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EDITED TRANSCRIPT

QSII - Quality Systems Inc Conference Call to Discuss Its Business Strategy Review

EVENT DATE/TIME: APRIL 28, 2016 / 1:00PM GMT

OVERVIEW:

QSII provided 4Q16 total revenue guidance (preliminary and unaudited) of $126-128m, GAAP loss per share guidance of $0.28-0.30 and non-GAAP diluted EPS guidance of $0.17-0.19.

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Matthew Gillmor *Robert Baird - Analyst*

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PRESENTATION

Operator

Welcome to Quality Systems, Incorporated Business Strategy Review conference call. Hosting the call today from Quality Systems is Rusty Frantz, President and Chief Executive Officer; Jamie Arnold, Chief Financial Officer; and Mark Davis, Head of Investor Relations.

Today's call is being recorded. (Operator Instructions) It is now my pleasure to turn the floor over to Mr. Davis. You may begin.

Mark Davis - *Quality Systems, Inc. - Head of Investor Relations*

Thank you, Paula and welcome to the call. Before I turn the call over to Rusty and Jamie, I'd like to remind everyone that the comments made on this call may include statements that are forward looking within the meaning of the Federal Securities laws including and without limitation statements relating to anticipated industry trends, the Company's plans, future performance, products, perspective and strategies.

Risks and uncertainties exist that may cause results to differ materially from those expressed in these forward-looking statements. Including among others those risks set forth in this Company's public filings with the US Securities and Exchange Commission. Including the discussion under the heading Risk Factors in the Company's most recent annual report and Form 10-K and any subsequent quarterly reports on Form 10-Q.

Any forward-looking statements speak only as of today. The Company expressly disclaims any intent or obligation to update these forward-looking statements. Our remarks on today's call include both our preliminary earnings results and our preliminary guidance which contain non-GAAP financial measures.

For our preliminary earnings results the GAAP financial measure most directly comparable to each non-GAAP financial measures use or discuss any reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure where required can be found within our press release dated April 27th, 2016, and filed with the SEC and is posted in the Investor section of our website. This release also provides qualitative descriptions on how we calculate the non-GAAP financial measures contained in our preliminary guidance.

And now I'd like to turn the call over to Rusty Frantz, President and CEO of Quality Systems NextGen.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Good morning and welcome to the call. With me today is Jamie Arnold, our CFO. Over the last nine plus months, we've made significant progress on many fronts as we transform QSI NextGen healthcare.

First, we've aligned around five key strategies. A focus on our ambulatory client base, a transition to the cloud, effective solution delivery through cross selling, a move into population health software and services, and all of these strategic areas supported by better use of capital.

Second, we initiated a three phase plan to ensure the future success of our organization. In the first phase, we designed the organization to support execution of our strategy. As we move into the second phase, we'll be building the capabilities that will drive future revenue growth. All leading to the final phase of accelerating revenue growth.

With the announcements today, we close off the designing the organization phase, and are commencing the building phase. As we move into the May earnings call and our analyst day in June, the conversation will pivot towards the capabilities that we are building over the next year.

However, before moving to current events I thought it'd be useful to reflect on the team's accomplishments over the last five months. We've honed our focus in the ambulatory client base by divesting our unprofitable Hospital Solutions Division. We've made a decisive move to the cloud with both the acquisition of the HealthFusion business and their MediTouch Platform. As well as continued success in moving our flagship NextGen ambulatory platform to a managed cloud service.

To facilitate the HealthFusion transaction and open up the option of future inorganic growth, we've ceased our dividend and pivoted to a total shareholder return strategy accumulating dry powder on our balance sheet for future strategic options.

We've hired a new chief client officer and aligned all client-facing capabilities into a single simplified structure with an eye towards a more streamlined and effective client experience. We've hired a new CTO with a strong technology and healthcare background, in addition to significantly enhancing our technology development capabilities and improving client experience with our software.

One of the CTO's first tasks was to evaluate the NextGen Now asset. More on that in a moment. We've also hired a new CFO, as discussed on prior calls, are now ready to provide our first full year guidance to our investors.

That leads me into today's material. As referenced in our press release, today we will cover four main areas. An acceleration of our cloud based strategy, now based on MediTouch, which has led to the impairment of the NG Now asset. A realignment of the overall organization to better execute our strategy FY17 full-year revenue and non-GAAP EPS guidance ranges, and FY16 preliminary results.

