

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

EVENT DATE/TIME: AUGUST 04, 2015 / 8:30PM GMT

OVERVIEW:

MDRX reported YTD non-GAAP net income of \$38m. 2Q15 revenues were \$352m, non-GAAP net income was \$23m and non-GAAP diluted EPS was \$0.12. Expects full-year 2015 revenue to be \$1.40-1.43b and non-GAAP EPS to be \$0.42-0.50.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

CORPORATE PARTICIPANTS

Seth Frank *Allscripts Healthcare Solutions, Inc. - VP of IR*

Paul Black *Allscripts Healthcare Solutions, Inc. - President and CEO*

Rick Poulton *Allscripts Healthcare Solutions, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Nathan Rich *Goldman Sachs - Analyst*

Michael Cherny *Evercore ISI - Analyst*

Sean Dodge *Jefferies & Co. - Analyst*

Zack Sopcak *Morgan Stanley - Analyst*

Anthony Vendetti *Maxim Group - Analyst*

Allen Lutz *Citigroup - Analyst*

PRESENTATION**Operator**

Good afternoon. My name is Cherilyn, and I will be your conference operator today. At this time, I would like to welcome everyone to the Allscripts second-quarter 2015 earnings call.

(Operator Instructions)

I would now like to turn the conference over to Seth Frank, Vice President of Investor Relations. Please go ahead.

Seth Frank - *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you, Cherilyn, and good afternoon, everyone. Our speakers today are Paul Black, President and Chief Executive Officer of Allscripts, and Rick Poulton, Chief Financial Officer. Some of the statements that we will make today may be considered forward-looking, including statements regarding future investments and our future performance. These statements involve a number of risks and uncertainties that could cause our actual results to differ materially. These forward-looking statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our SEC filings for more detailed descriptions of the risk factors that may affect our results. And with that, I'd like to turn the call over to Paul Black, CEO of Allscripts.

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Welcome to the second-quarter earnings call. We appreciate your joining us on a busy night for you. This is a big week for Allscripts. We are speaking to you from Boston. Tomorrow we are kicking off ACE 2015, the Allscripts Client Experience. Thousands of clients are joining us for three days of education, networking and celebration of their success. We look forward to hosting the investment community session tomorrow morning, beginning at 11:30.

We are very pleased with the results this quarter. Bookings, revenue, and profitability are improving on all metrics. Bookings were at record levels, recurring revenue continues to grow, gross margins at the highest level since early 2014, and we are seeing continued operating leverage with both a strong EPS performance and cash flow growth. Bookings were \$260 million for the quarter, an all-time record for the second quarter, and up 11% from Q2 of last year. Year-to-date bookings are up 6%.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

We had success across four main areas of growth. EHR replacements, population health management, international markets, and increasing penetration of value-added services into the client base. More impressively, we added more than 180 new clients during the quarter. The percentage of bookings dollars from these new clients is at its highest level in several years. These new clients are coming from the entire client spectrum. Hospitals, health systems, international markets, post acute providers, and new relationships in the payer and life sciences space. Overall, we are pleased with the trajectory, and we'll continue our diligent focus to execute in the second half of the year. We are also pleased today to affirm our financial outlook for 2015.

I want to give you a better understanding of the bookings performance drivers this quarter, and highlight some key client master agreement extensions. Three expansions to Sunrise facilities within the Allscripts family include North Shore Long Island Jewish, Allscripts' largest client, signed an agreement to roll-out Sunrise at a new North Shore facility. It will replace the legacy platform of a public competitor. In addition, longtime acute and ambulatory client, New York Presbyterian, signed an agreement to implement Sunrise at a recently acquired facility. Importantly, the agreement signed with NYP includes a master agreement extension for SCM through early into the next decade.

Washington Health System, also a longtime Sunrise client, recently acquired Southwest Regional Medical Center in Waynesboro, Pennsylvania, where Sunrise will replace a private competitor. We have also renewed our relationship with Washington Health into the next decade. We signed a net new Sunrise client, Joint Township District Memorial Hospital, the acute facility of Grand Lake Health Systems in St. Mary's, Ohio. We discussed this on our Q1 call.

Regarding client extensions and add-ons, we extended our relationship with Liberty Hospital in Missouri, just outside of Kansas City. Liberty gathered a comprehensive suite of solutions including Sunrise Financial Manager, radiology, surgery, and anesthesia. We extended the contract for Sunrise, dbMotion, Care Management, EPSi, and managed IT solutions over a multi-year arrangement.

