

# Investor Presentation

## January 2018

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Jamie Arnold, Chief Financial Officer

# Safe Harbor Provisions for Forward-Looking Statements

This presentation and the accompanying oral statements may contain forward-looking statements within the meaning of the federal securities laws. Statements regarding future events, developments, the Company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future (including, without limitation, statements concerning revenue and net income), are forward-looking statements within the meaning of these laws and involve a number of risks and uncertainties. Management believes that these forward looking statements are reasonable and are based on reasonable assumptions and forecasts, however, undue reliance should not be placed on such statements that speak only as of the date hereof. Moreover, these forward-looking statements are subject to a number of risks and uncertainties, some of which are outlined below. As a result, actual results may vary materially from those anticipated by the forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the volume and timing of systems sales and installations; length of sales cycles and the installation process; the possibility that products will not achieve or sustain market acceptance; seasonal patterns of sales and customer buying behavior; impact of incentive payments under The American Recovery and Reinvestment Act on sales and the ability of the Company to meet continued certification requirements; the development by competitors of new or superior technologies; the timing, cost and success or failure of new product and service introductions, development and product upgrade releases; undetected errors or bugs in software; product liability; changing economic, political or regulatory influences in the health-care industry; the effectiveness of M&A strategies and integration efforts; changes in product-pricing policies; availability of third-party products and components; competitive pressures including product offerings, pricing and promotional activities; the Company's ability or inability to attract and retain qualified personnel; disruptions caused by corporate restructuring plans and business strategy shifts; possible regulation of the Company's software by the U.S. Food and Drug Administration; uncertainties concerning threatened, pending and new litigation against the Company including related professional services fees; uncertainties concerning the amount and timing of professional fees incurred by the Company generally; changes of accounting estimates and assumptions used to prepare the prior periods' financial statements; general economic conditions; and the risk factors detailed from time to time in the Company's periodic reports and registration statements filed with the Securities and Exchange Commission.

# Investment Highlights

- 1 New management positioning streamlined company for growth
- 2 Highly profitable, strong recurring revenue base
- 3 Large footprint with existing customers, massive cross-selling opportunity
- 4 Launched platform as a services strategy
- 5 Well positioned to capitalize on emerging fee-for-value / population health market
- 6 Significant cash flow with dry powder for both organic and inorganic growth

# Company Introduction



# NextGen Healthcare at a Glance

Our solutions provide our clients in the ambulatory care market with the ability to redesign patient care and other workflow processes while improving productivity through the facilitation of managed access to patient information

**NASDAQ:** QSII

**Market Cap:** ~\$850M

**LTM Revenues:** \$523.8M

**Headquarters:** Irvine, CA

**Employees:** ~3,000 worldwide

**Founded:** 1974



**7,000+**  
Clients

**90,000+**  
Providers

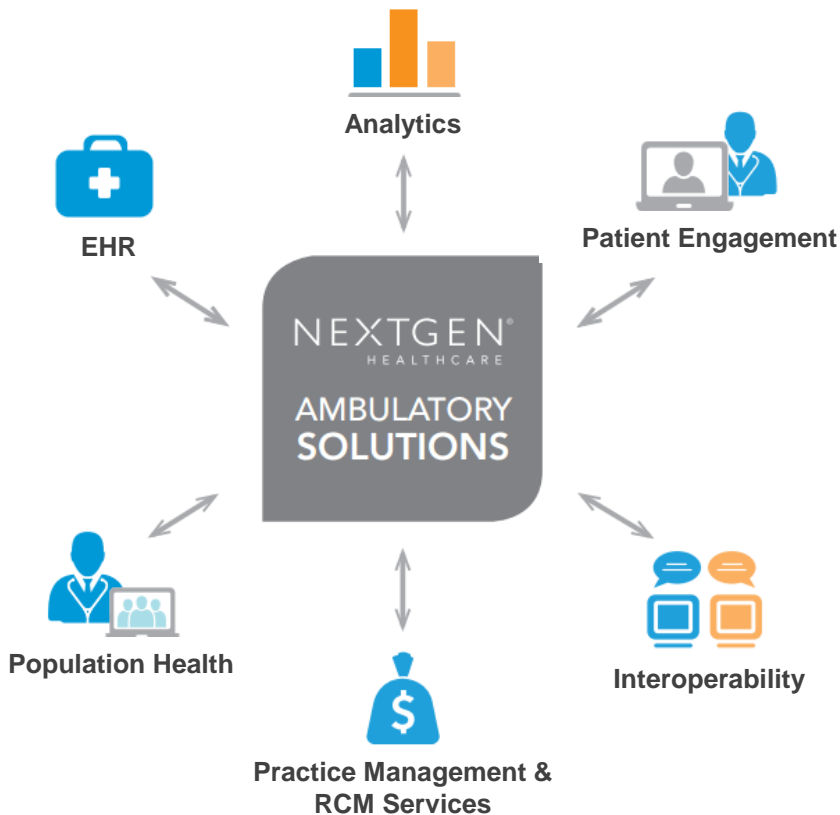
## Our Mission

Enrich the ambulatory patient care experience, promote healthy communities and empower physician practice success while lowering the cost of healthcare