Earlier on the call, I referenced the acquisition of HealthFusion and their MediTouch platform. Shortly after closing on this transaction, we on boarded our new CTO, David Metcalfe. As a part of his first couple of months we asked him to take a close look at both MediTouch and the work done on NG Now to access the value of both platforms from a go-forward basis. David's assessment confirmed our diligence findings that MediTouch is a scalable, well architected platform that we can extend as part of our cloud based strategy.

This has then informed David's conclusion that focusing our cloud strategy exclusively on the MediTouch platform while complemented by our managed cloud service on our NextGen ambulatory platform is a more economically and technically efficient approach for the company than further investment in the NextGen Now platform.

In addition, we evaluated the suitability of parts of the NextGen Now work to support our population health strategy, and concluded that (inaudible) platform provides a superior option for the foundation of that key strategic pillar. Accordingly, the NextGen Now asset is no longer applicable to our go-forward strategy. And we will cease investment and development in that area.

I would also say that our MediTouch integration is going well, and indications are that it will perform within the model previously disclosed. Jamie will go into more detail of the impact of this decision later in the call.

[Remember] the realignment, as discussed on prior calls over the last three months we've been working to redesign our organization to better execute on our strategy. As of Tuesday that effort is now complete. Up until now this organization was comprised of a number of distinct business units of widely varying scale. Each of those business units operated relatively independently leading to duplicative functions within the business, a fragmented client experience, and individual product and service strategies. Rather than a client focused overall solution strategy.

Over the last two weeks, we have realigned the organization into a single functional based organizational structure focused on delivering a consolidated solution, an integrated simplified client experience, and a focus on overall corporate strategy. All while ensuring that we get maximum value from every dollar we spend. This realignment is the result of significant effort from the team. And I'm excited to be a part of this increasingly nimble, aligned organization.

Finally, as discussed previously, we've committed to providing guidance once we have on boarded the new CFO. And felt that we had sufficient visibility and control over the organizational levers.

As we sit here today, I'm very pleased to announce that we are now prepared to provide both FY16 preliminary results and FY17 guidance. As stated in previous calls, we expect a muted and choppy topline in FY17. But we'll continue to provide strong EPS growth as we focus on building the capabilities that will propel us forward as we move through FY18.

To take a deeper dive into these topics as well as the numbers, I'm pleased to pass the mike over to Jamie Arnold.

Jamie Arnold - *Quality Systems, Inc. - CFO*

Thanks, Rusty. It's a pleasure to join you in QSI NextGen healthcare, and to be on this call as we provide this update. We started the call with Rusty providing color on a number of strategic initiatives. I will now give you the financial impact of these decisions.

First, the MediTouch based cloud strategy. The decision to focus our cloud based development efforts on the MediTouch platform and cease efforts to use or repurpose the NextGen Now platform will result in an impairment charge. A non-cash write-off of previously capitalized software development cost totaling approximately $32 million on a pretax basis to be recorded in Q4 of fiscal year '16.

Second, as part of the realignment we have streamlined our organizational structure which has led to the elimination of approximately 150 duplicate or under-utilized positions. In Q1 and Q2 of fiscal 2017, we expect to record a restructuring charge totaling approximately $4 million primarily related to severance and other one-time termination benefits. The restructuring result and elimination of approximately 6% of our domestic personnel and lower salaries and wages in fiscal '17 by approximately $14 million to $16 million.

As Rusty noted, we are now making good on the commitment to provide guidance. For fiscal year 2017, we expect total revenue of $508 million to $522 million. And non-GAAP diluted earnings per share of $0.78 to $0.86.

This preliminary guidance reflects the anticipated full year contribution from the January 4th acquisition of HealthFusion, as well as the impact of the corporate restructuring. We will update this preliminary guidance as appropriate in our fourth quarter 2016 earnings announcement which is scheduled for May 19th.

To reiterate the point Mark made in the opening remarks, the guidance we're providing today comprises forward-looking statements, and is only preliminary based on early estimates. Risks and uncertainties both known and unknown including but not limited to those contained in our filings with the SEC may cause results to differ materially from those expressed in these forward-looking statements.

To provide context for fiscal year 2017 guidance, we are providing preliminary and unaudited results for fiscal year 2016 and Q4. We anticipate reporting total revenues of between $490 million and $493 million for the fiscal year 2016. And $126 million to $128 million for the fourth quarter ended March 31. Both of these measures are modestly below analyst consensus.

