



October 26, 2012

Quality Systems, Inc. Reports Fiscal 2013 Second Quarter Results

Company Also Appoints Mark H. Davis to Board of Directors

IRVINE, Calif.--(BUSINESS WIRE)-- Quality Systems, Inc. (NASDAQ:QSII) announced today results for its fiscal 2013 second quarter ended September 30, 2012.

The Company reported revenues of \$116.1 million for the fiscal 2013 second quarter, an increase of 8 percent, versus \$107.6 million for the fiscal 2012 second quarter. Net income for the fiscal 2013 second quarter was \$15.7 million, down 23 percent when compared with net income of \$20.5 million for the comparable period last year. Fully diluted earnings per share for the fiscal 2013 second quarter was \$0.26, a 26 percent decrease from \$0.35 for the fiscal 2012 second quarter. While revenues increased in the quarter, profitability was impacted by lower software license sales.

"Quality Systems continues to make investments and position the company to capture the significant opportunities that lie ahead in our healthcare information technology sector. Recently, we named Dan Morefield, a seasoned technology executive, as our new chief operating officer; restructured our sales and marketing functions under Gary Voydanoff, one of our veteran sales executives; and promoted Steve Puckett to a newly created chief technology officer role to manage our development-related resources. For more than 20 years, Steve has served a critical role in bringing industry-leading technology to the company," stated Steven T. Plochocki, president and chief executive officer.

Quality Systems will host a conference call to discuss its fiscal 2013 second quarter results on Friday, October 26, 2012 at 10:00 AM ET (7:00 AM PT). All participants should dial 1-800-762-8779 at least ten minutes prior to the start of the call. International callers should dial 480-629-9818. To hear a live Web simulcast or to listen to the archived webcast following completion of the call, please visit the Company's website at www.qsii.com, click on the "Investors" tab, then select "Conference Calls," to access the link to the call. To listen to a telephone replay of the conference call, please dial 800-406-7325 or 303-590-3030 and enter reservation identification number 4571447. The replay will be available from approximately 12:00 PM ET on Friday, October 26, 2012, through 11:59 PM ET on Friday, November 2, 2012.

A transcript of the conference call will be made available on the Company's website at www.qsii.com.

Quality Systems also announced that its Board of Directors declared a quarterly cash dividend of Seventeen and One-Half Cents (\$0.175) per share on the Company's outstanding shares of Common Stock, payable to shareholders of record as of December 14, 2012 with an anticipated distribution date of January 4, 2013. The \$0.175 per share cash dividend is consistent with the Company's current policy to pay a regular quarterly dividend on the Company's outstanding shares of Common Stock, subject to Board review and approval.

In other news, Quality Systems reported that Mark H. Davis was appointed to its Board of Directors, effective October 25, 2012. Davis fills the seat vacated by Maureen Spivack, who resigned due to conflicting employment obligations. Davis will also be appointed to serve on the Board's Audit Committee and Transaction Committee.

Davis is a managing director at B. Riley & Co, LLC, an investment firm specializing in research, sales and trading and corporate finance. He brings more than 20 years of experience advising and financing technology companies, including software, cloud infrastructure and information technology firms, to the Quality Systems Board. In addition, Davis was a practicing certified public accountant for nearly a decade and his financial expertise and knowledge will prove beneficial to the Board.

Previously, Davis served as head of technology investment banking at Cantor Fitzgerald, managing director at Macquarie Capital, an Australian merchant and investment banking firm, and managing director (as well as in other senior leadership roles) at Citigroup. Earlier in his career, Davis was an Audit Senior with Price Waterhouse. Davis holds a Master's of Business Administration from the Wharton School of the University Of Pennsylvania, and a Bachelor of Science degree in Accounting from the University of Maryland.

"We welcome Mark to the Board. His two decades of experience advising and financing technology-related businesses, coupled with his public accounting background, will provide the Board with insights and expertise in both technology and finance. We look forward to the guidance he will bring to the Board and the contributions he will make to the Company," Plochocki added.

[About Quality Systems, Inc.](#)

Irvine, Calif.-based [Quality Systems, Inc.](http://www.qsii.com) and its [NextGen Healthcare](http://www.nextgen.com) subsidiary develop and market computer-based practice management, electronic health records and revenue cycle management applications as well as connectivity products and services for medical and dental group practices and small hospitals. Visit www.qsii.com and www.nextgen.com for additional information.

SAFE HARBOR PROVISIONS FOR FORWARD-LOOKING STATEMENTS

This news release may contain forward-looking statements within the meaning of the federal securities laws, including but not limited to, 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, net income and earnings per share). Risks and uncertainties exist that may cause the results to differ materially from those set forth in these forward-looking statements. Factors that could cause the anticipated results to differ from those described in the forward-looking statements are set forth in Part I, Item A of our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2012, including but not limited to: 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; 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; possible regulation of the Company's software by the U.S. Food and Drug Administration; changes of accounting estimates and assumptions used to prepare the prior periods' financial statements; and general economic conditions. A significant portion of the Company's quarterly sales of software product licenses and computer hardware is concluded in the last month of a fiscal quarter, generally with a concentration of such revenues earned in the final ten business days of that month. Due to these and other factors, the Company's revenues and operating results are very difficult to forecast. A major portion of the Company's costs and expenses, such as personnel and facilities, are of a fixed nature and, accordingly, a shortfall or decline in quarterly and/or annual revenues typically results in lower profitability or losses. As a result, comparison of the Company's period-to-period financial performance is not necessarily meaningful and should not be relied upon as an indicator of future performance. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