# Recent Highlights

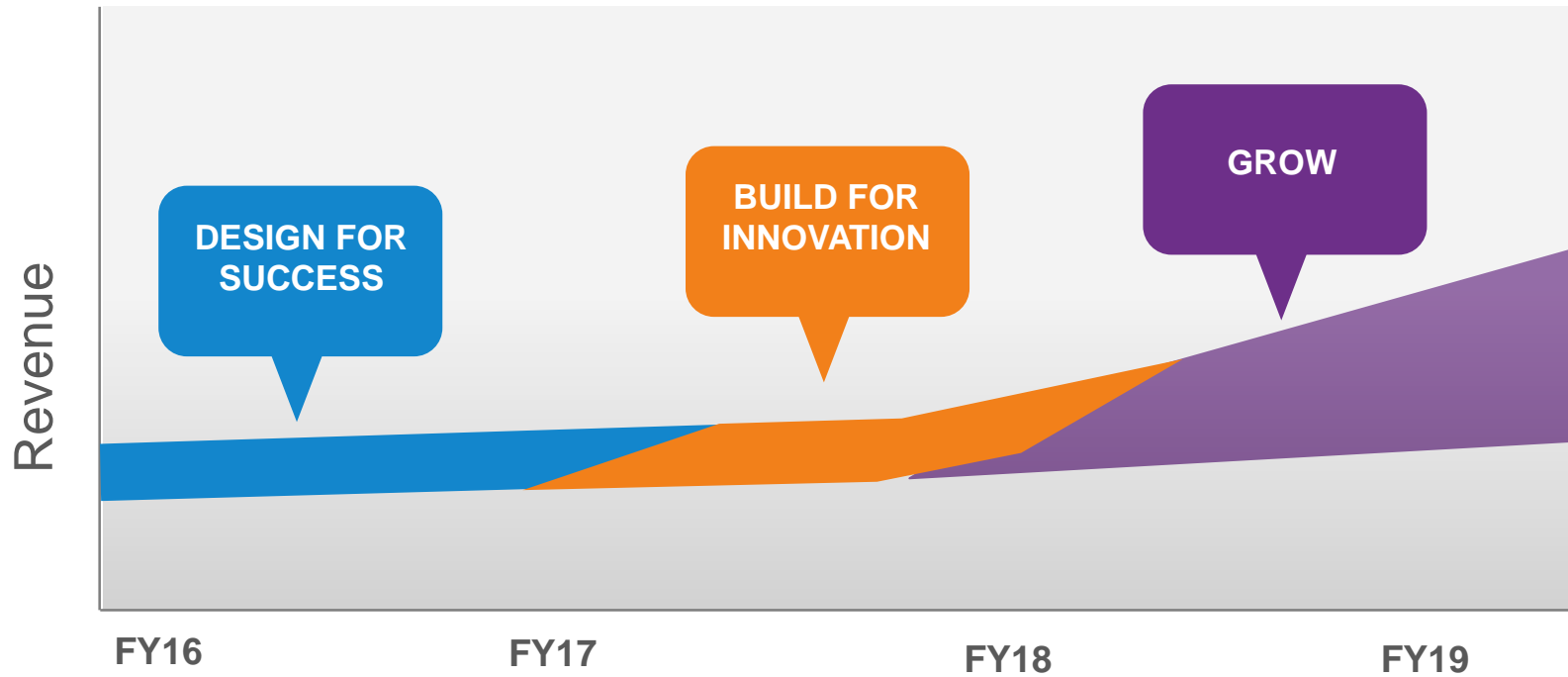
- **Significantly increased customer satisfaction** to 7.3, an increase of 38% from when we started our transformation two years ago
- **Stabilized customer attrition** to normal levels over the past two years
- **Most improved in KLAS ratings** (June 2017) as the only practice management provider that experienced significant improvement in KLAS ratings over the past year
- **Acquired Entrada** (April 2017) to increase productivity and satisfaction for physicians and enable a richer patient-provider experience
- **Expanded Partnerships** to streamline our Revenue Cycle Management capability
- **Acquired Eagle Health** (July 2017) to provide data and analytic tools in an effort to optimize practice performance

