that we provided in January at an investor event. While we don't expect growth to be linear, we believe this outlook provides a good framework of how to think about our revenue growth on a more long-term basis.

To make 2019 comparisons easier, we are providing certain non-GAAP items for 2018 and 2017 excluding Netsmart results. This can be



found in Table 7 of today's earnings release. And with that, I'll turn it over to Paul.

Paul M. Black *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Thanks, Dennis. My remarks will cover the actions we've taken to position Allscripts to win in the provider marketplace. I will also cover the platforms we've built that leverage our installed EHR base, providing market opportunities outside that base, extending our reach to the rest of the healthcare marketplace.

In the United States, 95% of hospitals and 87% of physician practices now have electronic health records. This means that we need to continue innovating around the assets we have, offering healthcare providers solutions that improve care quality and lower costs. We believe that we are well situated in the marketplace. Allscripts build platforms that complement and capitalize on our EHR market position with providers delivering surround solutions to both this space and the clients outside it to drive better patient outcomes. Our electronic health record footprint, along with the investments we've made, have allowed us to develop key platforms in consumer and patient engagement, community connectivity, precision medicine and payer and life sciences. These platforms distinguish Allscripts from other EHR vendors and open significant market opportunities for us.

Looking ahead, we believe Allscripts will benefit from the scale and industry relevance we've built with our vision and investments. We invested over \$1.4 billion in gross R&D over the past five years. This drove overall growth, client retention, Black Book recognition and other accolades around the world.

We remain confident in the outlook we shared earlier this year. We believe we can capitalize on opportunities in provider end markets, including international consumer and care coordination. We can also drive additional adoption of services such as hosting and outsourcing. We see additional opportunities for Allscripts as the competitive landscape remains in flux for some standalone EHR companies. We are pursuing new clients and expect to benefit from this industry dislocation.

The marketplace is starting to recognize the leading position we have taken in the payer and life science end markets. We saw this in the long-term agreement Rick discussed with NextGen Healthcare. This agreement highlights Allscripts vision of building open, connected communities of health. These connected networks of payers, providers, pharma and research organizations will serve today's patients who expect to be well informed and empowered consumers in the context of their own care.

To wrap up, we believe Allscripts has never been positioned -- better positioned to optimize market opportunities. We have a seasoned executive team, have built a high recurring revenue model, a flexible balance sheet and relevant platforms that offer key solutions for healthcare providers, payers, life science companies and patients who act as consumers. We have the scale to drive operating leverage going forward.

I want to thank our associates for their hard work, our clients for their loyalty and shareholders for your confidence. With that summary, let's open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jamie Stockton from Wells Fargo.

James John Stockton *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst*

I guess, maybe the first one, just because you didn't give a full-year revenue number. It seems like the Q1 view implies kind of flat revenue year-over-year, if we adjust for all of the moving pieces, I guess. Is that a reasonable assessment? And then with the three-year view implying a higher growth rate, should we anticipate that that rate may be improved as 2019 progresses?

Dennis M. Olis *Allscripts Healthcare Solutions, Inc. - CFO*

Yes. Thanks for the question, Jamie. So as it relates to your first part of the question, the revenue will not be flat to flat, if you factor in the fact that OneContent was in our Q1 results for the full quarter of 2018 and Practice Fusion was in for about half a quarter. So that added



-- the net of those was about a \$12 million or \$13 million impact that Q1 revenue that will not be repeatable in 2019. So that speaks to about a three-point gap year-over-year.

James John Stockton Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst

Okay. And then the pacing of growth through the rest of the year, any color on how we should think about that?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

So I mean, the range we've put out there, Jamie, is up one to down one on a reported basis for the reasons Dennis just told you, right? So I think you can interpret that we would expect better and more favorable comps over the balance of the year, and would expect more favorable results from that.

James John Stockton Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Research Analyst

Okay, and then maybe just on bookings. The outlook that you guys gave for '19 for the residual businesses, is there a way that we should think about that as far as in comparison to 2018? What was the implied year-over-year growth there? And that will be it for me.

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

I think you should think about the range as consistent with our near-term and longer-term revenue outlooks.

