

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

EVENT DATE/TIME: MAY 04, 2017 / 8:30PM GMT

OVERVIEW:

Co. reported 1Q17 non-GAAP revenues of \$415m, non-GAAP net income of \$23m and non-GAAP EPS of \$0.13. Expects 2017 non-GAAP revenue to be \$1.71-1.74b.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

CORPORATE PARTICIPANTS

Melinda D. Whittington *Allscripts Healthcare Solutions, Inc. - CFO*

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

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

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

CONFERENCE CALL PARTICIPANTS

Adam Chase Noble *Goldman Sachs Group Inc., Research Division - Research Analyst*

Charles Rhyee *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

David M. Larsen *Leerink Partners LLC, Research Division - MD, Healthcare Information Technology and Distribution*

Elizabeth Hammell Anderson *Evercore ISI, Research Division - Associate*

Eric R. Percher *Barclays PLC, Research Division - Senior Analyst*

Jamie Stockton *Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst*

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

Mark Lewis Rosenblum *Morgan Stanley, Research Division - Research Associate*

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

Michael Aaron Cherny *UBS Investment Bank, Research Division - Executive Director and Healthcare Technology and Distribution Analyst*

Mohan A. Naidu *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Nicholas Michael Jansen *Raymond James & Associates, Inc., Research Division - Analyst*

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

Sean William Wieland *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Stephanie July Davis *JP Morgan Chase & Co, Research Division - Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Allscripts First Quarter 2017 Earnings Conference Call. (Operator Instructions) Please note this call is scheduled for a duration of 1 hour. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Mr. Seth Frank, Vice President of Investor Relations. Thank you, Mr. Frank. You may begin.

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

Thanks, Tim. Good afternoon, everyone. Thanks for joining us on the call. Our speakers today are Paul Black, Allscripts' Chief Executive Officer; Rick Poulton, our President; and Melinda Whittington, our Chief Financial Officer.

We'll be making a number of forward-looking statements during the presentation and Q&A part of the call. These statements are based on current expectations and involve a number of risks uncertainties that could cause our actual results to differ 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.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

Also, as management reviews the first quarter details, please reference both the GAAP and non-GAAP financial statements as well as the non-GAAP tables in our earnings release and supplemental data book that are available on the Investor Relations section of our website.

And with that, I'll turn the call over to Rick.

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

Okay. Thanks, Seth. Good afternoon, everybody, and welcome to Allscripts' First Quarter 2017 Earnings Call.

We began the year on very solid footing, and we continue to make progress delivering on the commitments we've made for 2017 and beyond, as we had detailed at our investor conference at the end of March.

Bookings, revenue and adjusted EBITDA grew nicely on a year-over-year basis. This was in part due to Netsmart but also due to good execution and contributions from the extensive portfolio of offerings we highlighted at our Investor Day.

In total, bookings both -- bookings grew 13% to \$286 million with balanced contributions across both software as well as managed services.

Looking at the details. In the hospital and health system space, we had several large expansions and renewals with existing clients. We see several themes across these organizations today, specifically, improving outcomes through standardized care and increased clinical consistency, also improving revenue cycle performance and capabilities, also utilizing scalable platforms to support business growth, and finally, standardized data capture and harmonization.

So with that backdrop, one deal example that we had in the first quarter was with Cancer Treatment Centers of America or CTCA. CTCA is a national network of 5 hospitals that serves patients globally from its regional medical center in Atlanta, Chicago, Philadelphia, Phoenix and Tulsa. CTCA evaluated its clinical, operational and information technology needs and options and elected to expand its relationship with Allscripts. As a world-class cancer treatment center organization, CTCA (sic) [CTCA] has stringent requirements around its core mission for oncology care and concluded that the Sunrise platform provides the functionality and ease of use to continue to support its mission to provide the best possible standard of care in an efficient manner. With this expansion, CTCA will employ Sunrise Financial Manager as well as Sunrise Oncology software to harness the value of integrated enterprise systems and had selected Allscripts managed services to host this solution in a private cloud environment on their behalf. In addition, CTCA was also looking for proven scalable solution to connect and coordinate care with independent physician specialists and referring primary care providers and have selected our CareInMotion platform to enable a single patient-centric care plan that integrates all care providers involved in the treatment of their patients.

An additional example of a client expansion in the first quarter was with South Nassau Communities Hospital in Oceanside, New York. South Nassau is a not-for-profit teaching hospital and one of the region's largest hospitals with 455 beds and more than 900 physicians. After beginning to rollout Sunrise Ambulatory Care to their specialty clinical areas in 2016, South Nassau have further deepened their commitment to the Sunrise platform in Q1 by electing to replace legacy systems with our integrated Sunrise Surgical Care solution.

Moving to the ambulatory market. First quarter results showed strong double-digit bookings growth. We continue to implement client-driven strategies to retain, grow and leverage our physician clients across the solutions portfolio. One of Allscripts' largest and long-standing TouchWorks clients, Brown & Toland physicians, selected us for revenue cycle management software and services. This new opportunity included transitioning from a legacy practice management system and migration to TouchWorks Practice Management solution, thus allowing both Brown & Toland to build their network on a single RCM platform. In addition, Brown & Toland wanted to provide Revenue Cycle Management Services for a segment of its physician network, and this required a strategic partner that could provide a higher level of service and scale quickly to many providers. While they considered other options, the client elected to commit to expanding the Allscripts relationship.