# Consolidated Solutions For Ambulatory Clients



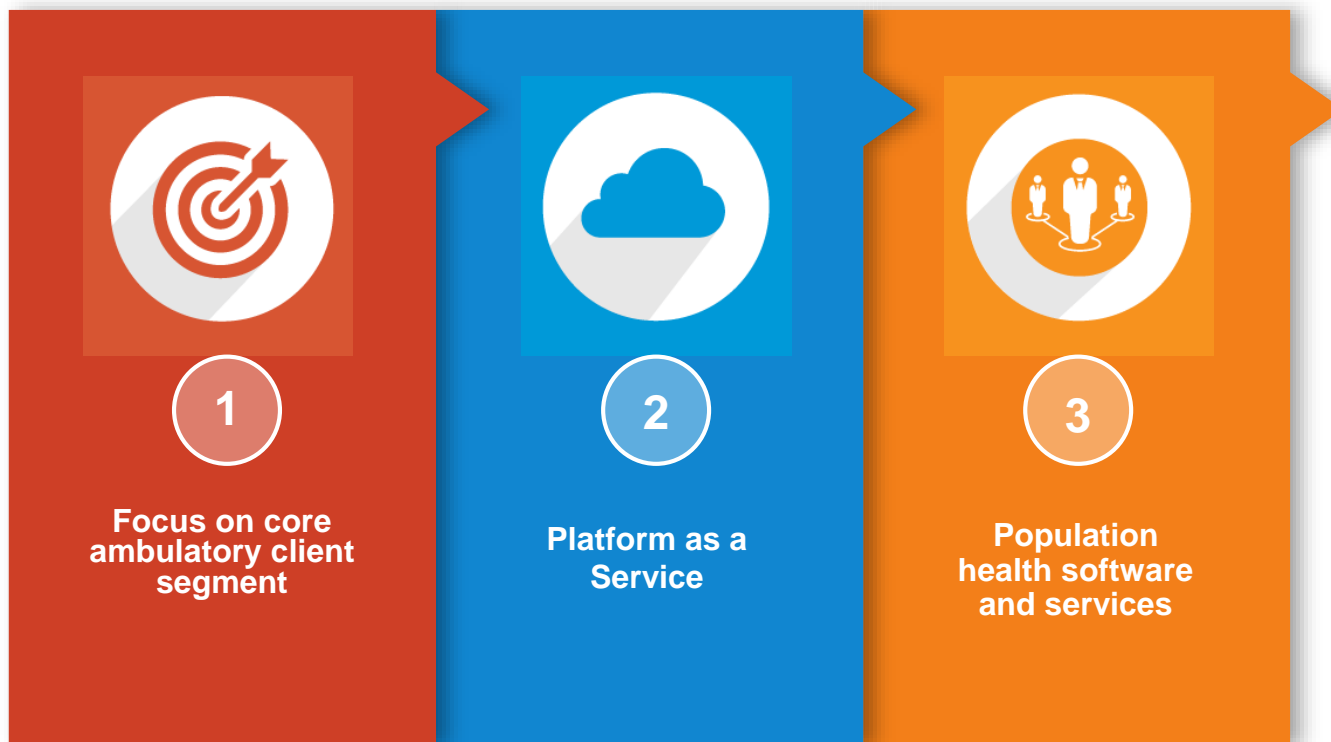
- Streamline and improve patient care
- Enhance care coordination
- Improve clinical outcomes
- Optimize financial results
- Solve interoperability challenges
- Reduce per capita healthcare costs

# 3 Phase Approach to Unlock Value





# Aligned Around Three Key Strategies



# Experienced Executive Leadership Team

| Executive      | Title | Joined    | Experience   |
|----------------|-------|-----------|--|
| Rusty Frantz   | CEO   | Jun 2015  |  CareFusion  Omnicell®  PYXIS  OutPurchase   |
| Jamie Arnold   | CFO   | Mar 2016  |  KOFAX  NUANCE  cadence  Informix®  |
| David Metcalfe | CTO   | Feb 2016  |  CareFusion  Allscripts™  Hill-Rom  |
| Scott Bostick  | COO   | Mar 2016  |  CareFusion  PYXIS   |
| John Beck      | CSO   | July 2016 |  Connexa HEALTH  Allscripts™  |
| Donna Greene   | HR    | Nov 2011  |  ALLIANCE HEALTHCARE SERVICES  TARGET   |
| Jeff Linton    | GC    | Dec 2017  |  applied proteomics inc.  sequenom  BECKMAN COULTER  Serologicals Corporation |

# NextGen 2.0



# Unsustainable Healthcare Economics Drive Market Evolution



# This Evolved Market Has New Needs

**2020: \$13.0B<sup>1</sup>**

## Analytics

- Gaps in Care
- Patient Risk Stratification
- Predictive Modeling

## Consumer Experience

- Mobility
- Virtual Care Settings & Telehealth
- Targeted & Personalized Messaging

## Care Team Operations

- Collaborative Care Plans
- Provider to Provider Secure Messaging
- Triage & Task Prioritization