Operator

Our next question comes from the line of Sean Dodge from Jefferies.

Sean Wilfred Dodge Jefferies LLC, Research Division - Equity Analyst

On the revenue, the three-year CAGR guidance you provided, I guess, bridging that to EBITDA over the timeframe, it sounds like you're confident there's still plenty of leverage in the model and maybe also some costs that come out. I guess, is that right? And then anything you can share on how we should be thinking about what the EBITDA trajectory looks like over that time frame compared to revenue?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes, we've provided EPS growth. We have -- we didn't provide EBITDA expectations or outlook going forward, because we provided, again, a number of different metrics that we thought were important, including a view of bookings and cash flow over the course of the year. To your point though, I think there are still some synergies to be had that will continue to drive and recognize over the course of 2019 and beyond and hope to -- and plan to continue to improve our EBITDA levels from their existing point over the course of the next couple of years.

Sean Wilfred Dodge Jefferies LLC, Research Division - Equity Analyst

Okay. And then, I guess, on Veradigm, the partnership you announced with NextGen looks like you're putting a lot more wood behind the data strategy. Can you talk a little bit about the revenue model there? Are you selling access to this data on more of a subscription basis? Or in the case of something like a clinical trial, are these more one-time purchases? And then it sounds like there's an opportunity to bring in a whole bunch of other Allscripts offering to help make that data more actionable. I guess, how should we be thinking about the knock-on benefits beyond just selling access to the data network?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

So first off, I mean, the -- we have a number of product lines inside of Veradigm, and we referenced some of them. Some of those product lines spill over to the next NextGen relationship, but not all. We have a number of product lines that are -- some are data-related, some are very workflow-related and bringing -- eliminating inefficiencies with accessing the point of care. The NextGen relationship just adds a lot of scale, which will make us that much more attractive to those end users, for those end markets and the clients that we already have. So we're excited about the relationship because that scale will translate to immediate incremental value in the nature of those relationships. And we, of course, will share some of that value. The value gets shared between us and NextGen. So it's a good win-win for both companies. It's clearly leveraging our platform. And the first part of your question, what -- how are those contracts related? I mean, I'd say we have recurring relationships that tend to have kind of some project characteristics to it. So a project, and then that goes on to a different project from there.

Operator

Our next question comes from the line of Matthew Gillmor from Robert W. Baird.

Matthew Dale Gillmor Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Maybe asking about the fourth quarter performance. Relative to your guidance, it sounds like revenues were impacted by delays with software upgrades. And I think EBITDA was also impacted by higher costs at Netsmart. I just want to make sure those were the right variables relative to the guidance. And then for the upgrade activity, could you just provide some color around that? What caused the delays, and maybe what product that was tied to?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes, thanks. So as I said in the prepared remarks, the revenue and EBITDA misses relative to our previous guidance for fourth quarter were pretty much evenly split between Netsmart and the non-Netsmart portions of the business. So speaking to the non-Netsmart component, it was primarily driven by -- the revenue miss was primarily driven by delays of some of the upgrades, primarily in the hospital space that got pushed out of the fourth quarter and into the first half of 2019. So that is not lost revenues, just revenue that's been pushed out. From an EBITDA standpoint, that did contribute -- part of the upgrade did contribute to part of it. We did see some increased costs in healthcare as well. So that was another contributing factor to the EBITDA miss in a non-Netsmart piece.

Matthew Dale Gillmor Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Okay. And then as a follow-up, I was hoping to get an update on your perspective with respect to capital deployment post-Netsmart. You said you're levered at 1.7x historically, you've operated above 3x. So just curious where you expect to keep leverage post-Netsmart. And then as you look out over the next six to 12 months, what's sort of the deployment appetite between M&A versus buybacks?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Well, we feel very good about our financial foundation and the dry powder that we have, and I think you should expect that to be put to work to create value. What the balance is between share repurchase versus strategic investments will be a function of what we see in the market for assets that we think make sense and one we like and are at prices we think make sense, and then also with an eye towards where the shares trade as well. You can see we were quite aggressive while we were able to in the fourth quarter, buying back what we thought was ridiculously undervalued stock. So we'll continue to navigate that balance. I mean, our goal is to create a really strong platform for the long term, so we don't -- we do -- we will look to put capital to work with strategic assets, not just simply share repurchases, but we want to be a discriminating buyer. And I think our track record for the last five years is unmatched by anybody that I've seen. And so I think we've earned the right to kind of keep doing that. So we'll keep doing that. In general, the marketplace is littered with undersized companies, some of which have some pretty good technology. And I think we can take advantage of that.