From an operations standpoint, Allscripts' clients are achieving great results, including some of the world's leading research centers. We announced the last week the National Institutes of Health Clinical Center, the world's largest hospital devoted exclusively to clinical research and investigation, used Sunrise to achieve Stage 7, the highest level obtainable on the HIMSS Analytics EMR Adoption Model. We are proud that NIH is the first US government health organization to achieve HIMSS Stage 7, and that they achieved this milestone on our platform. Also of note, we reached a significant milestone, the go-live of two additional Sunrise Financial Manager clients, the integrated inpatient-outpatient revenue cycle solution. With these activations, we are well-positioned with reference accounts to facilitate additional sales and implementations.

We are excited about these important milestones that we will share with clients at ACE. The new wins, client expansions, renewals and go-lives are evidence that we are in the most competitive position with Sunrise that we have ever been, in my view. This solution is robust, integrated and offers all necessary components of a single platform electronic health record. In ambulatory, bookings were strong in the quarter, growing double digits, driven by new sales of Professional EHR, ACO, and RCM services into the ambulatory client base. We renewed our relationship with a key Southern California TouchWorks client for the next six years, including managed IT and Revenue Cycle Management services.

We had a solid quarter in population health, with a healthy mix of business across many solutions. Robert Wood Johnson expanded their use of dbMotion to include their ACO. We signed several new home care clients, and we delivered a nice uptick in new EPSi clients. Operationally, we continued to have success with new implementations of population health management solutions, including dbMotion.

One year ago, we announced that Baylor Scott & White Health selected dbMotion as its interoperability platform across the health system. Since then we have been collaborating with Baylor to achieve their goal to aggregate and harmonize patient information across diverse technology platforms, to deliver actionable data to the point of care for improved clinical decision-making. As of the end of July, we have made significant progress on this journey, and we are live across multiple important data sources such as demographics, encounter history, and medications, across multiple of Baylor systems, including affiliate physician practices using multiple ambulatory electronic health records. With the success of the initial phases of connectivity complete, we'll move forward to bring dozens of new source systems into the integration. We look forward to a continuing long-term successful partnership with Baylor Scott & White Health.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Globally, we announced two new National Health Service Foundation Trusts who have bought Allscripts Patient Administration Systems. East Kent Hospitals University, and Maidstone and Tunbridge Wells. The global pipeline is solid, and we are in a strong position today, thanks to terrific references in the United Kingdom, and growing client satisfaction across multiple target markets outside the United States.

I want to provide a few thoughts on Allscripts' recently-announced strategic agreement and co-investment with NantHealth, and the partnership with CSC and HP to bid for the DoD healthcare management system modernization opportunity. On DoD, a couple of thoughts. The Allscripts proposed solution rated very well and matched their winning team scores, in some cases exceeding those scores, for certain product capabilities. We are very proud of the bid, and the effort we put together with our team. We were one of only three companies in the entire HCIT industry to compete to the very end. We are disappointed we did not win. But we will move forward stronger with a laser focus on the competitive advancements discussed today, and by showcasing Allscripts' differentiation and value proposition in commercial markets globally.

Regarding NantHealth, they are the industry leader offering the most comprehensive genomic and protein-based molecular diagnostic testing in the market today. We are working on joint development of API-based integration between the two company solutions. The rationale for us to move further into precision medicine is to deliver the source of truth by matching the genotypic and phenotypic information, to best navigate the precise critical protocol for an individual with a complex disease. The massive amount of new diagnostic and clinical data is going to present a challenge to clinicians, who are not necessarily trained on the nuances and complexities that come from treating a patient for whom they now have a fully sequenced genome.

This is truly a paradigm shift in health care, and has potentially profound implications for all stakeholders. We believe Allscripts has an important role to play in providing leadership around this long-term opportunity. As a result, we invested in and partnered with Nant and their CEO and founder, Dr. Patrick Soon-Shiong, has personally invested in Allscripts. We co-invested to cement the strategic alliance and ensure alignment of financial and strategic objectives, to create a game changing platform for the development of precision medicine. The two initial areas for collaboration will be optimizing and integrating genomic data in structured machine readable fashion, and clinical decision support alerts.