## Risk Management

- Risk Stratification
- Cost, Quality & Experience Monitoring
- TPA

## Finance / Cost

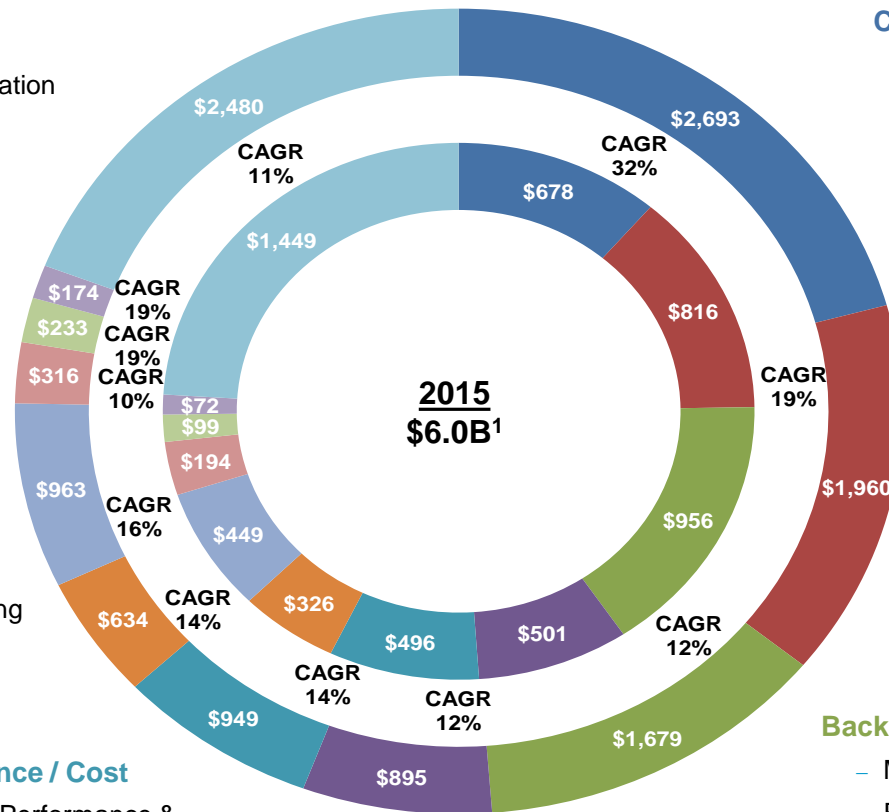
- Performance & Resource Mgmt
- Contract Mgmt
- Cost Modeling

## Data Integration

- Clinical & Financial EDW
- Health Information Exchange

## Back Office Support

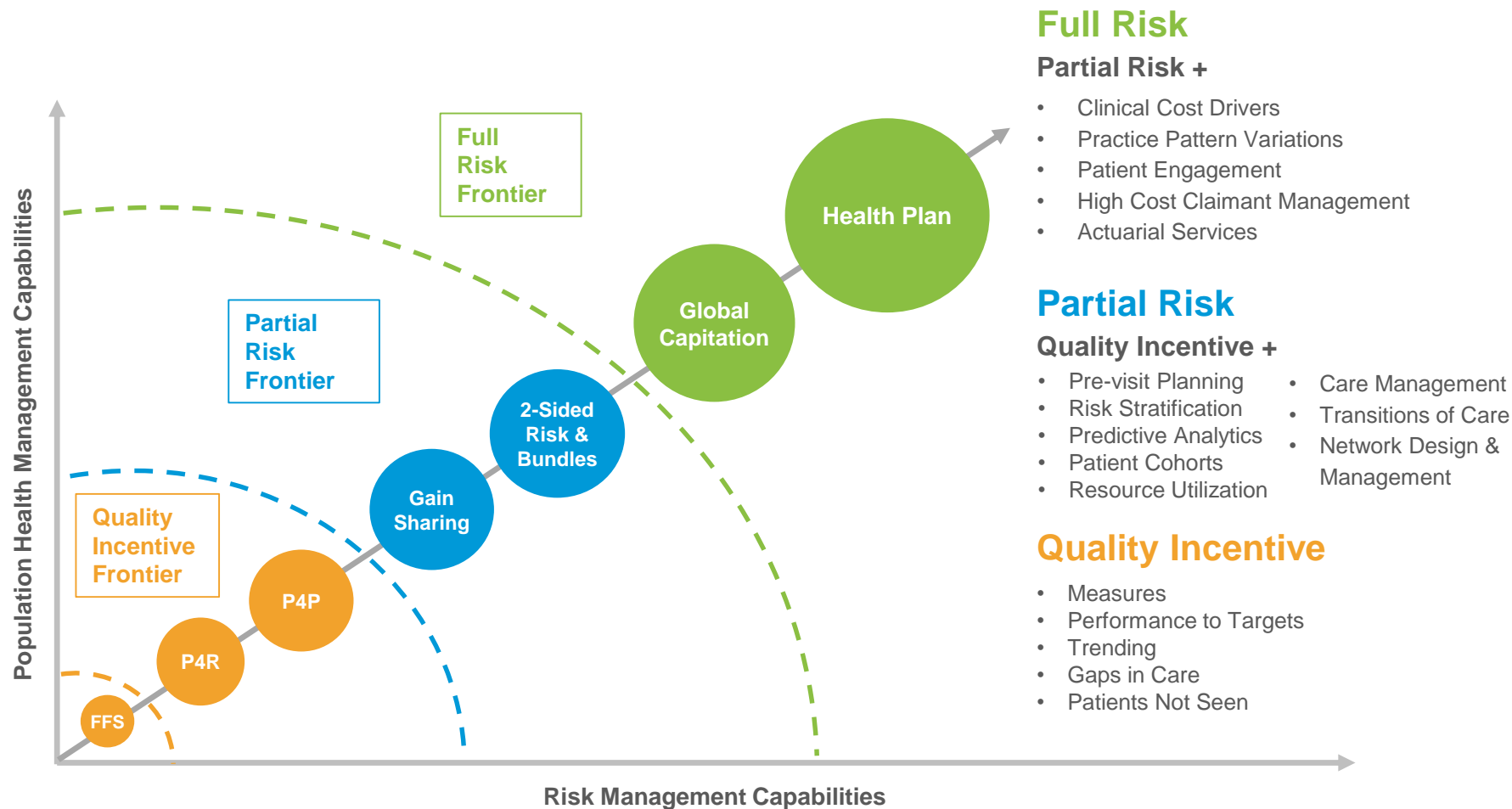
- Medical Billing Mgmt
- Rules Engines
- Automated Self Pay Collections