At this time, we're not prepared to discuss the revenue line items in detail. However, I can summarize Q4 by saying that we saw a continuation of the themes noted in prior quarters. Primarily, that new system sales, licenses, and hardware are lagging. And we're seeing some offsetting growth in RCM, EDI, and subscriptions. Our revenue continues to be approximately 80% recurring in nature.

We expect to report non-GAAP diluted earnings per share of $0.70 to $0.72 for fiscal year 2016. And $0.17 to $0.19 for the fourth quarter which are in line or slightly above analyst consensus. The Company expects a GAAP earnings loss per share of $0.06 to $0.08 -- sorry, a GAAP earnings per share of $0.06 to $0.08 for fiscal year 2016. And a GAAP loss per share of $0.28 to $0.30 for the fourth quarter. This is largely due to the aforementioned impairment charge.

Regarding the balance sheet we ended the quarter in fiscal year with cash and marketable securities of $36.5 million, and total liquidity defined as cash, cash equivalents and the undrawn portion of our $250 million revolving credit facility in excess of $180 million.

These preliminary unaudited results are subject to the completion of the Company's customary accounting and auditing procedures. Final adjustments and other developments may arise between the date of this call and the dates on which the Company announces its 2016 fourth quarter and audited year-end results and the filing of its annual report on Form 10-K with the Securities and Exchange Commission. And may cause actual results to materially differ.

I want to thank all of you for joining us on this call, and I look forward to meeting and working with you in the future. I will now turn the call back over to Rusty.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

In closing out the prepared remarks, I'm both very gratified with the progress we have made over the last nine months. Grappling with a moving [past and the] legacy overhangs and headwinds that exist in this business. Thank you for your participation today on short notice. Now we'll take your questions

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QUESTIONS AND ANSWERS

Operator

The floor is now open for your questions (Operator Instructions) Our first question comes from the line of Mohan Naidu of Oppenheimer.

Mohan Naidu - *Oppenheimer - Analyst*

Thanks for taking my questions. I would ask you will you continue to sell NextGen's for clients who doesn't necessarily care for cloud at this point? Or are you going to try to provide MediTouch as an option for them?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

So I think as we've said before MediTouch right now is a very robust small practice EHR and practice management solution. Over time and we'll be more open about that roadmap. We plan to bring that both across more specialties and up market. All of that being said, we are continuing to have commercial success to continue to make more robust our flagship enterprise NextGen ambulatory platform. And we'll continue to deliver both revenue capabilities and an increasingly robust client experience on that platform as well.

We are segmenting the market today, and making sure that where we're delivering MediTouch is where it meets the needs of that appropriate client segment. But make no mistake, we are significantly investing, very committed to our on premise solution. And we're also taking that on premise solution as discussed previously to the cloud in a managed cloud service. Which is not multi-tenant but is providing the TCO, the total cost of ownership, benefits to those enterprise clients on that platform.

Mohan Naidu - *Oppenheimer - Analyst*

Yes, that was very helpful. Maybe one quick follow up, is your sales force now ready to sell MediTouch?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

In targeted areas where MediTouch is appropriate, yes. One of the things that we've done within this realignment is making sure that our sales force is well prepared to sell the right solution to the right client. And that there is clarity on who owns the client in each of those segments. As well as what does that solution offering look like? So we've done a great deal of work on realigning our sales organization, implementing a new sales process, and making sure that we've got a great understanding of the needs of each segment in our client base and are providing the appropriate solution for that segment through the appropriate sales channel.

Mohan Naidu - *Oppenheimer - Analyst*

Thank you very much, Rusty.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Thank you.

Operator

Your next question comes from Jeff Garro of William Blair & Company.

Jeff Garro - *William Blair & Company - Analyst*

Good morning guys, and thanks for taking the question. I wanted to ask about the guidance in a little bit more detail. With the anticipated MediTouch contribution it looks like about flat organic growth. And I certainly understand part of that relates to the hospital divestiture of the prior year. But wanted to ask really which division or revenue alliance for fiscal '17 that you anticipate growth for or any that you anticipate any kind of meaningful decline?

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Jamie Arnold - *Quality Systems, Inc. - CFO*

This is Jamie Arnold, and it's nice to meet you. For fiscal '17 I would say we expect to see decline in the software licenses and hardware line. And it'll be a small amount of decline there. I think we will see a flattening of the maintenance line. And we would expect to see continued growth, and a modest growth in RCM and EDI and subscription revenues.