QUALITY SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | Three Months Ended September | | Six Months Ended September | |
|---|------------------------------|-----------|----------------------------|-----------|
| | 30, | 30, | 30, | 30, |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Software, hardware and supplies | \$ 23,720 | \$ 31,860 | \$ 49,564 | \$ 60,771 |
| Implementation and training services | 8,535 | 6,094 | 20,581 | 11,566 |
| System sales | 32,255 | 37,954 | 70,145 | 72,337 |
| Maintenance | 38,715 | 35,214 | 77,283 | 66,716 |
| Electronic data interchange services | 15,024 | 11,985 | 28,847 | 24,077 |
| Revenue cycle management and related services | 14,486 | 11,142 | 28,887 | 23,023 |
| Other services | 15,648 | 11,339 | 29,262 | 21,923 |
| Maintenance, EDI, RCM and other services | 83,873 | 69,680 | 164,279 | 135,739 |
| Total revenues | 116,128 | 107,634 | 234,424 | 208,076 |
| Cost of revenue: | | | | |
| Software, hardware and supplies | 5,624 | 4,187 | 11,395 | 8,801 |
| Implementation and training services | 7,507 | 5,050 | 16,652 | 9,125 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Total cost of system sales | 13,131 | 9,237 | 28,047 | 17,926 |
| Maintenance | 4,741 | 3,994 | 9,552 | 7,848 |
| Electronic data interchange services | 9,151 | 7,964 | 18,399 | 15,926 |
| Revenue cycle management and related services | 10,556 | 8,456 | 21,426 | 17,282 |
| Other services | 8,785 | 6,369 | 17,335 | 11,966 |
| Total cost of maintenance, EDI, RCM and other services | 33,233 | 26,783 | 66,712 | 53,022 |
| Total cost of revenue | 46,364 | 36,020 | 94,759 | 70,948 |
| Gross profit | 69,764 | 71,614 | 139,665 | 137,128 |
| Operating expenses: | | | | |
| Selling, general and administrative | 37,832 | 32,169 | 74,513 | 61,555 |
| Research and development costs | 6,272 | 7,358 | 14,848 | 14,185 |
| Amortization of acquired intangible assets | 1,316 | 520 | 2,453 | 1,002 |
| Total operating expenses | 45,420 | 40,047 | 91,814 | 76,742 |
| Income from operations | 24,344 | 31,567 | 47,851 | 60,386 |
| Interest income (expense), net | (62) | 75 | (27) | 157 |
| Other income (expense), net | 220 | (144) | 7 | (182) |
| Income before provision for income taxes | 24,502 | 31,498 | 47,831 | 60,361 |
| Provision for income taxes | 8,811 | 11,002 | 16,643 | 20,882 |
| Net income | \$ 15,691 | \$ 20,496 | \$ 31,188 | \$ 39,479 |
| Net income per share: | | | | |
| Basic | \$ 0.26 | \$ 0.35 | \$ 0.53 | \$ 0.67 |
| Diluted | \$ 0.26 | \$ 0.35 | \$ 0.53 | \$ 0.67 |
| Weighted average shares outstanding: | | | | |
| Basic | 59,347 | 58,664 | 59,314 | 58,511 |
| Diluted | 59,386 | 59,005 | 59,386 | 58,902 |
| Dividends declared per common share | \$ 0.175 | \$ 0.175 | \$ 0.350 | \$ 0.350 |

QUALITY SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

September 30, 2012 March 31, 2012

ASSETS

Current assets:

| | | |
|---------------------------------|------------|-----------|
| Cash and cash equivalents | \$ 117,043 | \$134,444 |
| Restricted cash | 5,223 | 1,962 |
| Marketable securities | 4,989 | 4,987 |
| Accounts receivable, net | 151,787 | 145,756 |
| Inventories | 3,858 | 3,715 |
| Income taxes receivable | 6,063 | 2,628 |
| Deferred income tax assets, net | 10,127 | 10,127 |
| Other current assets | 6,712 | 9,090 |

| | | |
|---|-------------------|------------------|
| Total current assets | 305,802 | 312,709 |
| Equipment and improvements, net | 20,296 | 17,841 |
| Capitalized software costs, net | 29,232 | 19,994 |
| Intangibles, net | 31,299 | 23,259 |
| Goodwill | 63,161 | 60,776 |
| Other assets | 6,860 | 5,773 |
| Total assets | <u>\$ 456,650</u> | <u>\$440,352</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 8,955 | \$ 4,532 |
| Deferred revenue | 67,968 | 83,108 |
| Accrued compensation and related benefits | 9,894 | 11,870 |
| Dividends payable | 10,382 | 10,354 |
| Other current liabilities | 31,108 | 19,568 |
| Total current liabilities | 128,307 | 129,432 |
| Deferred revenue, net of current | 1,225 | 1,293 |
| Deferred income tax liabilities, net | 4,500 | 5,351 |
| Deferred compensation | 3,208 | 3,497 |
| Other noncurrent liabilities | 7,103 | 5,602 |
| Total liabilities | 144,343 | 145,175 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock | | |
| \$0.01 par value; authorized 100,000 shares; issued and outstanding 59,370 and 59,180 shares at September 30, 2012 and March 31, 2012, respectively | 594 | 592 |
| Additional paid-in capital | 175,747 | 169,033 |
| Accumulated other comprehensive loss | (55) | (45) |
| Retained earnings | 136,021 | 125,597 |
| Total shareholders' equity | <u>312,307</u> | <u>295,177</u> |
| Total liabilities and shareholders' equity | <u>\$ 456,650</u> | <u>\$440,352</u> |

Quality Systems, Inc.

Paul Holt, CFO, 949-255-2600

pholt@qsii.com

or

Susan J. Lewis, 303-804-0494

slewis@qsii.com

Source: Quality Systems, Inc.

News Provided by Acquire Media