**2015  
\$6.0B<sup>1</sup>**

# Groups Evolve and Assume Risk at Different Rates

- Robust PHM capabilities enable risk management success



## Full Risk

### Partial Risk +

- Clinical Cost Drivers
- Practice Pattern Variations
- Patient Engagement
- High Cost Claimant Management
- Actuarial Services

## Partial Risk

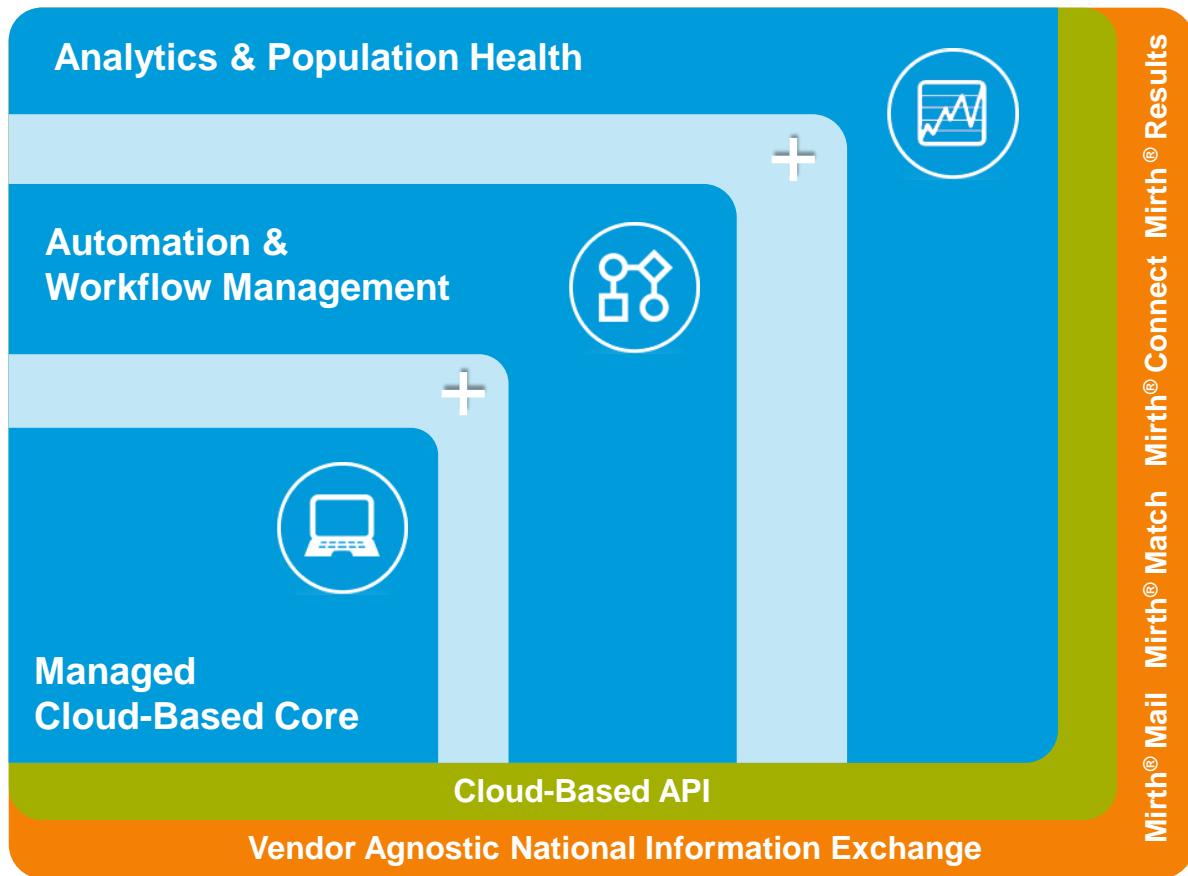
### Quality Incentive +

- Pre-visit Planning
- Risk Stratification
- Predictive Analytics
- Patient Cohorts
- Resource Utilization
- Care Management
- Transitions of Care
- Network Design & Management

## Quality Incentive

- Measures
- Performance to Targets
- Trending
- Gaps in Care
- Patients Not Seen