This quarter was also notable for the strength we are seeing with value-based care solution bundles into new and existing physician clients. We closed several strategic wins in the first quarter in the emerging market for enabling clinically integrated networks or CINs. The CINs are arising with large groups and affiliated organizations like management service organizations and independent physician associations. These organizations



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

are increasingly looking to provide the infrastructure to enable population health management among large and dispersed provider groups. We are offering CareInMotion functionality in a cloud solution to meet the needs of these organizations. With this platform, providers can aggregate and normalize disparate clinical and financial data and risk-stratify patients to best manage sickest patients in a team-based environment.

One example in the quarter was with a new client to Allscripts that is a large group MSO in North Carolina that provides practice management and support services to 100 providers across over 20 locations. The physicians in this MSO, like much of the market at large, utilized a litany of disparate EHR and practice management systems.

A second CIN network agreement was with a large nationwide network of ambulatory facilities, specialists and referring independent physicians, including over 2,000 independent primary care docs and over 1,000 specialists across 10 locations.

Finally, our large ambulatory footprint serves as a strong foundation for our growing Payer and Life Science business. This was one of our strongest bookings quarters for this group and was driven by several important new agreements, including one that seeks to drive pricing transparency solutions to consumers and physicians for generic drugs and then another one that provides enhanced capabilities in clinical trial recruitment.

Moving to the international markets. We continue to be very excited about the momentum and growth opportunities in our major points of presence internationally.

On the new business front, Allscripts' acceptance during the first quarter into the U.K.'s NHS London Procurement Partnership was an important step towards maintaining our momentum in the United Kingdom. We anticipate extensive use of this framework by buying parties across the U.K. So it was important to ensure that we were not going to be disadvantaged in any way.

Operationally, we're having an excellent -- we are having excellent success exporting our managed services approach to global clients for upgrade and related services. This approach, which we have been using successfully in the U.S. market, allows clients the benefits of predictable outcomes and resource requirements and costs associated with the major system upgrades.

And finally, in the Asia Pacific market, we see some great opportunities for new business and continue to make excellent operational strides with our clients in Singapore and Australia, where we recently completed a very successful upgrade and continue to roll out our Sunrise Clinical Manager Solution across South Australia.

And finally, in the post-acute market, Netsmart continued its momentum from the fourth quarter and had a strong start to the year, delivering solid bookings growth and expanding its footprint as half of its bookings came from new clients. The demand for Netsmart's solution and service offerings continues to be driven by the need for automation, care coordination, integration with traditional health care providers and new value-based payment models.

On the behavioral health home care and long-term care fronts, Netsmart is winning new business with its comprehensive portfolio and unmatched scale. Like Allscripts, Netsmart's strategy extends beyond the EHR to deliver capabilities like community connectivity, care coordination and a broad suite of managed services.

So in summary, all pieces of our solutions portfolio continue to perform, and we believe our execution is getting better every day.

And now I'll turn the call over to Melinda to discuss financials.

Melinda D. Whittington - Allscripts Healthcare Solutions, Inc. - CFO

Thanks, Rick. Good afternoon, everyone. Now I'll go through the first quarter financial highlights. For reference, please consult the tables at the back of the press release and the supplemental data workbook, which is available on the Investor Relations section of our website.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

As a reminder, we closed the Netsmart transaction on April 19, 2016. Therefore, Q1 2017 consolidated results include a full quarter of Netsmart, while Q1 2016 was prior to the transaction. And as a reminder, we provide Netsmart as a segment in our 10-Q segment reporting footnote, including revenue and profit on a GAAP basis.

Picking up from Rick's bookings discussion. Bookings of \$286 million resulted in a total backlog of \$4 billion, consistent with our 2016 year-end level.

Turning to the income statement. First quarter non-GAAP revenue increased \$70 million or 20% to \$415 million. Consistent with previous quarters, our non-GAAP revenue excludes a \$2 million acquisition-related deferred revenue adjustment, and my comments from here forward will focus on non-GAAP metrics, unless otherwise stated.

Looking at revenue results in more detail. Total software revenue in Q1 increased 19% year-over-year, totaling \$273 million, driven primarily by Netsmart and by core Allscripts software growth year-over-year. Both the recurring portion of software revenue, consisting of subscriptions, recurring transactions, support and maintenance and nonrecurring software revenue increased 19% year-over-year.

Turning to client services. Consolidated revenue grew 22% to \$142 million in Q1, driven by recurring revenue. Recurring services revenue increased 32% year-over-year, driven by Netsmart and private cloud-based hosting, revenue cycle and other multiyear service offerings in core Allscripts. Our nonrecurring services revenue increased 4% year-over-year. In total, consolidated recurring revenue grew 23% and nonrecurring revenue grew 11%. Thus, our consolidated recurring revenue mix equals 79% in Q1 compared to 78% in the first quarter of 2016. In line with our expectations, recurring revenue is continuing to drive a higher percentage of revenue mix as the clear majority of our new bookings are derived from multiyear contracts. And nonrecurring revenue was \$86 million in the quarter, in the middle of the expectation we set last quarter of \$80 million to \$90 million for Q1.

Turning to gross margin. Our non-GAAP gross margin increased year-on-year to 47.5%, a strong 59 basis point year-over-year increase, driven by improving software margins. Software gross margin for Q1 was 65.3%, up 207 basis points year-over-year and consistent with the fourth quarter. Client services margins for Q1 declined to 13.3% as we invested to support upgrades scheduled for later this year.

Looking at expenses. First quarter non-GAAP SG&A totaled \$95 million, a 26% increase year-over-year, primarily due to the addition of Netsmart and several smaller acquisitions completed in 2016. Quarter-to-quarter, non-GAAP operating expense decreased \$4 million on a consolidated basis. As we've stated last quarter, we expected consolidated non-GAAP SG&A to remain roughly at fourth quarter levels in early 2017 and increase modestly as we go through the year to support ongoing business growth across the consolidated company.