Operator

Our next question comes from the line of Stephanie Demko from Citi.

Stephanie July Demko Citigroup Inc, Research Division - VP & Senior Analyst

Another one on the Veradigm side, just thinking about the data asset you already have. Is there any incremental opportunity to partner beyond NextGen to further your data asset? Or do you think this is kind of the right size for the business?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Well, this is a really strong relationship. I mean, NextGen has a nice footprint in the ambulatory space. And so we'll say it again, combined with what we have, I mean, we believe we've already created a actionable data set that is unrivaled in the marketplace today, around, at least, ambulatory data. But yes, the answer to your -- direct answer to your question is yes, we think there are other opportunities as well. And we have some active conversations going on. I don't want to predict that because again, it has to make sense for both parties, but we now have a model of partnering that we think works and we'll continue to leverage that with other people as well.



Stephanie July Demko Citigroup Inc, Research Division - VP & Senior Analyst

Are the partnerships in the pipeline always in the EHR space? Or is there any possibility more than a NextGen partnership outside the tech side or some of the payer-facing folks?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Yes. I mean, there are lots of possibilities. So I would not say anything has the label of being limited to only a certain thing. We were -- the size we've created already with the collection of assets we own and now with the partnership arrangement, by definition, makes almost everybody else in the ecosystem more interested in what we have.

Stephanie July Demko Citigroup Inc, Research Division - VP & Senior Analyst

I hear you there. Now also, you've touched a little bit on the clinical trials opportunity, do you have -- (inaudible) the data? But you have mentioned a few times in the past some payer-facing opportunities also, could you talk a little bit to that?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Yes. Well, I mean, we have payer opportunities with a lot of our solutions. I think when we speak to Veradigm -- so for instance, I'll repeat what I said in some of my remarks. I talked about our CarePort entity, which has a platform around, call it, the bridge between acute and post-acute care. That is a very interesting asset for payers, and so that's an opportunity to kind of leverage into the payer space. Payers are interested in our FollowMyHealth engagement platform as well. So I think the ability to touch payers goes well beyond just some of the opportunities we talked about at Veradigm. But with Veradigm, we've got a whole series of clinical workflow solutions for payers that, the best way I just think for you to think about it is -- it creates a lot of efficiencies with a traditional -- we had inefficiencies with -- intersecting with the point of care and engaging with the healthcare providers in their networks or health plans. And so we can break down those walls, eliminating inefficiencies that creates value. We share the value with them. So it's a model that will continue to innovate new solutions for them, but that's the nature of most of those solutions.

Stephanie July Demko Citigroup Inc, Research Division - VP & Senior Analyst

Looking forward to see how it evolves. Now one quick housekeeping one, and then I'll hop back in the queue. But how should we think about Netsmart's contribution to the '18 bookings? Or put another way, what is the implied organic bookings growth in the guidance [with] Netsmart?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes, Stephanie. We haven't historically provided bookings results for any of our product line segments, and we don't really plan on doing that now. We've provided a lot of color on Table 7 in the supplemental tables that we provided with the earnings release, and we'll continue to -- we provided also our growth projections for next year, and I think that's -- that we're going to keep that at that level.

Stephanie July Demko Citigroup Inc, Research Division - VP & Senior Analyst

Okay. Is it safe to view the organic bookings growth going forward as in line with your long-term growth targets? Or is there anything to call out?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

I think that's a fair assumption, that over the same period, we would see bookings in that same range.

Operator

Our next question comes from the line of Jeff Garro from William Blair & Company.