# Our Solutions Vision - Putting Independent Groups in Control



## Aligned to the Quadruple Aim

Patient Experience

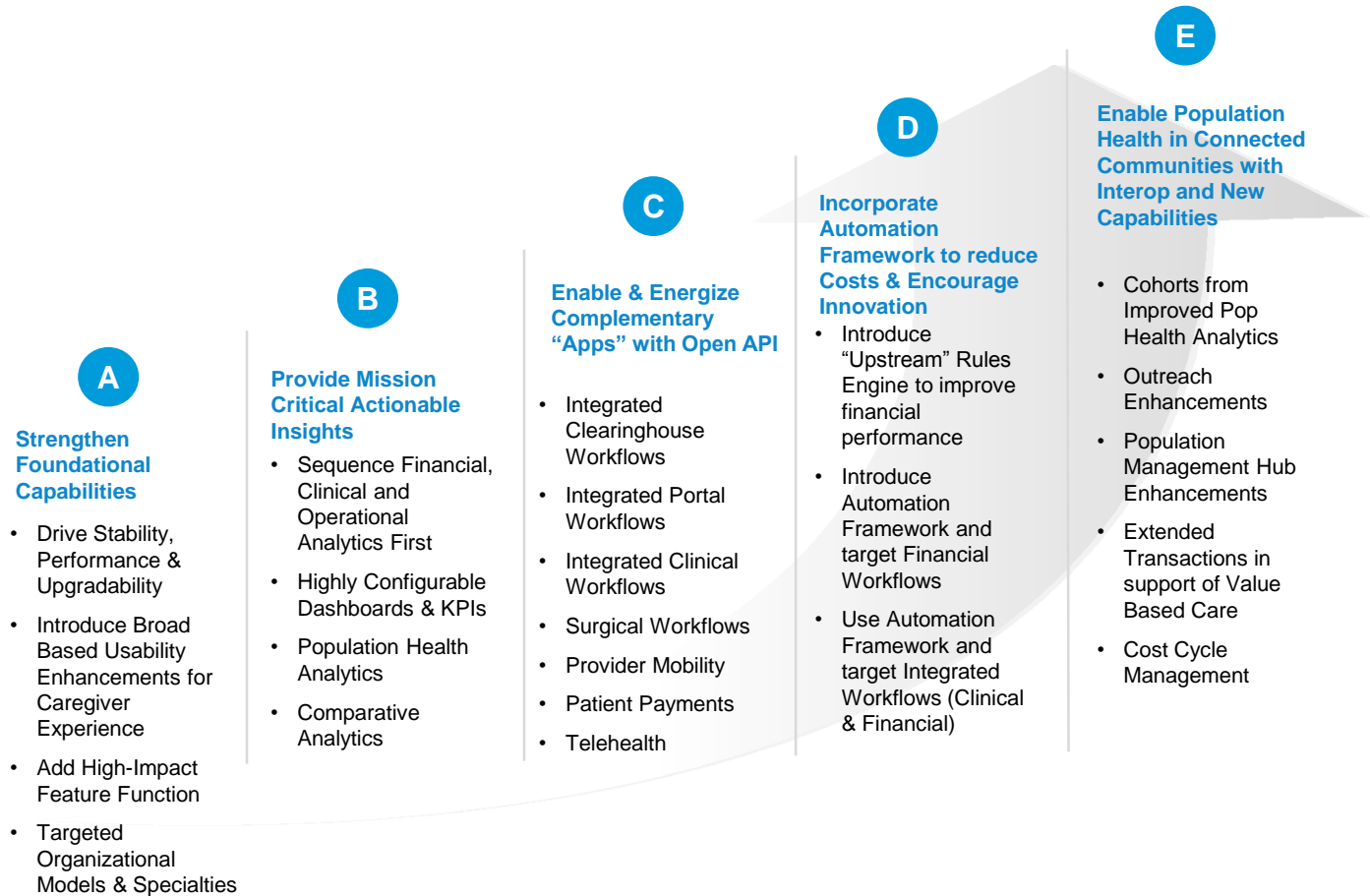
Caregiver Experience

Financial Outcomes

Clinical Outcomes

# NextGen's Product Path

**Foundational**  
Capabilities  
on a **Platform**  
**Purpose Built** for  
**Sophisticated**  
Organizations  
Who want to  
**CONTROL** the  
**Caregiver Experience,**  
**Patient Experience**  
and **Financial**  
**Outcomes**





# Financial Highlights



# Financial Highlights

## Diverse Revenue Streams

- Approximately 90k providers currently use our solutions
- Recurring revenue is ~ 83% of total revenue
- Revenue streams comprised of diversified but related solutions which creates significant cross selling opportunities

## Expansion Opportunities

- Increased FY18 R&D spend to enhance NGA – “solidify the base” – should decline as % of rev as we re-direct R&D \$ to newer solutions
- Enhanced sales and marketing capabilities to drive bookings growth and support new offerings
- Significant dry powder and organizational capabilities to execute on inorganic activities

## Leverageable Infrastructure

- NextGen 2.0 created scalable, integrated infrastructure – “one company, one system”
- Maturing organization with scalable skills – focus on a performance culture and sole face-to-the-customer
- Building processes that support ease of doing business and support newly acquired solutions

