



July 26, 2012

Quality Systems, Inc. Reports Fiscal 2013 First Quarter Results

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

The Company reported record revenues of \$118.3 million for the fiscal 2013 first quarter, an increase of 18 percent, compared with \$100.4 million for the fiscal 2012 first quarter. Net income for the fiscal 2013 first quarter was \$15.5 million, down 18 percent versus net income of \$19.0 million for the same period a year ago. Fully diluted earnings per share for the fiscal 2013 first quarter was \$0.26, a 19 percent decrease from \$0.32 for the fiscal 2012 first quarter.

"Although we delivered record revenue for our fiscal 2013 first quarter driven by strong performance in our recurring revenue streams, our overall results were impacted by lower-than-expected revenue from large, higher margin software system sales. There are times when a limited number of these types of sales can influence performance in any given quarter," explained Steven T. Plochocki, president and chief executive officer.

"We remain confident about our future performance and prospects. However, due to evolving conditions affecting our industry and uncertainty in predicting future results, we are not affirming our previous guidance nor providing revised guidance at this time," Plochocki said.

Quality Systems will host a conference call to discuss its fiscal 2013 first quarter results on Thursday, July 26, 2012 at 10:00 AM ET (7:00 AM PT). All participants should dial 877-941-2927 at least ten minutes prior to the start of the call. International callers should dial 480-629-9725. 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 4553724. The replay will be available from approximately 12:00 PM ET on Thursday, July 26, 2012, through 11:59 PM ET on Thursday, August 2, 2012.

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

[About Quality Systems, Inc.](#)

Irvine, Calif.-based [Quality Systems, Inc.](#) and its [NextGen Healthcare](#) 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)
(UNAUDITED)

| | Three Months Ended June 30, | |
|--|-----------------------------|----------------|
| | <u>2012</u> | <u>2011</u> |
| Revenues: | | |
| Software, hardware and supplies | \$ 25,844 | \$ 28,911 |
| Implementation and training services | <u>12,046</u> | <u>5,472</u> |
| System sales | 37,890 | 34,383 |
| Maintenance | 38,568 | 31,502 |
| Electronic data interchange services | 13,823 | 12,092 |
| Revenue cycle management and related services | 14,401 | 11,881 |
| Other services | <u>13,614</u> | <u>10,584</u> |
| Maintenance, EDI, RCM and other services | <u>80,406</u> | <u>66,059</u> |
| Total revenues | <u>118,296</u> | <u>100,442</u> |
| Cost of revenue: | | |
| Software, hardware and supplies | 5,771 | 4,614 |
| Implementation and training services | <u>9,145</u> | <u>4,075</u> |
| Total cost of system sales | 14,916 | 8,689 |
| Maintenance | 4,811 | 3,854 |
| Electronic data interchange services | 9,248 | 7,962 |
| Revenue cycle management and related services | 10,870 | 8,826 |
| Other services | <u>8,550</u> | <u>5,597</u> |
| Total cost of maintenance, EDI, RCM and other services | <u>33,479</u> | <u>26,239</u> |
| Total cost of revenue | <u>48,395</u> | <u>34,928</u> |
| Gross profit | 69,901 | 65,514 |
| Operating expenses: | | |
| Selling, general and administrative | 36,681 | 29,386 |
| Research and development costs | 8,576 | 6,827 |
| Amortization of acquired intangible assets | <u>1,137</u> | <u>482</u> |
| Total operating expenses | <u>46,394</u> | <u>36,695</u> |
| Income from operations | 23,507 | 28,819 |
| Interest income | 35 | 82 |

| | | |
|--|------------------|------------------|
| Other income (expense), net | <u>(213)</u> | <u>(38)</u> |
| Income before provision for income taxes | 23,329 | 28,863 |
| Provision for income taxes | <u>7,832</u> | <u>9,880</u> |
| Net income | <u>\$ 15,497</u> | <u>\$ 18,983</u> |
| Net income per share: | | |
| Basic | \$ 0.26 | \$ 0.33 |
| Diluted | \$ 0.26 | \$ 0.32 |
| Weighted average shares outstanding: | | |
| Basic | 59,281 | 58,362 |
| Diluted | 59,388 | 58,800 |
| Dividends declared per common share | \$ 0.175 | \$ 0.175 |

QUALITY SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | <u>June 30,</u> <u>2012</u> | <u>March 31,</u> <u>2012</u> |
|---|--------------------------------|---------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$129,906 | \$ 134,444 |
| Restricted cash | 4,768 | 1,962 |
| Marketable securities | 4,990 | 4,987 |
| Accounts receivable, net | 153,218 | 145,756 |
| Inventories | 4,228 | 3,715 |
| Income taxes receivable | - | 2,628 |
| Deferred income tax assets, net | 10,143 | 10,127 |
| Other current assets | <u>7,563</u> | <u>9,090</u> |
| Total current assets | 314,816 | 312,709 |
| Equipment and improvements, net | 20,578 | 17,841 |
| Capitalized software costs, net | 21,865 | 19,994 |
| Intangibles, net | 33,292 | 23,259 |
| Goodwill | 63,161 | 60,776 |
| Other assets | <u>6,351</u> | <u>5,773</u> |
| Total assets | <u>\$460,063</u> | <u>\$ 440,352</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,527 | \$ 4,532 |
| Deferred revenue | 70,653 | 83,108 |
| Accrued compensation and related benefits | 11,180 | 11,870 |
| Income taxes payable | 4,413 | - |
| Dividends payable | 10,382 | 10,354 |
| Other current liabilities | <u>27,325</u> | <u>19,568</u> |
| Total current liabilities | 136,480 | 129,432 |

| | | |
|--|----------------------|-----------------------|
| Deferred revenue, net of current | 1,089 | 1,293 |
| Deferred income tax liabilities, net | 5,357 | 5,351 |
| Deferred compensation | 2,926 | 3,497 |
| Other noncurrent liabilities | <u>7,654</u> | <u>5,602</u> |
| Total liabilities | 153,506 | 145,175 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock | | |
| \$0.01 par value; authorized 100,000 shares; issued and outstanding 59,343 and 59,180 shares at June 30, 2012 and March 31, 2012, respectively | 593 | 592 |
| Additional paid-in capital | 175,252 | 168,988 |
| Retained earnings | <u>130,712</u> | <u>125,597</u> |
| Total shareholders' equity | <u>306,557</u> | <u>295,177</u> |
| Total liabilities and shareholders' equity | <u>\$460,063</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.

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