Gross R&D was \$73 million, up 18% year-over-year, due primarily to increased investments in innovation for core Allscripts and the addition of Netsmart. Gross R&D was up slightly from the fourth quarter of 2016. Our software capitalization rate was 33%, just above fourth quarter levels and an increase from the 24% level recorded in Q1 of 2016. As discussed previously, we anticipate R&D capitalization rates in the low 30s in 2017 based on the nature of current R&D projects intended to drive long-term innovation and new solutions for the company. And as a result, R&D expense was up just slightly in Q1 versus Q1 2016.

Adjusted EBITDA totaled \$80 million, a 29% year-over-year increase and equivalent to a 19% adjusted EBITDA margin. This metric represents 100% of Allscripts, Netsmart and other consolidated entities. As of Q1, the relative contribution of adjusted EBITDA between core Allscripts and Netsmart is trending in line with our outlook for 2017.

Turning to interest expense. Total cash interest expense on a consolidated basis increased to \$16 million, comparable to \$4 million a year ago, due to the interest on Netsmart's nonrecourse debt consolidated on Allscripts' balance sheet. This quarter, GAAP net income included transaction-related and other special costs of \$13 million. This reflects cost incurred associated with transaction activity, legal settlements and other costs.

Non-GAAP net income totaled \$23 million, and non-GAAP EPS totaled \$0.13 for the quarter. Non-GAAP results exclude noncash expenses, transaction and other costs. And as a reminder, non-GAAP EPS is calculated net of noncontrolling interest to reflect Allscripts' ownership portion of partially

MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

owned consolidated businesses. This result was flat compared to a year ago as strength in business results across the consolidated businesses were offset by interest expense and the minority interest on Netsmart included -- excluding per GAAP -- excluded per GAAP accounting requirements.

Turning to cash. Operating cash flow totaled \$76 million, comparable with Q1 2016, reflecting business results, offset primarily by increased interest expense from Netsmart debt. Cash -- free cash flow totaled \$27 million after adjustment for investment in software development and purchase software. Cash flow is consistent with our expectations for Q1, and as we have talked, will vary quarter-to-quarter. As noted last quarter, we expect both operating and free cash flow to grow double digits in 2017. However, this growth will be skewed toward the back half of 2017.

And finally, we are reaffirming our financial guidance for this year per our outlook provided in January. To recap, our guidance remains: Non-GAAP revenue of between \$1.71 billion and \$1.74 billion; adjusted EBITDA of between \$345 million and \$365 million, consisting of Netsmart adjusted EBITDA between \$90 million and \$100 million, including home care, and Allscripts, excluding Netsmart, adjusted EBITDA of between \$255 million and \$265 million; and finally, non-GAAP earnings per share growth of between 10% to 15%. As noted last quarter, we would expect Allscripts financial results to strengthen sequentially as we progress through the year, particularly in the second half of 2017.

And now I'll turn the call over to Paul.

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

Thanks, Melinda. Thanks, Rick. To summarize, Q1 was a solid quarter for Allscripts. This quarter demonstrates, among other things, the value and breadth of Allscripts' installed base. The operational discipline we are executing, combined with investments we've made, are delivering results for our clients and our shareholders.

During our Investor Day in March, we highlighted a broad portfolio of solutions, providing multiple pillars of growth for the end markets that we serve. Q1 results aligned squarely with that strategy. The core is strong with significant client expansions. Above the EHR, we continue to demonstrate the value of CareInMotion and Managed Services being sold beyond the acute market into the physician practices and to managed services organizations. This is an opportunity where we provide extraordinary value, given the history and expertise we have in the physician marketplace. EHR-agnostic solutions, such as CareInMotion, Revenue Cycle Management Services, Payer and Life Sciences, and Precision Medicine are being sold successfully outside the core installed base, providing additional stability and growth engines for the business model. As a result, we are confident in the underlying health of the Allscripts business, delivering on the opportunity to cross-sell new solutions into our base, growing wallet share and adding new clients. Sunrise has reached the point where we can compete with anything in the market, and in many cases, better than the other guys, due to the value proposition we bring and unique focus on open and interoperability solutions. Numerous clients have doubled down, adding Sunrise Financial Manager, Ambulatory and Surgery over the past few quarters. Allscripts' value proposition is strong. Clients are focused on high ROI relationships for the long term, and we have aligned the business model to meet those needs. So to reiterate what we said at Investor Day, we believe we are in the best position we've ever been with the diversified growth strategy and breadth and depth of cost-effective solutions offered through a compelling value proposition. With Netsmart, we now offer every conceivable solution to the largest and most complex health care providers, many of whom we are proud to call Allscripts clients.

From a regulatory perspective, we have seen a business-as-usual approach as organizations are focused on their ongoing strategic priorities, including the movement to value-based care and increasing consumer engagement. But we continue to monitor the activities in Washington. The reality tomorrow, despite today's vote, is that executives have health care businesses to run, waiting rooms full of patients to see and a bed census that needs attention. There is and will continue to be change in opportunities that come as a result of today's actions.

Let's go ahead and take your questions.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of David Larsen of Leerink.

David M. Larsen - Leerink Partners LLC, Research Division - MD, Healthcare Information Technology and Distribution

How much of the bookings came from Netsmart? Hello?

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

Dave, sorry. We lost, I think, the signal for a second. Dave, we're -- we had -- thanks for the comment. Our -- we haven't broke that out separately. We're trying to talk about a simpler, holistic story, but I think you should think of it as a number that's in -- close to \$50 million.