**Experienced, Successful Leadership team with demonstrated history of disciplined management**

# Revenue Trends

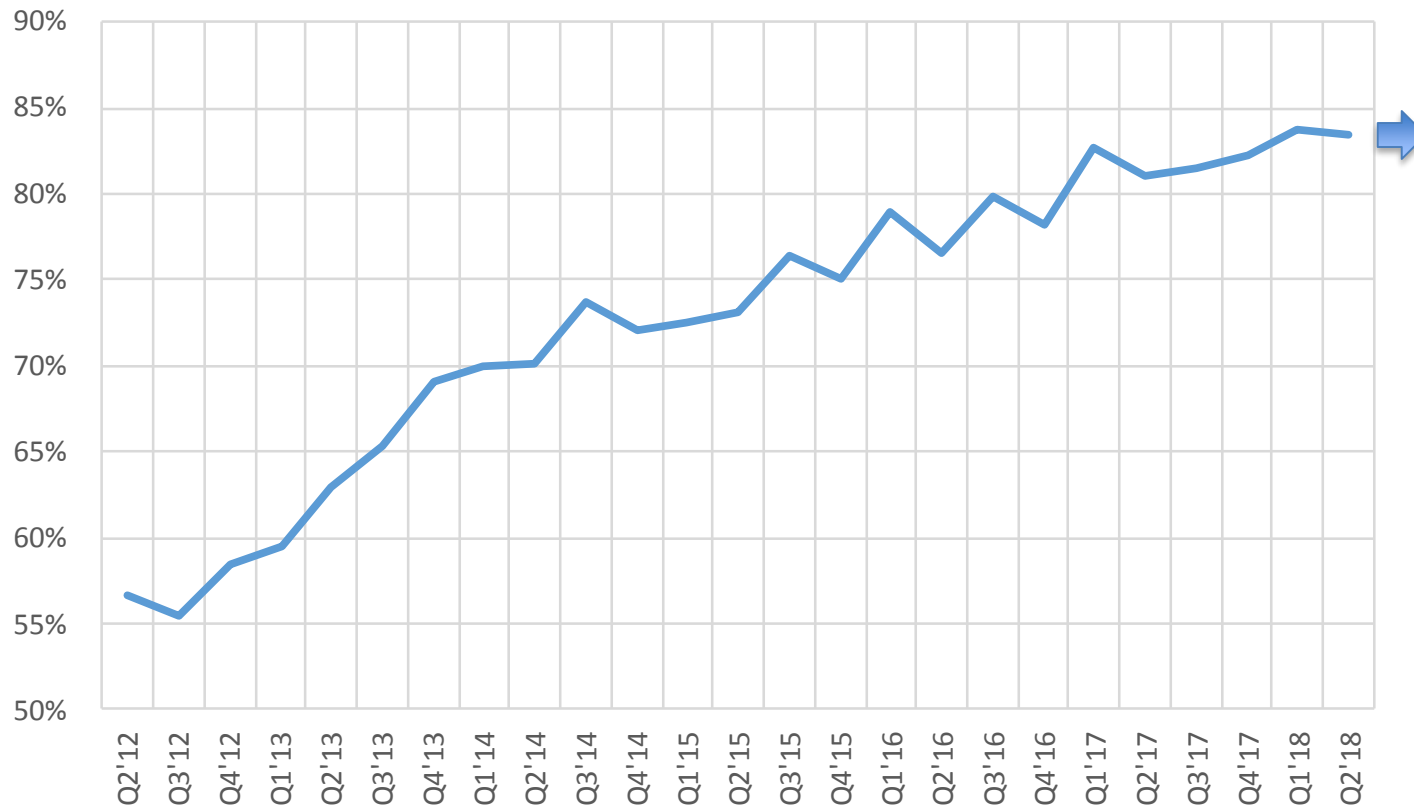
| Revenue type          | FY15   | FY16   | FY17   | FY18 Outlook |
|-----------------------|--------|--------|--------|--------------|
| Software Sales        | \$81.6 | \$70.5 | \$65.5 | ●            |
| Maintenance*          | 169.2  | 165.2  | 158.8  | ●            |
| Subscriptions*        | 44.6   | 55.4   | 87.1   | ●            |
| EDI*                  | 76.4   | 82.3   | 89.0   | ●            |
| RCM*                  | 74.2   | 83.0   | 82.6   | ●            |
| Professional Services | 44.2   | 36.0   | 26.7   | ●            |

## Commentary

- Largely saturated market for perpetual, on-premise licenses
- Increased retention rates but new sales and CPI not sufficient to create growth
- Long term growth driver based on new offerings and market opportunities
- Steady growth opportunity via add-on sales of existing offerings
- Near term challenge but mid to long term opportunity
- Return to growth due to Entrada and upgrade cycle