Jeffrey Robert Garro William Blair & Company L.L.C., Research Division - Research Analyst

I want to ask about the forward outlook. And without giving the full-year revenue guidance, I wanted to ask maybe more specifically about visibility. I was hoping you could frame a visibility discussion in terms of the backlog coverage compared to historical levels; and maybe the proportion of the bookings that you've guided to that might immediately convert to revenue, again, compared to historical trends.

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes. So again, we thought it was prudent to give the one quarter of revenue guidance. I think, obviously, we've got clean visibility to that. We talked about -- when we gave our long-term guidance, we talked about the fact that there could be an inorganic and organic component to that. So we wanted to have that flexibility to adjust our guidance throughout the course of 2019 in the event we had any type of M&A activity. In terms of backlog coverage, we do provide a roll-off schedule in the K, which will be filed tomorrow, which will show you our backlog and how that rolls off on an annual basis throughout the next number of years. And I'd say that the coverage in 2019 that you'll see in that balance is pretty consistent with what we've seen in prior years.

Jeffrey Robert Garro William Blair & Company L.L.C., Research Division - Research Analyst

And then on the bookings guidance, any change in mix between near-term and long-term bookings? I know managed services contracts can have kind of an outsized impact in out years, but not necessarily contributing in the current year.

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes that's right, Jeff. But I would tell you that our guidance for bookings going forward doesn't have any material change in the makeup of the bookings for prior periods.

Jeffrey Robert Garro William Blair & Company L.L.C., Research Division - Research Analyst

That's great. One last one for me on the bottom-line guidance, and you already spoke to your opportunistic approach to share repurchase. But I just want to clarify whether your EPS guidance assumes any kind of baseline of use of those Netsmart proceeds for share repurchases.

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes. The guidance that we provided assumes flat number of shares from where we end the year for 2019. So we assumed at a minimum, we're going to buy back any stock awards that we grant during the course of the year.

Operator

Our next question comes from the line of Eric Percher from Nephron Research.

Eric R. Percher Nephron Research LLC - Research Analyst

I want to turn to the M&A commentary. And Rick, I was struck by your comment about what you've created without net spending. So obviously, the transactions over the last several years created a lot of value for the enterprise but aren't necessarily reflected in equity value. I know you're operators and you're going to continue to take advantage of opportunities when you see them. But has this experience changed the way you think about strategic M&A or some of the opportunities you wouldn't have considered in the past? What's changed in your view?

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Well, I mean, I think maybe we have to iterate on your question a little bit, Eric, but let me start. I mean, what's changed? I mean, so first, I'd say the experience of five years has reinforced our thinking as we've approached some of these deals. I mean, I think we've gotten good yield out of it. We've had some very different structures and very different types of assets we've gone after, from very simple things like buying the McKesson business, which seems like a pretty low growth, kind of turnaround-type story, to very speculative investment we did a few years ago when we invested in NantHealth. And just like investors, you're not going to hit a home run on everything, but when we put all of that into the equation, when I say we've spent zero, net zero, and the winners and losers. And so we tried different things, but all in, our take on how we can create value, I think we reinforced that. We're reading the markets right and that there are good opportunities for patients. So in that regard, I'm more bold than ever that I think we can do smart things with capital deployed. That said, it's been very frustrating to watch our stock performance. And it's clearly a need to balance why we'd buy somebody else's earnings at a big premium when ours are trading so cheap. So we are acutely aware of that and we balance that all the time. So that's been another takeaway for us, but I think we will watch how the market responds to how we perform this year. We'll watch the opportunities in front of us. And if we continue to get the returns we think off of the growth platforms that I went through and the performance we think we can get, then we'll continue to add to those. I mean, we have a differentiated ability, in my view, and that we have scale that gives us access to capital bigger than a lot of smaller guys. And there's a lot of good innovation and technology happening around the industry that we

can bring to market faster than, let's just say, some of our larger competitors who have shunned acquisitions and have a model where they don't like, where they tend to want to do everything on a native integrated basis. So we're in unique position and I think we can exploit that. But we need to do it smart, and we need to do it to balance against where our stock trades. So sorry for the long-winded, but I think that just lets you inside my head a little bit.

Eric R. Percher *Nephron Research LLC - Research Analyst*

No, that's helpful perspective.