David M. Larsen - Leerink Partners LLC, Research Division - MD, Healthcare Information Technology and Distribution

Okay. That's great. And then can you talk about the Allscripts entry into, like, this London procurement hospital partnership? What exactly does that mean? It's my understanding that U.K. has somewhat of an unusual structure where you've got to sort of go through this formal process to be able to bid on these acute care facilities. Can you maybe talk a bit more about that, please?

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

Dave, this is Paul. That's exactly what it is. You have to qualify and be a certified player in the marketplace. It's somewhat similar to the ONC process here. We had to go through a certain level of requirements from a business stability standpoint, from a technical stability standpoint, reputation in the industry as well as, in our case, our ability to go back and show the folks in London, while this procurement framework was initiated -- I think it was a 2012 and '13 time frame originally. We were able to come back and get qualified for that even though round 1, 4 or 5 years ago, we were unable to do that. So it's an important piece of business for us from a standpoint of being able to compete for and win business in that marketplace. I'd also remind you that we did sell in the London marketplace, King's College, already, and that's sold and installed and operating successfully.

David M. Larsen - Leerink Partners LLC, Research Division - MD, Healthcare Information Technology and Distribution

Okay, great. And then just one last one. In terms of, like, the number of new Sunrise deals that you hope to sign in 2017, would you expect that to exceed the number of 2016 deals?

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

We would expect the number of hospitals to be greater this year than last year. That's certainly what our sales ambitions are.

Operator

Our next question comes from the line of Jamie Stockton of Wells Fargo.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

Jamie Stockton - Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst

I guess, on the ambulatory business. I think, in the press release, you guys called out that both TouchWorks and Pro were strong in independent physician groups. Any color on what you're seeing in the ambulatory space? Are independent practices making more decisions right now than employed? Just anything there would be great.

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

I think, Jamie, most of the action that we're seeing are a desire to augment the technology they have with either some of the value-based care tools that I've talked about a couple of examples of or availing themselves of managed services. In a particular revenue cycle, management services are very -- there's a lot of market activity around that right now. So those are, I think, strong points for us. Most of those, you only get -- I shouldn't say you only get. The value-based care tools are appealing to clients that are not necessarily EHR clients of ours. But with rev cycle, that's a -- that's really highly connected to EHR. So in the EHR footprint, we have is -- and that large base we have from that really expands those opportunities for us.

Jamie Stockton - Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst

Rick, is there any way to quantify what churn looks like right now and whether it's been coming down because you're going into that base with RCM and maybe that's addressing a need that they might have looked elsewhere for? Or just making it a stickier relationship?

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

I think -- so I would say churn, just in general, Jamie, is not out of -- hasn't changed from what we've seen, like, over the last couple of years, frankly. I mean, I think we, over the last couple of years, have seen a general slowing down of churn out of our base, at least our EHR base. We had some very old legacy practice management systems that we had experienced churn on. And that, just by law of numbers, will kind of come down. But for the EHR client base, it has nothing unusual happening churn-wise. So we feel good about the foundation that, that provides. And that fosters a lot of opportunities for -- not to be repetitive, but again, above the EHR solutions, revenue cycle and other managed services solutions, and frankly, it fuels our Payer and Life Sciences business, which has seen tremendous expansion opportunities on it. So beyond that, though, if you're looking at the core, is there -- are there any churn trends different than what we've seen? No, no.

Operator

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

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

Yes. Just really quick. With respect to bookings, I appreciate the comments earlier. Could you just remind us whether there was anything large in the first quarter of last year that maybe made the comp on core more difficult for you guys?

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

There's -- I mean, we had a very good first quarter. Last year, you'll remember, it was a record. Was there anything unusual in it? I mean, we had a fairly -- we had a couple of big expansions, I think, in Q1 last year, Richard, but I think we had a decent-size expansion: 1 Sunrise expansion and 1 TouchWorks expansion last year. That kind of gave a little bit of a pop, but I wouldn't say there was anything that -- any kind of bluebird that really made it an unusual thing.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

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

Okay. And then as we think above the EHR, appreciate the comments there, can you talk whether you've had any success above the EHR and then going back and maybe selling in either practice management or revenue cycle or even the EHR back into some of those clients outside the base that you're starting off with and above the EHR?

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

Yes, there's a couple of examples to that but we're not the core, if you will, on a large integrated delivery network, we're not the core inpatient EMR. We were, in one case, 1 of 7 ambulatory EMRs. We had dbMotion installed there, and they -- on a -- from a total population health management strategy, made a decision about, I'd say, 18 months ago, that they really wanted to go with us for all those solutions. So when it came time for their ambulatory rationalization where they had 7 different EMRs, they picked us and basically just looked at us and looked at the incumbent inpatient EMR supplier. And that was a good win, and that was really driven more of around a successful deployment of TouchWorks, in that case, a multiyear deployment of that, but also our broader strategy around how we're going to connect everything outside the 4 walls of the hospital. And I would add also that we're getting a fair amount of traction on the practice management, just stand-alone practice management. We talked about our relationship with Concentra. That's a good example of one very large one where that was a key driver of that relationship. We're getting a number of larger organizations that are coming back with all the complexity around the multistate and multi-entity, single-tax, multi-tax, all that. Our practice management system does a spectacular job for large, complex organizations.

Operator

Our next question comes from the line of Stephanie Davis of JPMorgan.

Stephanie July Davis - *JP Morgan Chase & Co, Research Division - Analyst*

So Sunrise has seen some significant increase in traction lately, internationally. If we go into U.K. and I know you've talked a little bit about that. Could you give us some color on just what clicked or what investments were made to spur all of this recent activity?