Jeff Garro - *William Blair & Company - Analyst*

Great, then just as a quick follow up. If we think about the sequencing throughout the year is it reasonable to expect a return to organic growth in the back half of the year when you don't phase a comparable that includes the old hospital division revenue?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Can I defer that question? I would say as we move into next earnings call, and as we move into our analyst day we're going to become much more communicative about how we see the next 12 to 24 months laying out, and what are the strategic drivers that return us to growth. But until then we're going to remain silent on it for the purposes of this call.

Jeff Garro - *William Blair & Company - Analyst*

Fair enough. Thanks for taking the questions, guys.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes.

Operator

Your next question comes from Gene Mannheimer of Topeka Capital

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Gene Mannheimer - *Topeka Capital - Analyst*

Thanks, good morning. Rusty and Jamie, I understand the need to not get into too much detail around the revenue lines. But can you tell us broadly speaking if RCM is still a double-digit grower going forward? And also wanted to ask if as a result of this realignment you have a long-term EBITDA margin goal that you can share with us?

Jamie Arnold - *Quality Systems, Inc. - CFO*

Gene, this is Jamie Arnold again. I would say that to follow up on what Rusty said, we'll give you more insight into the specific line items in the May earnings call and then again on analyst day. We'll be able to give you more detail on that specific line item. And regarding our long-term model, I think it's premature to talk about that right now. We have a thesis that we're working on, but I think I'd prefer talking about that in more detail later also.

Gene Mannheimer - *Topeka Capital - Analyst*

Okay, thank you.

Jamie Arnold - *Quality Systems, Inc. - CFO*

Thank you.

Operator

Your next question comes from Jamie Stockton of Wells Fargo.

Jamie Stockton - *Wells Fargo - Analyst*

Good morning. Thanks for taking my question. I guess maybe since you've already given some detail on fiscal '17 guidance I would just ask about what your sense is on the health of the marketplace right now? The number of decisions that are going on by physician practices around software, are we seeing any improvement now that ICD10 is in the rearview mirror and people are less obsessed with that? Or does the environment still seem pretty tepid?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

I guess from a qualitative standpoint I'd say that we find ourselves as discussed previously, in a replacement market. Which means you're not seeing the large amount of deal flow that perhaps we saw when there was significant greenfield in the market.

That being said, we still certainly see a number of opportunities. And as we stated earlier in this call, the MediTouch platform is performing as to the framework and guidance that we provided upon acquisition. And we believe that there are great opportunities within our base to deliver more of what we do, deliver the entire solution.

Today, we're primarily focused on the strategies we've laid out. Which is making sure that our ambulatory clients are having a great client experience. Making sure that they're meeting their goals, and making sure that we as an organization are delivering an entire solution to our current client base. Does that help?

Jamie Stockton - *Wells Fargo - Analyst*

Yes, maybe just one quick follow up, Rusty. On the MediTouch platform my understanding is it doesn't work on Internet Explorer right now. Is there a plan to address that relatively soon?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

I can't comment on that. It's not something that I'm aware of.

Jamie Stockton - *Wells Fargo - Analyst*

Okay, thank you.

Operator

Your next question comes from Sean Dodge of Jefferies.

Sean Dodge - *Jefferies - Analyst*

Hi, good morning. Thanks. So, Rusty, maybe going back to MediTouch. What are the near term projects or priorities you have that you need to [attack and] begin scaling that platform up? And how long does it take before you get something you can deploy on your larger clients? Is it something we should think about measuring in months or is that years?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

So I'm sorry, Sean. So as we look at commercial acceleration of the platform. If I remember correctly, that's your first part of your question. Right now what we're doing is we're actually looking at what are the channels where MediTouch has in segments that MediTouch has great applicability to. And then we're starting to augment the commercial resources necessary to be able to take that forward.

If you think about HealthFusion, HealthFusion was a business that was somewhat capital constrained because they were very focused on both the revenue and the earnings line. And so therefore as they come into this larger organization where we have capacity we see opportunities in some specialties, in some market segments where we can actually take it further faster.

As far as the go-forward roadmap, that's something that we'll be discussing in June within of course the limits of how much we're going to disclose there. But we'll start talking about what is that broader timeline for getting to larger and larger clients and broader and broader segments. And so that's at our analyst day in June.

Sean Dodge - *Jefferies - Analyst*

Okay, and then just as far as conversion of existing clients that MediTouch goes. I'm trying to think through the mechanics of this. So if you get a big client group that's already paid for a license it seems like moving into a subscription model after they've already paid for that license would be a difficult pitch or proposition to make.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

You know what I'd say is right now we're actually in some conversations with some of our clients where the MediTouch platform as it sits today is suitable for their needs and some clients of mid-size. And so part of what we've done is we've actually been building out the ability on the backend to quickly and seamlessly convert them from one platform to another.