Operator

Our next question comes from line of Richard Close from Canaccord Genuity.

Richard Collamer Close *Canaccord Genuity Limited, Research Division - MD & Senior Analyst*

I guess, for Paul or Rick, as you think about the business and your comments just a second ago of bringing innovative products to market either through development or M&A, where do you see the most opportunity from a contribution to revenue? Is it focusing in on something like Veradigm or bringing new products to the provider market? Just trying to get a sense of where you're at in terms of what you can bring to market here in terms of functionality.

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President*

Yes, I think, Richard -- I'll start and Paul can jump on it. Look, healthcare providers are going through a fair amount of belt-tightening right now for obvious reasons. They are not -- we're not seeing a pattern where they're spending money like drunken sailors. I'm not saying they ever were that way, but the belt is definitely tightened. So scaling revenue solely off the back of healthcare providers I think is we had -- we've purposely made conservative assumptions about that. I think there are needs out there in the provider community that will create pockets of growth, and we've tried to position ourselves to take some of them. So again, patient engagement is on top of mind for the CEO of every health system, large or small, right now. And we think we've got the best answer in the industry right now. So that's good enough for us. There's other areas like care coordination, same thing. That's what our CarePort business does. So we try to position ourselves in where we think the demand will be. But generally speaking, providers have to be a little thrifter because of all the change they're dealing with. So it's important to balance that provider view with the payer and life science view. And that's why it's been a push for us and it's an area that we do think can translate to revenue growth faster. And so again, you're familiar, Richard, with the guidance, the longer-term guidance we've put out in January. And you saw some of our organic expectations for what we'll do with our Veradigm business there. And they're obviously a lot more robust than we assumed on the provider side. So let me pause there, and I don't know, Paul, you want to add anything? Or Richard, do you have any follow up to that?

Paul M. Black *Allscripts Healthcare Solutions, Inc. - CEO & Director*

I'd just add, Richard, that the ROI element that we've talked about in the last three or four calls continues to be a big deal just on the provider side, for all the reasons that Rick mentioned. And we have a number of solutions and opportunities that we have in place there that can drive right towards some of the issues that they have around patient flow, around getting paid accurately for the business that comes in or the patients that they see, and for getting more new patient acquisition as a result of some of the things that Rick discussed. But the ROI in general also have to do with, in their perspective, "How can I take these solutions that are now mission-critical and offer them up in a lower-cost manner?" So there's capabilities that we have around hosting, capabilities we have around outsourcing managed services and other things like that, that while they may not, in some cases, be as high margin as pure software, they're still pretty darn good margin. And you lock a client in for a long period of time and you're able to have a better exchange with them, from a business standpoint, of additional value that you're bringing to them.

Richard Collamer Close *Canaccord Genuity Limited, Research Division - MD & Senior Analyst*

As a follow up maybe to one of the comments you just said, Rick. On the Veradigm side, do you -- are you guys looking at any acquisitions on that front? I mean, you mentioned the organic growth there, and that's impressive, and you guys have had success. But are you contemplating acquisitions on that front as well?



Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

I'm not expecting to drop anything on you tomorrow, Richard. But yes, I think there are assets in that space that can also augment what we have and continue to position us as a leader amongst who you might think of as our traditional peers in this area.

Operator

Our next question comes from the line of Mike Ott from Oppenheimer.

Michael Joseph Ott Oppenheimer & Co. Inc., Research Division - Associate

Today, you mentioned a number of competitive wins. Curious if you're seeing any changes in the competitive landscape, especially ambulatory, with one of your ambulatory competitors recently going private.

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Yes. It's -- we've noted a few wins, but our team -- let me answer this way. Our team that is in charge of -- that didn't spend in ambulatory business for us, now will include both our clinical assets as well as our financial assets, is pretty excited to compete this year. Because of the transaction you mentioned as well as some other things that have happened in the industry, we think our competitive standing has never been stronger in the last few years in the ambulatory space. So we are excited to see where we can take that this year.

Michael Joseph Ott Oppenheimer & Co. Inc., Research Division - Associate

Great. And then curious also what specifically Microsoft is contributing to Veradigm in your partnership there.