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

I'd say, outside the U.S., the focus has really been on the Sunrise platform being deployed very, very carefully and very effectively. And by that, I mean, when you go into a country, you want to make sure you staff that properly. You want to make sure that the expectations are set properly. You want to make sure that, that gets funded on both sides appropriately, and you have the right skill sets that are deployed to make those things go in well. But we've done a very good job, in my opinion. And I think our clients would echo that mostly because they're all reference-able. And I think that, that has a great deal of traction outside the U.S. when you go into a market, you have engineers in country, you have people in country, you have an office and facilities in country. And you demonstrate to that specific Minister of Health or whoever it might be, that you are dedicated to that organization, and to -- and to the people that live there. I think that's a different approach, and it's a long-standing approach that we've had. But the very important and directed nature in which we go selectively choose these places, but importantly, the way that we deploy them and make sure that we're successful and they tell us that we're successful is a hallmark of our success.

Stephanie July Davis - *JP Morgan Chase & Co, Research Division - Analyst*

And just a quick follow-up to that. Just given that cross-sell is a bit of a different pitch than selling into a greenfield opportunity, how are you thinking of differentiating your sales approaches for the domestic hospital market versus international or behavioral health?



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

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

The cross-sell really have to do with making sure that the -- our clients understand the different platforms that we offer. So just inside of Sunrise, the surgery, the ambulatory, the ED, the Sunrise Record Manager, those solutions that are out there, precision medicine, population health, are all, if you will, new platforms and new solutions that they could avail themselves of today as they weren't available in the 2012, '13 time frame. And then you add to that services around hosting, outsourcing, Revenue Cycle Management. Those are all things that, from a cross-sell, up-sell standpoint, we encourage our teams to make sure that they're well vetted on. And I think, in today's environment, the large organizations are looking to not only optimize investments that they've made but also to rationalize their accounts payable, meaning they're going to -- they're doing a lot of introspection on where the spend is and who they're spending it with in trying to reduce the complexity and to reduce the number of suppliers that they have that they write checks to every quarter. And I think that helps advantage us where we are in, where we're the incumbent, and we've given them good service.

Operator

Our next question comes from the line of Michael Cherny of UBS.

Michael Aaron Cherny - *UBS Investment Bank, Research Division - Executive Director and Healthcare Technology and Distribution Analyst*

In terms of thinking about kind of some of the elephant-type deals in the market, Paul, I think you mentioned -- and I apologize if this is Rick's comments, but how Sunrise is well positioned across the board now. It was competitive as you can recall it ever being. Clearly, there's a pretty sizable government contract maybe coming down the pipeline. Can you just refresh us, in the event that, that does come, with your positioning was with regards to the DoD contract and kind of the foot forward you put there in terms of characterizing whether or not you might be a candidate for a potential investor replacement?

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

Sure. Thanks, Mike. Allscripts continues to expand our existing relationships with various government agencies like the NIH and the National Cancer Institute. And currently, we are closely watching and participating in the market valuation that's underway for the Department of Veterans Affairs as well as the U.S. Coast Guard. They're both looking to modernize the existing platforms, or they're going to purchase commercial solutions to meet their health IT demands. On both opportunities, we feel great about not only having a flexible electronic health record in data technologies, but we also have a very sophisticated interoperability that aligns extremely well with their agency missions. I'd say we also ultimately would be honored to contribute to the better care for the veterans and for the active-duty Coast Guard, helping them to broadly share information between the government and private health care providers, which is a nuance there that I think is also quite important, given that such a large number of those community physicians are already on an Allscripts electronic health platform. So we see it as, Mike, as a big opportunity, if it goes forward. And given the competitiveness that we showed when we competed for the DoD, we were not eliminated for any of the technical specs, for any of the application specs, for any of the workflow specs, the security specs, the size of company, any of that; we did not make the final for a couple of other issues, but we feel very good about the end-to-end competitive nature of where we find Sunrise circa 2015.

Operator

Our next question comes from the line of Robert Jones of Goldman Sachs.

Adam Chase Noble - *Goldman Sachs Group Inc., Research Division - Research Analyst*

This is Adam Noble in for Bob. You mentioned strength in the clinically integrated network market, including one network where you -- kind of you said you had 2,000 physicians and 1,000 specialists. Just on that contract specifically, is that an exclusive contract or more of a hunting license? And more broadly, what do you think are the main contributing factors to the traction you're seeing there?



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

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

It's a second step, Adam, in the relationship. We secured that relationship last year. It was a pretty large commitment on their part to adopt our clinical records, web cycle solutions and rev cycle services around it. And so with our start to that relationship, and it's gotten off to a good start, they were ready to effectively double down with Allscripts. So that's what's happened there.

Adam Chase Noble - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Great. And I apologize if I missed this before, but you mentioned Netsmart contributed about \$50 million to bookings in the quarter. Could you give the contribution to revenue as well?

Melinda D. Whittington - *Allscripts Healthcare Solutions, Inc. - CFO*

Yes. Netsmart's -- is broken out as a segment in our Q, and so that will give you the GAAP numbers, which are roughly in line, the differences are fairly small. And so that's probably the best way to continue to get some perspective on how Netsmart is contributing.

Operator

Our next question comes from the line of Ross Muken of Evercore ISI.

Elizabeth Hammell Anderson - *Evercore ISI, Research Division - Associate*

This is Elizabeth Anderson in for Ross. I was just wondering if you could give us a little bit more information on what the noncontrolling interest is in the quarter for Netsmart?

Melinda D. Whittington - *Allscripts Healthcare Solutions, Inc. - CFO*

Yes. So -- I mean, the adjustment shows up, right on the face of the income statement. And due to the redeemable convertible noncontrolling interest complexity, so that shows up as an \$11 million impact on the income statement for the quarter.

