

QUADRAMED CORP
Form 10-Q
May 09, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008**

Or

**Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____**

Commission File Number: 001-32283

QUADRAMED CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

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DELAWARE
(State or Other Jurisdiction of

Incorporation or Organization)

52-1992861
(IRS Employer

Identification No.)

12110 SUNSET HILLS ROAD, SUITE 600 RESTON, VIRGINIA
(Address of Principal Executive Offices)

20190
(Zip Code)

(703) 709-2300

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-accelerated Filer (Do not check if a smaller reporting
company)

Accelerated Filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2008, there were 44,843,177 shares of the Registrant's common stock outstanding, par value \$0.01.

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REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2008
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QUADRAMED CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

(unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,796	\$ 7,119
Short-term investments	2,910	9,169
Accounts receivable, net of allowance for doubtful accounts of \$1,495 and \$1,449, respectively	28,887	26,088
Unbilled receivables	9,051	5,183
Deferred contract expenses	6,311	6,060
Prepaid expenses and other current assets, net of allowance on other receivable of \$1,229 and \$1,229, respectively	9,497	5,367
Deferred tax asset, net of valuation allowance	7,376	7,376
Total current assets	79,828	66,362
Restricted cash	1,947	2,389
Long-term investments	3,372	1,197
Property and equipment, net of accumulated depreciation and amortization of \$23,209, and \$22,855, respectively	3,401	3,778
Goodwill	33,878	33,942
Other amortizable intangible assets, net of accumulated amortization of \$31,737 and \$31,119, respectively	11,150	11,768
Other long-term assets	3,177	3,182
Deferred tax asset, net of valuation allowance	49,724	49,758
Total assets	\$ 186,477	\$ 172,376
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,863	\$ 4,910
Accrued payroll and related benefits	4,870	9,602
Accrued exit cost of facility closing	896	1,178
Other accrued liabilities	4,926	7,537
Dividends payable	1,375	1,375
Deferred revenue	60,874	36,111
Total current liabilities	77,804	60,713
Accrued exit cost of facility closing	671	888
Other long-term liabilities	2,608	2,722
Total liabilities	81,083	64,323
Commitments and Contingencies		

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Stockholders equity		
Preferred stock, \$0.01 par, 5,000 shares authorized, 4,000 shares issued and outstanding, respectively	96,144	96,144
Common stock, \$0.01 par, 150,000 shares authorized; 45,985 and 45,891 shares issued and 44,120 and 45,284 outstanding, respectively	460	459
Shares held in treasury, 1,408 and 607, respectively	(2,802)	(292)
Additional paid-in-capital	311,575	310,557
Accumulated other comprehensive loss	(182)	(80)
Accumulated deficit	(299,801)	(298,735)
Total stockholders equity	105,394	108,053
Total liabilities and stockholders equity	\$ 186,477	\$ 172,376

The accompanying notes are an integral part of these condensed consolidated financial statements.

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QUADRAMED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three months ended, March 31,	
	2008	2007
Revenue		
Services	\$ 5,567	\$ 3,528
Maintenance	16,856	13,924
Installation and other	3,329	2,558
Services and other revenue	25,752	20,010
Term licenses	7,767	6,397
Perpetual licenses	1,631	2,278
Licenses	9,398	8,675
Hardware	141	521
Total revenue	35,291	29,206
Cost of revenue		
Cost of services and other revenue	11,334	7,027
Royalties and other	3,817	2,979
Amortization of acquired technology and capitalized software	259	471
Cost of license revenue	4,076	3,450
Cost of hardware revenue	136	492
Total cost of revenue	15,546	10,969
Gross margin	19,745	18,237
Operating expense		
General and administration	5,114	3,873
Software development	8,493	7,412
Sales and marketing	4,960	3,896
Amortization of intangible assets and depreciation	827	923
Total operating expenses	19,394	16,104
Income from operations	351	2,133
Other income (expense)		
Interest expense, includes non-cash charges of \$18 and \$50	(31)	(50)
Interest income	166	573
Other income, net	1	77
Other income, net	136	600

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Income from operations before income taxes	\$ 487	\$ 2,733
Provision for income taxes	(178)	(109)
Net income	\$ 309	\$ 2,624
Preferred stock accretion and dividends declared	(1,375)	(1,308)
Net (loss) income attributable to common shareholders	\$ (1,066)	\$ 1,316
(Loss) income per share		
Basic	\$ (0.02)	\$ 0.03
Diluted	\$ (0.02)	\$ 0.03
Weighted average shares outstanding		
Basic	44,680	43,540
Diluted	46,371	47,097

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**QUADRAMED CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(unaudited)

	Three months ended March 31,	
	2008	2007
Cash flows from operating activities		
Net income attributable to common shareholders	\$ (1,066)	\$ 1,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,086	1,394
Deferred compensation amortization	94	96
Stock-based compensation	799	383
Preferred Stock accretion and dividend premium	1,375	1,308
Dividend discount amortization		33
Provision for bad debts	130	156
Gain on sale of investments		(11)
Interest income on investments	(20)	(25)
Interest expense on note payable	18	18
Deferred income taxes	1	
Changes in operating assets and liabilities:		
Accounts receivable	(6,797)	351
Prepaid expenses and other	(4,376)	(292)
Accounts payable and accrued liabilities	(8,128)	(4,668)
Deferred revenue	24,763	8,824
Cash provided by operating activities	7,879	8,883
Cash flows from investing activities		
Decrease in restricted cash	442	54
Purchases of available-for-sale securities	(821)	(17,359)
Proceeds from the sale of available-for-sale securities	4,964	5,021
Payment of acquisition costs	64	
Purchases of property and equipment	(91)	(227)
Cash provided by (used in) investing activities	4,558	(12,511)
Cash flows from financing activities		
Payment of preferred stock dividends	(1,375)	(1,503)
Proceeds from issuance of common stock and other	125	1,034
Repurchase of common stock	(2,510)	
Cash used in financing activities	(3,760)	(469)
Net increase (decrease) in cash and cash equivalents	8,677	(4,097)
Cash and cash equivalents, beginning of period	7,119	32,596
Cash and cash equivalents, end of period	\$ 15,796	\$ 28,499
Supplemental disclosure of cash flow information		
Cash paid for taxes	245	249
Dividends declared	1,375	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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QUADRAMED CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2008

(unaudited)

1. THE COMPANY

The business mission of QuadraMed Corporation, along with our subsidiaries (QuadraMed or the Company), is to advance the success of healthcare organizations through IT solutions that leverage quality care into positive financial outcomes. Our driving principles include: maintaining long-term client relationships, building a culture of customer care, focusing on innovation as the key to winning, and striving to always deliver value. We offer innovative, user-friendly software applications designed and developed by the healthcare professionals and software specialists we employ.

In the healthcare market, clinical information and quality measurements are becoming drivers of revenue management. Access management, financial decision support, health information management (