Richard J. Poulton Allscripts Healthcare Solutions, Inc. - President

Well, Microsoft, first of all, brings some IQ to the table. And they'll bring some of their AI and LP tools to that collaboration, or at least that's what's envisioned. I think that -- let me just leave it there for now. I mean, we are a partner of theirs. A lot of our tech stack is obviously in Microsoft.net architecture and code. And we are big users of the Azure platform for some of our cloud solutions. So we have a fairly deep relationship with them already, and it was a natural entity to collaborate with. But they're quite anxious to apply some of their, let's just call it higher IQ assets into the healthcare space, and that's what we're going to be doing with them.

Operator

Our next question comes from the line of Ricky Goldwasser from Morgan Stanley.

Rivka Regina Goldwasser Morgan Stanley, Research Division - MD

Just going back to the delay in upgrade activities, when you think about the delays, is this just like one specific facility or provider? Or was this more widespread this quarter?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes, it was a little more widespread. There wasn't one provider that was -- that had that impact. There were several different acute clients that we have that pushed out their upgrades. And again, as I said earlier, it's primarily in the acute space.

Rivka Regina Goldwasser Morgan Stanley, Research Division - MD

And when we think about your guidance, you said that the expectation is that this is going to be pushed out from 4Q to second half. So when we think about that acceleration in the remainder of the year, what percent of that acceleration coming from moving these revenues from fourth quarter to 2Q, I'm assuming?

Dennis M. Olis Allscripts Healthcare Solutions, Inc. - CFO

Yes, Ricky, the comment was that those upgrades would get pushed into the first half of the year, not the second half of the year. So we would expect to see improved -- improvements over the course of 2019.

Rivka Regina Goldwasser Morgan Stanley, Research Division - MD

Okay. So we should assume -- so second quarter guidance factors that in?

Dennis M. Olis *Allscripts Healthcare Solutions, Inc. - CFO*

We haven't provided any second quarter guidance. We gave revenue guidance for one quarter. We'll guide the second quarter at the end of the first quarter.

Rivka Regina Goldwasser *Morgan Stanley, Research Division - MD*

Okay. And just to clarify, I know you talked about the 12 new Sunrise wins. Just want to make sure, so all these are new customer wins? Or are these extensions?

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President*

Well, I commented on both buckets, really. I was talking a lot about the wins. So I talked about 12 new hospital wins in the quarter, 23 for the year. Those are new wins. But I also did mention at the end of that comment, a couple of large expansion -- expansion deals that were just kind of continuations of relationships we already have with some slight expansion to what the scope was.

Rivka Regina Goldwasser *Morgan Stanley, Research Division - MD*

So just going back, just to follow up on the replacement comments and the competitive environment. So when you talk with your clients, what are they citing as the research for selecting you?

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President*

Best value proposition. That's a combination of feature functionality, where we're going long term, economics, flexibility, you name it.

Rivka Regina Goldwasser *Morgan Stanley, Research Division - MD*

Okay. And then one last thing, just going back to the provider comment and just the fact that they're tightening their belts and they have -- they're going through their own cost reductions and reimbursement pressure. If we think about that long-term guidance that you provided a few months ago, I think you're thinking about 2% to 3.5% weighted contribution from providers. So how should we think about that between just expansion within your existing core versus new wins?

Richard J. Poulton *Allscripts Healthcare Solutions, Inc. - President*

Well, it collectively represents, Ricky, both a -- we expect to be a share shift winner over time. There's definitely churn that happens in the industry. We will not retain every single client we have today, but we are continuing to win and we expect to be a share shift winner. So some of that growth comes from that. Some of it comes from expansion of what you'd call wallet share with the existing client. So there is new solutions that they need, there's new potential expansion of services into those accounts as well. So you get a combination of just both wallet share expansion as well as new footprints.

Operator

We have reached the end of the question-and-answer session. And I will now turn the call over to Mr. Shulstein for closing remarks.

Stephen M. Shulstein *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you, everyone, for joining Allscripts fourth quarter earnings conference call. We appreciate your interest, and have a great evening.

Operator

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.

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