

QUADRAMED CORP
Form 10-Q
November 13, 2007
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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 SEPTEMBER 30, 2007**

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)

DELAWARE
(State or Other Jurisdiction of

Incorporation or Organization)

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

(703) 709-2300

52-1992861
(IRS Employer

Identification No.)

20190
(Zip Code)

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(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 November 9, 2007, there were 44,587,550 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 SEPTEMBER 30, 2007
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QUADRAMED CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

(unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,729	\$ 32,596
Short-term investments	13,222	10,703
Accounts receivable, net of allowance for doubtful accounts of \$1,636 and \$2,612, respectively	21,195	20,358
Unbilled receivables	6,428	4,253
Deferred contract expenses	7,227	5,438
Prepaid expenses and other current assets, net of allowance on other receivable of \$910 and \$833, respectively	6,279	5,410
Total current assets	65,080	78,758
Restricted cash	2,379	2,341
Long-term investments	1,242	1,244
Property and equipment, net of accumulated depreciation and amortization of \$22,402, and \$21,131, respectively	3,439	2,557
Goodwill	40,496	25,983
Intangible assets	12,547	2,132
Other non-current assets	3,179	3,183
Total assets	\$ 128,362	\$ 116,198
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,500	\$ 3,493
Accrued payroll and related expenses	8,812	8,720
Accrued exit cost of facility closing	1,338	1,547
Dividends payable	1,375	3,775
Deferred revenue	51,864	46,347
Other accrued liabilities	3,266	4,119
Total current liabilities	72,155	68,001
Accrued exit cost of facility closing, net of current	1,099	2,066
Deferred income taxes	1,267	1,042
Other long-term liabilities	2,801	2,618
Total liabilities	77,322	73,727

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	93,290
Common stock, \$0.01 par, 150,000 shares authorized; 44,841 and 43,678 shares issued and 44,384 and 43,221 outstanding, respectively	449	437
Shares held in treasury	(5)	(5)
Additional paid-in-capital	308,520	304,504
Accumulated other comprehensive loss	(31)	(49)
Accumulated deficit	(354,037)	(355,706)
Total stockholders equity	51,040	42,471
Total liabilities and stockholders equity	\$ 128,362	\$ 116,198

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 September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue				
Services	\$ 4,348	\$ 4,107	\$ 12,887	\$ 9,845
Maintenance	14,115	14,802	42,274	42,605
Installation and other	3,081	2,894	8,323	9,050
Services and other revenue	21,544	21,803	63,484	61,500
Licenses	10,940	10,883	29,129	31,268
Hardware	424	346	3,863	1,220
Total revenue	32,908	33,032	96,476	93,988
Cost of revenue				
Cost of services and other revenue	9,722	6,307	25,434	19,977
Royalties and other	4,237	3,034	11,273	8,789
Amortization of acquired technology and capitalized software		748	825	2,699
Cost of license revenue	4,237	3,782	12,098	11,488
Cost of hardware revenue	146	347	3,533	1,093
Total cost of revenue	14,105	10,436	41,065	32,558
Gross margin	18,803	22,596	55,411	61,430
Operating expense				
General and administration	4,464	4,325	12,916	15,143
Software development	8,144	7,814	23,218	24,815
Sales and marketing	4,536	3,798	12,345	11,037
Amortization of intangible assets and depreciation	707	1,035	2,505	3,239
Total operating expenses	17,851	16,972	50,984	54,234
Income from operations	952	5,624	4,427	7,196
Other income (expense)				
Interest expense, includes non-cash charges of \$20, \$85 and \$104, \$306, respectively	(24)	(85)	(107)	(311)
Interest income	699	501	1,916	1,266
Other income	17	40	503	94
Other income	692	456	2,312	1,049

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Income from operations before income taxes	\$ 1,644	\$ 6,080	\$ 6,739	\$ 8,245
Provision for income taxes	(142)	(101)	(413)	(262)
Net income	\$ 1,502	\$ 5,979	\$ 6,326	\$ 7,983
Preferred stock dividends, premium and accretion	(2,024)	(1,522)	(4,657)	(4,519)
Net (loss) income attributable to common shareholders	\$ (522)	\$ 4,457	\$ 1,669	\$ 3,464
(Loss) income per share				
Basic	\$ (0.01)	\$ 0.11	\$ 0.04	\$ 0.08
Diluted	\$ (0.01)	\$ 0.08	\$ 0.04	\$ 0.08
Weighted average shares outstanding				
Basic	43,846	42,156	43,881	41,788
Diluted	43,846	78,093	47,320	45,674

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

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QUADRAMED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)

(unaudited)

	Preferred Stock		Common Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2006	4,000	\$ 93,290	43,678	\$ 437	(457)	\$ (5)	\$ 304,504	\$ (49)	\$ (355,706)	\$ 42,471