The long-term opportunity, measured in years, to create and deploy technologies that shift the paradigm of care. Treating the patient and the disease based on complex molecular-based diagnostics, and integrating that data-intensive, person-centric information into real-time care delivery everywhere. This is a differentiated move, not a bet the company's strategy. Client reception has been strong since the announcement. Dr. Soon-Shiong will be at ACE. I'll now turn the call over to Rick.

Rick Poulton - *Allscripts Healthcare Solutions, Inc. - CFO*

Okay. Thanks, Paul, and good afternoon, everybody. As I review the second-quarter details, please reference both our GAAP financial statements, as well as the non-GAAP tables in our earnings release. And then the supplemental data book that's posted to our Investor Relations website.

We received overwhelmingly positive comments regarding the financial presentation format that we provided last quarter, so I'm happy to report that we have continued in this format, and there are no presentational changes for you to digest this quarter. As you all know, we announced preliminary results on July 16, and I'm very happy to report that our actual results for all metrics came in at the high end of the preliminary ranges that we provided at that time.

Paul covered our high-level results pretty comprehensively, so now let me provide some are color with a few details, starting with our bookings. We are pleased with where we stand at the midpoint of the year, thanks to a strong 11% year-over-year growth rate in Q2. Total bookings were \$260 million. Of this, approximately \$170 million, or 65% was related to software delivery. Recall that software delivery includes subscriptions, licensed software, hardware and transaction-related revenue.

Maintenance that's associated with perpetual software licenses are not included in our bookings calculations, when we report them to you. These software delivery bookings are up 25% for the quarter, and for the six-month period. So they are growing significantly higher than our overall bookings growth rate. And as you can see from the P&L, software delivery revenue has a significantly better margin profile than our client services.

AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

The remaining \$90 million of bookings were 35%, related to client services. Recall that this includes both managed services contracts, as well as other project-based client services revenue. Within client services, the 7% bookings decline in the quarter compared to last year is driven by a decrease in non-recurring services, or what we call other project-based client services and revenue, like implementation and upgrades. This is a trend that we have now talked about for a few quarters, so it's not new, but recurring managed services such as remote hosting, outsourcing, and Revenue Cycle Management services continue to contribute meaningfully to our client services totals, and our pipeline of future opportunities for these recurring managed services contracts looks quite strong. So as a result of our sales activity for the quarter, our contract backlog was \$3.5 billion, a 6% increase year-over-year, and up \$70 million from the end of the first quarter.

Moving on to revenue, at \$352 million for the quarter, we were relatively flat compared to last year, and we were up significantly from Q1. However, we saw a similar trend to what we saw in Q1, whereby growth in -- we had growth year-over-year in recurring revenue, and we had declines in our non-recurring revenue. The recurring revenue consisted again of subscriptions, recurring transactions, maintenance, and recurring managed services, increased 8% year over year, and constituted 75% of our total revenue. If you exclude support and maintenance revenue from this recurring total, and which as we have discussed in the past, we do not expect to grow much due to an increasing client preference for subscription-based models, our recurring revenue increased 12% on a year-over-year basis. We had strong 17% growth of recurring managed services driven by our backlog conversion for hosting, outsourcing, and some initial success from our efforts within revenue cycle services.

Our support and maintenance was up slightly year over year, but down slightly from Q1. As we have discussed with you previously, we can experience some modest quarterly variability in support and maintenance revenue, due to variables such as credit memo processing, contract restructurings, and accounting rules applied to client activations. But we continue to view support and maintenance revenue as very stable, and we would expect in a quarterly range of \$115 million to \$120 million as we look forward. Although non-recurring revenue was down 19% year over year, a similar decline to what we experienced in Q1, we were pleased that in absolute dollar terms, it bounced back from the trough levels that we experienced in the first quarter, as both our project-based services as well as perpetual license sales experienced the better quarter. Long-term, we continue to emphasize recurring revenue in our new sales activity, and we do that in order to help provide more predictability and buffer what modest volatility we may have in the non-recurring buckets.

Turning to non-GAAP gross margins, as we foreshadowed for you in the first-quarter earnings conference call, performance significantly improved in Q2. At 44.2% for the quarter, this was 190 basis point improvement from Q1. The primary driver of improvement came as a result of us taking actions to align our resources with client demand, primarily within our client services organizations, to bring our services cost structure in line with the anticipated revenue. Again, we talked to you about that length in Q1. We executed on what we talked to you about, and we began to realize some of that benefit in the quarter. Those actions did occur in early May, and so we saw partial impact in Q2. Looking ahead, I would expect client services margins to float up in Q3, and to reach low double-digit levels by the fourth quarter of this year, as a result of these actions.