Elizabeth Hammell Anderson - *Evercore ISI, Research Division - Associate*

Okay. That is the same. Okay, I just wanted to clarify that. And then more broadly speaking, could you talk about the composition of bookings in terms of, like, SaaS versus non-SaaS composition? Maybe, like, in the quarter or more generally, over the course of the past year or so?

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

Well, I mean, look, we talked about a good mix between software and services. I think the SaaS, non-SaaS is a simple question, complicated answer. As you've heard, all of the providers or most of the industry participants who originally built on-prem software provide hosting services to some degree. So it's sort of a -- it's a SaaS model in the eyes of the client. And that's -- there is extensive penetration of the base on that. So you should just think of it as a good mix between software and services consistent with what you've seen from us in the past, and within that is a fair amount of a services content that actually represents providing a SaaS-type solution to those clients because we're doing hosting on their behalf.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

Operator

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

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

I wanted to ask about the client services gross margin. Melinda mentioned some investments ahead of schedule upgrades for clients later this year. So can you provide some details around that? Is that related to professional services personnel for the 2015 edition software migrations for meaningful use in MACRA? Or were there other drivers around that?

Melinda D. Whittington - *Allscripts Healthcare Solutions, Inc. - CFO*

Yes, that's exactly it. You're right on.

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

And then maybe following up on that, how are your clients thinking about those migrations? I know hospitals have been given a little bit more flexibility. Does that impact their upgrade schedule? What's the discussion like on the physicians side with MACRA? And then maybe, more broadly, just give us a sense if those migrations are at all material to revenues in '17 on the professional services side.

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

Well, I'll take those in backwards. I mean, we guided in, as we came into the year, that we had some -- we had confidence that the nonrecurring revenue was not going to likely be a drag on our overall results. And that was, in part, driven by the fact that we knew we'd have a fair amount of upgrade activity during the year. So we continue to see that, Matt. And so I would say, is it a material contributor in terms of growth year-over-year? Probably not. But it's a -- it's helpful to make sure that the project-based services continue to be strong and not become a drag, right, on the revenue results. Are -- and then -- I mean, the second part, are clients, particularly the ambulatory clients, ready to do the upgrades? Yes. I mean, there's -- I mean, they certainly are signing up rapidly for -- and kind of getting delivery slots, if you will, for those upgrades and doing the internal prep as well as the prep with us to make that happen. The larger the client and the larger their environment, the more of a -- the little more of an ordeal -- not ordeal, but it's a bigger job, smaller Pro clients, it's a pretty quick upgrade process.

Operator

Our next question comes from the line of Eric Percher of Barclays.

Eric R. Percher - *Barclays PLC, Research Division - Senior Analyst*

So maybe along the same lines. I think I heard a comment to the effect of business as usual from the clients' perspectives on the political environment. Is that the case with respect to onboard timing as well as the overall purchase decisions? Are we seeing any elongation post-sale?

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

This is Paul. The -- my comments there have been historic rates, so we have not seen a pause or what it had been professed for that to come. And the way I would describe it is, what we do for these folks is mission-critical, and these applications are widely adopted inside of these organizations. And we've always been focused, from an ROI perspective, on creating efficiencies for these folks. So that mantra is that, if you will, mandate for our clients to us is never going to be any more acute than it is right now, especially going forward. And that gives us opportunities in this belt-tightening environment that we may find ourselves of people that are going to look at other things to create efficiencies around whether that'd be letting us



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

run the computers for them or hosting, whether they continue to rationalize their software portfolios, which we're seeing. Maybe they'll take a very large line item personnel and outsource that to us. And certainly, we've been having a lot of traction with the revenue cycle outsourcing capabilities certainly on the low end of the market with the physicians, but also, that's moving upstream pretty rapidly, which is emblematic of what happened last quarter with a couple of the deals we did and a couple of the larger deals we did this quarter. So that all feels pretty good. I think the -- I've not had big discussions with folks where people are talking about elongating things or the wait-and-see thing yet. And I'm not in every single meeting. But our results continue to be what we've been guiding to. And I'm not seeing any deviation from that. Eric, it's a tough environment, but we've been in a tough environment for a long period of time, and we get through it. I think our scale, size, breadth and depth really also helps us to pivot to different discussions depending upon what organization we're in and what problem we're trying to solve.

Eric R. Percher - *Barclays PLC, Research Division - Senior Analyst*

That's helpful. And those -- in those areas where you're able to help address cost, are those almost always service areas? Are they R&D investments that you're making or software investments to help address those issues?

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

We continue to make a lot of investment in R&D for all the different platforms that we operate on. So that's why the R&D investment is actually up double digits versus Q1 of 2016. We continue to invest in that organic growth component. If you're talking about, are we doing about special projects? Is that the question?

Eric R. Percher - *Barclays PLC, Research Division - Senior Analyst*

Yes.

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

I think that from time to time, we will do a special project, but it's got to be something that scales for that client. And importantly, if you can do it there, you make it replicable. And we're very interested in doing that.

Operator

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

Mark Lewis Rosenblum - *Morgan Stanley, Research Division - Research Associate*

It's Mark on for Ricky. Just a question on bookings. With the \$50 million contribution from Netsmart, I think it implies about a minus 6% growth year-over-year. What's happening from a booking standpoint on the core business ex Netsmart?