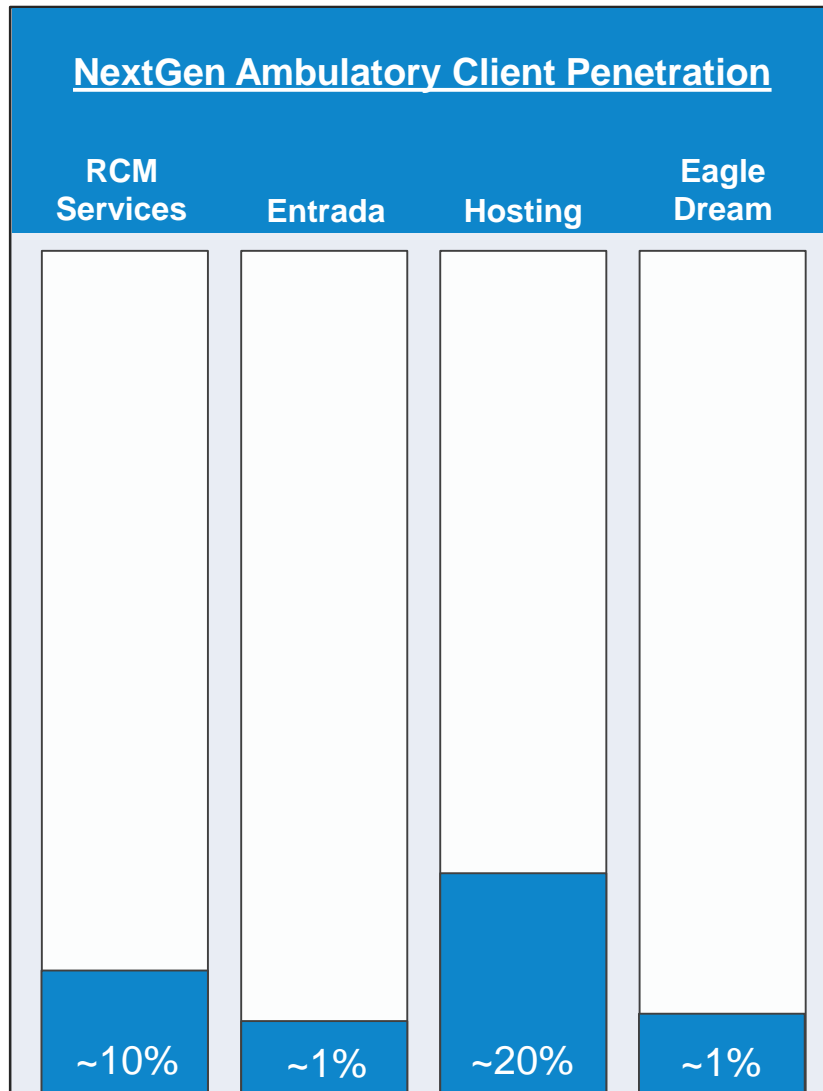
\*Recurring Revenue

# Recurring Revenue Percent of Total



- Recurring service revenue, consisting of software related subscription services, support and maintenance, RCM and related services, and EDI and data services, increased to \$110.7M for Q2 FY18 from \$109.7M last quarter and \$103.0M in the year-ago quarter
- Recurring service revenue currently represents 83% of total revenue, which is up from 81% in the year-ago quarter, with the primary driver being HealthFusion subscription revenue

# Meaningful Cross Selling Opportunity



## Commentary

- Closing opportunities in the white space can provide significant incremental revenue
- EDI is highly penetrated; ~80% of clients use at least 1 offering; 75% use 2 or less of the 14 offerings
- Increasing RCM penetration to ~ 16% could produce \$80M of incremental revenue
- Analytics will drive further adoption of NGCare (currently less than 5% of installed base)

# Balance Sheet

| \$ in Millions                                      | Q2FY18         | FY17           |
|---|----------------|----------------|
| Cash and ST investments                             | \$33.0         | \$42.6         |
| Accounts receivable                                 | 81.7           | 83.4           |
| Other current assets                                | 18.4           | 20.8           |
| <b>Current assets</b>                               | <b>\$133.1</b> | <b>\$146.8</b> |
| Noncurrent assets                                   | 380.9          | 326.4          |
| <b>Total assets</b>                                 | <b>\$514.1</b> | <b>\$473.2</b> |
| Deferred revenue                                    | 52.3           | 52.4           |
| Credit facility <sup>1</sup>                        | 55.0           | 15.0           |
| Other liabilities                                   | 81.3           | 100.8          |
| <b>Total liabilities</b>                            | <b>\$188.6</b> | <b>\$168.2</b> |
| <b>Shareholders' equity</b>                         | <b>\$325.5</b> | <b>\$305.0</b> |
| <b>Total liabilities &amp; shareholders' equity</b> | <b>\$514.1</b> | <b>\$473.2</b> |

<sup>1</sup> Total credit facility of \$250M

Note: Debt covenant ratios utilize different definitions and calculations from ratios above  
<sup>^</sup>Q4'17 interest expense annualized

- DSO of 56 days
- \$187M available on line of credit
- At the end of Q2FY18, total excess liquidity of \$214M

# FY18 Guidance

|              | FY18 Range      | FY17 Actual |
|--------------|-----------------|-------------|
| Revenue      | \$522M - \$530M | \$510M      |
| Non-GAAP EPS | \$0.64 - \$0.68 | \$0.82      |

# Takeaways

- 1 Rebuilding the foundation of this organization
- 2 Creating a more stable client base
- 3 Building capabilities into the organization
- 4 Have our levers on the financial dials of this business
- 5 Pivot from playing defense to playing offense
- 6 Bookings growth in 2HFY18 leads to revenue growth in FY19
- 7 Track record of execution, driving change, confidence to deliver great shareholder result