In addition, during the quarter, we completed renegotiations with our two largest remote hosting partners to improve the operating cost structure of our hosting footprint. As result of these renegotiations, we anticipate a full run rate of approximately 800 basis points of margin improvement on our current hosting revenue, which is approximately \$80 million annually. We'll begin to realize this benefit late in Q4, but we had a full run rate by Q1 of next year.

Moving to our operating expenses, Allscripts' non-GAAP SG&A declined slightly from the year-ago period, down to \$74 million. We continue to manage SG&A aggressively, and will look for additional opportunities to leverage these expenses. Note that quarterly variation can occur, as in the quarter, we have timing of certain marketing expenses that primarily have some seasonal nature to them. In connection with the resource alignments adjustments that I just discussed, we did record a severance charge of approximately \$7 million during the quarter. This is excluded for purpose of calculating non-GAAP SG&A, non-GAAP operating income, and adjusted EBITDA. The same way we've done it in the past.

I'd like to make a comment on R&D. It's important to have a clear perspective on R&D. On the income statement, we recorded a total charge of \$44 million, but we were also eligible to capitalize \$12 million to our balance sheet in the quarter. Thus, our total gross R&D spend of approximately \$57 million is a slight increase from where we've been the last several quarters. So we continue to maintain a strong commitment to investing in our solutions, while we continue to build our profitability at the same time. Looking ahead to Q3, I would not expect to have a severance charge anywhere near as large as we experienced in both Q1 and Q2, but I do expect to record a small charge of approximately \$2 million to \$3 million for transaction fees and work efforts expended for the DoD contract effort.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Moving down the P&L adjusted EBITDA, as calculated on table 5 of our press release, was \$62 million, a 17% increase, and 260 basis point improvement in margin, compared to a year ago. In terms of interest expense, as is typical, we recorded approximately \$2.6 million of non-cash interest expense related to our convertible notes, and we do continue to exclude this from our non-GAAP net income. Non-GAAP net income for the quarter totaled \$23 million overall, and this equated to \$0.12 per diluted share. This compares to \$0.09 per share a year ago, or 33% growth rate year-over-year. Year to date, our non-GAAP net income is \$38 million, and as we disclosed in the press release, we have generated \$58 million of free cash flow during the same six-month period, so we are quite pleased in our conversion rate of approximately 150%, and will continue to make this a point of emphasis as we look ahead.

As Paul indicated in his remarks, we are reaffirming our full-year revenue guidance of \$1.4 billion to \$1.43 billion, our full-year adjusted EBITDA guidance of a range of \$230 million to \$250 million, as reaffirming our full-year non-GAAP EPS guidance of \$0.42 to \$0.50 per share. Regarding share count, given the investment in Allscripts by Dr. Soon-Shiong, Allscripts' diluted share count for purposes of calculating non-GAAP EPS will be approximately 191 million shares, beginning in Q3.

Finally in terms of quarterly progression, we would expect Q3 revenue to be similar to Q2, and we expect some modest increase in Q4 revenue, given the general seasonal and revenue mix trends that we have in non-recurring revenue. So with that, I'd like to open it up for questions, and we're happy to start, operator, when you're ready.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Robert Jones, Goldman Sachs.

Nathan Rich - Goldman Sachs - Analyst

This is Nathan Rich on for Bob this afternoon. Congratulations on the bookings performance, and it seemed like the strength was actually fairly broad-based, which is encouraging. I was just wondering if you could maybe give us a sense of where the upside came versus your internal expectations? Maybe how much did the new agreements with North Shore LIJ and New York Presbyterian contribute to bookings in the quarter? And just, as we think about the back half of the year, anything that we should be aware of in terms of cadence of bookings for 3Q and 4Q?

Paul Black - Allscripts Healthcare Solutions, Inc. - President and CEO

This is Paul. Those deals were very important, very strategic to us, but they were not -- I wouldn't categorize them as over the top, with regards to size. So we had a lot of deals that got done that were, if you will, larger than what we've done in the past. So a larger number of midsize deals. We didn't have in that acute-care side, those deals representing a substantial amount of money. It's not insignificant, but they weren't monster deals. On a going-forward basis, looking at Q3 forecast internally and looking at the rest of the year, I think that we've guided to what we think we're going to hit, and I feel very good about that guidance, because we review it every week.