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

All right. Well, so let's start with the fact. I said it's around \$50 million, okay? So I just want to be -- let's be clear and not get too precise. There was a question earlier about was there anything in the comps from last year. Yes. And I said we had some -- we did have some expansions in it. I didn't -- I don't want to talk about year-over-year comps and kind of blame artificial things at all. So I want to steer away from that. But at the same time, it was a strong record first quarter of last year that was well in excess of the previous first quarter. And you're now down into dollars that represent just -- did the deal close in the last week of the quarter or did not? So I don't think that you can read any further into it than that.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

Mark Lewis Rosenblum - *Morgan Stanley, Research Division - Research Associate*

Okay, okay. Got you. And then on athena's call, they noted in their RCM segment that they were seeing a decline in volume of claims. I'm just curious. Are you guys seeing a similar trend? Or is that unique to athena?

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

Well, I mean, look, it's -- athena has pursued a different business model for a lot longer period of time, and so their leverage or exposure to that kind of metric is significantly bigger than anything we would have. We are going -- we are building a Revenue Cycle Management Services offering. And in doing so, we have pricing models that are very similar to what athena brings to the market. So we grow a little bit of that exposure, but it's -- it doesn't have anywhere near the level of leverage on our business that I think what they're doing has on there. So it's not a trend that I'm seeing, but it's also -- if it was happening, it wouldn't have an impact that I would have a lot of focus on at this point. So I can't say whether their trend, that they talked a lot about, is real or not.

Operator

Our next question comes from the line of Mohan Naidu of Oppenheimer.

Mohan A. Naidu - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

I guess, 2 quick follow-ups. First, Paul, on the macro environment, I guess, the macro regulations. Do you see opportunities to gain some share on the physician market? And how do you see physicians who are not on the prominent platforms reacting at this point?

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

Thanks for the question. We do, and we've been actually taking advantage of that. There's been some solution providers that are out there in -- as you remember, there was 490-plus ONC-certified EMRs back in the 2013, '14 time frame. Some of those have raised their hand and said, "We are not going to participate in this next round which we are currently shipping software for." And so that presents an immediate opportunity to go into that replacement market because, unfortunately, those people, the physicians that have that software installed have to move to something else in order to be compliant. But the broader question about MACRA, there's no -- from my opinion and from what I'm reading or have been hearing and certainly, what I've seen thus far from the new administration, the value-based care train has left the station, whether it's the MACRA or the 21st Century Cures, both of those things have bipartisan support. They've both been reviewed a couple of times, but those really enforce the payment for quality and the payment for things other than fee-for-service. So the impact to physicians to get their enhanced quality kicker is going to be completely dependent upon their ability to be compliant with the regulations and the reporting that they need to have, which our software does. So that does absolutely present an opportunity for us, and it's been something we have been selling when we talk about new business sales. That is a piece of where -- especially on the independent market that we've highlighted this quarter, but in subsequent quarters and in previous quarters, we expect that trend to continue where we are, a significant market share gainer there.

Mohan A. Naidu - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Great, great. And one last follow-up. I guess, on an earlier question you commented about the DoD contract and a couple of issues precluding you from getting to the final round. And you said it was not product-related. Can you expand on those? And can you confirm that they are addressed at this point as they're going into the new opportunities now?



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

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

Yes, I apologize. We did make it to final round. It was basically based on price.

Operator

Our next question comes from the line of Nick Jansen of Raymond James.

Nicholas Michael Jansen - *Raymond James & Associates, Inc., Research Division - Analyst*

Just wanted to talk a little bit more about free cash flow. It did come a little bit light. I know it's more back-end-weighted this year. Just wanted to get your better understandings of why it's back-end-weighted this year. It's been the last couple of quarters we've seen some decline year-over-year. And then in terms of use of cash, how do you think about that cash flow deployment this year? We didn't see any buybacks in the quarter.

Melinda D. Whittington - *Allscripts Healthcare Solutions, Inc. - CFO*

Certainly. I mean, looking at Q1 cash, if you try to compare it to Q1 a year ago, a couple of things. One, you are just going to have variability in any individual quarter, so it's better to look at it over the longer term. But comparing to last year, with the Netsmart business, that drives a couple of fairly significant changes. One, Netsmart's business model tends to be even more significantly driven back half and strengthening throughout the year as well as you now got the interest expense load from Netsmart's nonrecourse debt. On top, if you compare this year to a year ago, you've got -- we are investing more in capitalized software and development as we continue to innovate. And so those investment levels look a lot more like Q4 last year as we go into Q1, which is exactly what we expected. So we do see cash continuing to strengthen just through the seasonality of how those things will play through, and we'll see some variability quarter-to-quarter. Now that said, we did a pretty significant amount of buybacks last year. We still have quite a bit of headroom under our plan that is open through 2019. And we'll continue to be opportunistic as we evaluate various uses for cash and what makes the most sense relative to continuing that buyback process.

Operator

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

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

You discussed moving upmarket in RCM services, and I believe that was on the ambulatory segment. But I want to ask about the next step and whether you've made any progress offering outsourced RCM services or inpatient or just whether increasing adoption of the Sunrise Financial Manager is the bigger focus at this point.

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

The latter, what you said. Our focus in inpatient is about getting Sunrise Financial Manager adopted by a larger chunk of our base. It's not -- the services in that space is not likely we'll do anytime soon. We would partner with somebody, probably, if we wanted to offer that to the market.

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

Understood. And can you give us some type of order of magnitude on the opportunities for achieving greater or full adoption of Sunrise Financial Manager across your acute base?



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

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

Well, listen, we think the reimbursement model just gets more complicated all the time. And so all of our Sunrise clients, we think, ultimately, should be very good targets for the integrated accounting and revenue cycle system. So we have very high expectations of adoption. There's different rules in different states, so the solution has to kind of think about it rolling out state by state, but we're very bullish about the opportunity there.