Rick Poulton - Allscripts Healthcare Solutions, Inc. - CFO

Yes. And Nathan, all I'll add to what Paul just said, is again, Sunrise as a platform was a strong force in the quarter, but no single deal popped in in any way, shape, or form. But real strength continues to be on ambulatory side of our business, as well. We have a lot happening there. As we continue to penetrate new footprints, new managed services arrangements with our existing base, and also expanding our payer life science opportunities, so we've had support broad-based across the platform.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Nathan Rich - *Goldman Sachs - Analyst*

Great. I appreciate the detail. If I could just ask one quick follow-up on the restructuring actions that you talked about, you mentioned in client services, margins being up in 3Q and then low double digits in 4Q. Is that the run rate that we should think about as we look out to 2016 for client services margins?

Rick Poulton - *Allscripts Healthcare Solutions, Inc. - CFO*

Yes. I mean, that's the run rate you should expect to enter 2016 at. As I had mentioned, the reason I made the comments on we completed renegotiations around our hosting this quarter as well, those benefits, we get a little taste of it in Q4, but mostly that starts to hit us in Q1. So I think we're going to enter Q1 with some momentum to continue to improve that.

Nathan Rich - *Goldman Sachs - Analyst*

Great. I appreciate the detail. Thank you.

Operator

Michael Cherny, Evercore ISI.

Michael Cherny - *Evercore ISI - Analyst*

Sit in for Michael. I know it's early in the deal, but I was just wondering what the early customer reaction has been to the Nanthealth announcement?

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Yes. They have been positive, especially our larger university academic medical centers. Many of them have a genomic sequencing initiative going on, they have been working on this set of data, these initiatives for a very long period of time. I think the thing that we bring to that is the new infrastructure, and dedicated capabilities that are perhaps weren't available either to them or to us in the past. Dr. Soon-Shiong has the great complex and a pretty complete thought around whether he can deliver not only the genotypic information off sequencing machine, but also what he planning on doing with killer T cells and some other additional data that would come out of a completely sequenced genome. So those components get a lot of academic medical center clients pretty excited, and there's been a very big amount of interest in that, from that regard.

Michael Cherny - *Evercore ISI - Analyst*

Great. Thank you.

Operator

(Operator Instructions)

Sean Dodge, Jefferies.



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Sean Dodge - Jefferies & Co. - Analyst

Good afternoon. Thanks. Paul, you mentioned international sales were a contributor to bookings in the quarter. Are there any foreign markets outside the UK that you are seeing particularly strong demand in?

Paul Black - Allscripts Healthcare Solutions, Inc. - President and CEO

Yes. We see a fair amount of activity in the Asia-Pacific rim. We see the United Kingdom and Europe. We also see a fair amount of activity going on in the Middle East. Those are marketplaces that we have feet on the ground, if you will, and one of those tenders or RFPs being led at a national level, in some cases big ones, and in some cases, medium-sized opportunities.

But we are trying to make sure that we are participating in all of them. We have either clients and/or personnel in the countries that I just mentioned, and technically Canada is in our vernacular, it's outside the United States so we have a very large presence in Canada as well. And typically outside the United States, it would be for portal, for connectivity solutions, and for Sunrise. Also I hate to forget to mention that Israel, which we have fundamentally the entire country wired, because of our investment and their investment on dbMotion.

Sean Dodge - Jefferies & Co. - Analyst

Okay, thanks and then can you talk a little bit about maybe the progress that you've made getting clients switched over to Sunrise ambulatory?

Paul Black - Allscripts Healthcare Solutions, Inc. - President and CEO

Yes. We have -- most of our clients that are -- have been Sunrise clients for a long period of time are looking at their new cycle, and they are looking ambulatory, they are looking at ED, and they are looking at surgery as the three or four different big products that we have come out within the last couple of years that are now industrial strength. And most of those clients have either started the pilot with us, or are in contemplation of doing -- participating in the cross-selling event with us. So they have a disparate system that is doing that for them. They are pretty interested in what we have to offer, especially the client feedback we have received, the class course, and other good positive results at our other clients that have installed, are giving them.

Sean Dodge - Jefferies & Co. - Analyst

All right. Thanks again, and congratulations on the quarter.

Operator

Ricky Goldwasser, Morgan Stanley.

Zack Sopcak - Morgan Stanley - Analyst

This is Zack in for Ricky. Congrats on the quarter. I wanted to just ask about the 180 clients that you mentioned that you added during the quarter, and could you maybe talk about, are those leads coming from anywhere specific? Is your sales force getting more efficient, or is there just a particular suite of products that these customers are looking for?

Paul Black - Allscripts Healthcare Solutions, Inc. - President and CEO

As Rick mentioned, also the interesting thing from my perspective is that there's -- continues to be a very big demand in the ambulatory world. Not only for electronic medical records, but for Revenue Cycle Management, and for ACO tools and services. So we signed a bunch of deals in Q3

AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

that historically have not been down the middle of the fairway. And in that regard, that's been a very positive story for us. But I would say this quarter, Q2, as we said in our comments, was probably one of the better quarters from an overall balance perspective. Most of our solutions had a nice uptick, and I walked through most -- many of those in my comments.

Zack Sopcak - *Morgan Stanley - Analyst*

Maybe just one quick follow-up on Nanthealth. When you dig about your customer base, can you quantify or qualify at least how many customers are thinking about this already, and are looking for solutions? And how many is going to be more of a teaching process to get them to where they need to be, to understand that they need this?

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

It depends upon where they are in their path, and again in some cases where they may have already purchased a sequencing center, or they have a clinical center of excellence for a specific complex disease. Those folks have already been somewhat down a path, if you will, and they are quite interested in immediately looking at some solutions that we're providing with Nanthealth. Others it is an education process, and I'm surprised at the level of interest in that discussion. We also have a lot of large cancer centers that our clients, both on the ambulatory, the inpatient outpatient setting, and those folks have all been, since in my perspective, some intrigued by this, and are asking for much more information about it.

Zack Sopcak - *Morgan Stanley - Analyst*

Great. Thank you.

Operator

(Operator Instructions)

Anthony Vendetti, Maxim Group.

Anthony Vendetti - *Maxim Group - Analyst*

Thanks. I was just wondering if you could elaborate a little bit more on the extended contracts at North Shore LIJ and New York Presbyterian. Just the details in terms of the years, or what products in particular?

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Specifically with North Shore, there's a number of different solutions that we have in place with them already, but this one we are referring to today was Sunrise, to put in another hospital that they require the same thing with New York Presbyterian. And in Presbyterian's example, they also extended our contract into the middle of -- not the middle, but the early part of 2020.

Anthony Vendetti - *Maxim Group - Analyst*

2020. And you said that LIJ was a new hospital, and it displaced the current competitor. Correct?



AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

That is correct.

Anthony Vendetti - *Maxim Group - Analyst*

Okay. Great. Thank you.

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Next question, please.

Operator

Garen Sarafian, Citi Research.

Allen Lutz - *Citigroup - Analyst*

This is Allen for Garen. Can you just talk about ICD 10? Is that having an impact at all on client demand?

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Yes I'll take this again. I'd start with the fact that all of our clients have a ICD 10 version of the software installed. That version of the software was installed at the same time that the MU2 software was installed last year, so that's an important starting point. We are working with our clients to test to make sure that we have gone through the paces, to understand how the ICD 10 interfaces work with all the different payer organizations. From our standpoint, we're not seeing any slowdown in acquisition by those folks. That could happen, but we're not seeing, and have not seen it or witnessed it through Q2 of this year, that's the answer to your question. We also see it in some cases as an interest level in having us provide consulting services to them, for us to help them do an evaluation of their ICD 10 readiness.

Allen Lutz - *Citigroup - Analyst*

Got it. Thanks.

Operator

There are no further questions. I will now turn the call back over to Paul and Rick for any closing remarks.

Paul Black - *Allscripts Healthcare Solutions, Inc. - President and CEO*

Thank you very much for your time today. As you can see, we're very pleased with our results from this quarter. Any one quarter is an important milestone for us. We've got a lot of work that we have been talking about over the last two years on this call. It's coming home to roost, and we feel good about that. Our clients are making progress. We are especially pleased that we've got so many successful client examples, not only of global recognition, but also just continued success for them to be able to position for the competitiveness in their marketplaces and to be able for them to be expanding their margins as they are working on very a tough market with CMS, and other organizational cost constraints. So thank you very much for your time, and we look forward to seeing many of you at ACE tomorrow.

AUGUST 04, 2015 / 8:30PM, MDRX - Q2 2015 Allscripts Healthcare Solutions Inc Earnings Call

Operator

Thank you for your participation. This does conclude today's conference call. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2015, Thomson Reuters. All Rights Reserved.