Operator

Our next question comes from the line of Charles Rhyee of Cowen and Company.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

I want to ask somewhat of a bigger-picture question. Obviously, a lot of work has been done with CommonWell and Care Quality, and it looks like we're really kind of reaching a new -- a wider ability for interoperability. And I wanted to ask you guys where do you think that progress is currently? What are the opportunities you think that creates for you? And maybe some of the activity that we're seeing currently in your results and then the -- and in your pipeline, would you be able to attribute to that kind of greater level of data liquidity?

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

So I mean, Charles, yes, I'll start, and then Paul will add on any -- listen, when you talk about the theme of interoperability, in our view, there's not a single silver bullet answer to that. That's a mosaic of approaches that really answer and help deliver on the promise of interoperability. Our core systems -- I mean, Open has always been part of our tagline. Our core systems are very easy to interface with. We have published APIs on all of our core systems in a very robust third-party partner program that just keeps growing and growing and growing in terms of number of data exchanges, number of partners that are writing software against our APIs and a number of applications that have been adopted by our customers. So that is a big element, in our view, of what interoperability means in real as opposed to a single standard or approach or initiative that might get a lot of press. But beyond that, our commitment to dbMotion has been all about interoperability as well. We think it's a unique solution in the market and provides true data harmonization as opposed to some other people's version of what data harmonization means. So that's another big commitment in our area. And I think we'll continue to expand our approaches and offerings we have to our clients that represent interoperability and including things like CommonWell or Care Quality. I mean, we're a founding member of CommonWell, and we continue to stay close to it. And so -- I think there's a whole litany of areas that I think represent interoperability at large, Charles. So those are just a few that I have to say. Paul, anything you want to throw in there?

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

No.

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

No? Sorry. What did you say, Charles?

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Yes -- no, I was just going to add, I mean, I appreciate your answer, and I understand what you mean here. I guess the point I was getting at is, if we think about some of the larger -- even larger peers like an Epic that's now, let's say, been more open in terms of their systems and now we're able to let -- move data more easily across platforms, does that allow you greater success than in, let's say, your ambulatory offerings or it allows



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

your clients to pick and choose the systems that they really prefer versus feeling forced into sort of a single vendor environment? And so I was just curious to the extent that, that kind of perception helps you?

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

Listen, again, I think data interoperability -- and again, true harmonization of information in a usable way in the clinical workflow is the holy grail for most providers. And we think, again, dbMotion, which has, from our standpoint, always represented to the market an opportunity to not have to rip and replace perfectly good working clinical systems if they work for you, and achieve that type of true harmonization of data, we think is -- again, it's the biggest differentiator in this industry as far as we're concerned. But I think -- I'm not sure if I really understand your point. But I mean, yes, is Epic trying to get more open than they've been? We think they are. I mean, I don't -- we won't answer for them. But yes, we think they're trying. We think all the vendors are trying. But we do think we have differentiation relative to what's out there in the market today.

Operator

Our last question comes from the line of Sean Wieland of Piper Jaffray.

Sean William Wieland - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

I was hoping you could help me get a little bit smarter on these clinically-integrated networks. I appreciated your comments in the prepared remarks. But is it -- is this segment a growing and/or meaningful part of your pipeline? And if there is such a thing as a typical deal, what does a typical deal look like? Are any of these including EHRs or revenue cycle components or just population health management?

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

Well, Sean, it's an emerging area. And so I think it's too hard for us to make too many conclusive statements about it. But it's an area -- I mean, certainly, independent physicians are not looking to stand alone in this bigger and more difficult world. So they're looking to thinking how -- and think about and try to strive for some level of clinical integration as they share patients. And they're using buying agencies, if you will, to help them make common decisions. And so that's what these MSOs, that's what these IPAs are representing. And most of them, because they're client-based, usually has a litany of different solutions. They're trying to say, "What can I add on top of what we already have to achieve some of the goals we have?" as opposed to, "Let's rip out everything all of us are operating and start over again." So we think -- my sense is it's going to be mostly around value-based care tools, Sean. But it's quite possible that it could expand from there. And in some of it, it will be -- depends on how many nodes on this clinically integrated network do we have. And I think smaller ones might look -- to create common technology up and down from above the EHR to all the way down to below the EHR. But more and more, as financial pressures grow, our view is health care providers won't to rip out perfectly good functioning systems if the providers, if the vendor they have is continuing to deliver what's needed. So that's how we are building our business, is with that in mind.

Sean William Wieland - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

And do you see that there's typically a sponsoring organization, like a big namebrand health systems sponsoring these? Or in your pipeline, are you seeing them kind of grow from the bottom up?

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

Well, the ones that we referred to, these are independent physicians. And so they're sort of -- they are aligning, again, under either an MSO or some kind of IPA, for the most part.



MAY 04, 2017 / 8:30PM, MDRX - Q1 2017 Allscripts Healthcare Solutions Inc Earnings Call

Operator

There are no further...

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

Thanks, everyone.

Operator

There are no further questions over the audio portion. I'd now like to turn the conference back over to the management for closing remarks.

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

Thanks, everybody, for joining us today. We'll be quite busy this upcoming quarter working closely with our clients as well joining numerous conferences and meetings with investors in several cities. In addition, please mark your calendars for Tuesday, August 8, for the first day of the Allscripts Client Experience, or ACE, to be held here in Chicago. We are planning to have an investor community track for you folks, and we certainly invite you to come join us.

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

Thank you very much for your time today. Have a great evening.

Operator

This concludes today's conference. Thank you for participation. You may disconnect your lines at this time. Have a wonderful rest of your night.

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.

©2017, Thomson Reuters. All Rights Reserved.