And we continue to make a good bit of progress there and are seeing some definite interest with some of our mid-sized clients, especially some of our mid-sized single specialty clients in moving forward with MediTouch.

Sean Dodge - *Jefferies - Analyst*

Great, thank you again guys.

Operator

Your next question comes from Donald Hooker of KeyBanc.

Donald Hooker - *KeyBanc - Analyst*

Great, good morning. So I'm interested in your sort of I guess more streamlined approach to your clients. And I think in the past around revenue cycle services I think you've mentioned that somewhere on the order of 10-ish percent or so of sort of the legacy NextGen base uses quality systems, revenue cycle services. But in reverse if I were to think about how much of the revenue cycle services is sort of with third party sort of EHR deployments, how fragmented is that client base that you're managing?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

I'm not completely understanding the question, but let me take a crack at it. So I think first of all, we do have continuous conversations. In the new structure we're set up to have continuous conversations with our client base. Not simply a sales structure but moving more to an account management structure and account executive structure that makes sure that we're not just selling software to our clients but we're continuing to engage with them, understand their business challenges, and bring things like our revenue cycle management service to the forefront.

In the past, I would say that they were almost two different sales efforts. Whereas today, everybody who touches the client carries the entire solution. We see that as providing a tailwind, that focus, as well as the fact that our comp plan is set up that folks need to sell the whole solution. We see that as creating an opportunity to boost that percentage above 10%.

Donald Hooker - *KeyBanc - Analyst*

Maybe let me be a little bit more clear, I'm sorry. If you look at the revenue cycle services client base, how many of those clients are on the NextGen EHR versus another EHR system?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Oh, our client base is primarily, almost entirely on our solutions.

Donald Hooker - *KeyBanc - Analyst*

Got you. Sorry about the convoluted --

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes, no I get it now.

Donald Hooker - *KeyBanc - Analyst*

I need to be more direct in my question. Sorry about that. Thank you very much.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes.

Operator

Your next question comes from Sean Wieland of Piper Jaffray.

Sean Wieland - *Piper Jaffray - Analyst*

Good morning. I'd like to see if you could just describe maybe some of your underlying operating assumptions around the new guidance? Do you need to see bookings growth in fiscal '17 to hit the numbers? Maybe any assumptions around cross sell. Just trying to get a sense of how far out on the limb are you crawling with this guidance?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

So Sean, I'm going to go back to statements that I've put forward in the past which is before I provide guidance I'm going to make sure that we have credibility. That we have put together a plan that we can achieve and that we are not asking our investors to take on more risk than they would potentially be comfortable taking.

We feel like we've provided guidance that we can hit. We have modeled in both the headwinds and the tailwinds in the business. And are committed to this guidance.

Sean Wieland - *Piper Jaffray - Analyst*

All right, and can you address any specific functional areas that were most impacted by the layoffs?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

I'd say the realignment of the organization really touched all functions across the organization as we brought it together. I discussed this in prior meetings where we were an organization that had been built over the years through acquisition, and hadn't done the integration work to bring us together into an efficient aligned structure that was focused on delivering a future strategy. And so as we brought those silos together into a single pyramid that really had some impacts across the board.

Sean Wieland - *Piper Jaffray - Analyst*

Okay, thank you.

Operator

Your next question comes from Nick Jansen of Raymond James.

Nicholas Jansen - *Raymond James - Analyst*

Hi, guys. Just wanted to dig a little bit deeper into that kind of $14 million to $16 million reduction in kind of operating overhead. Just trying to get a better sense of if that's a full year impact. And I'm sure some of the actions are being taken place now so I don't know if there's going to be any lingering benefit in fiscal '18.

And then secondly, is this all that can be done from an expense structure? Or how do we think about your decisions on other things regarding R&D going forward as we think about the repositioned growth business that you're targeting for next year? Thanks.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes, let me lead it off and then I'm going to pass it over to Jamie. The first thing I'm going to say, is that we feel like this realignment sets us up for the future. And I'll pass it over to Jamie.

Jamie Arnold - *Quality Systems, Inc. - CFO*

Hi, Nick. I guess to answer the question the $14 million to $16 million is the benefit we'll recognize in fiscal year '17. And so it's not a full-year benefit. I think of it because it is staggered, I think you could assume that it's roughly ten months' worth of savings. So there will be some incremental benefit as you flow into '18.

The question, I mean I think there are also other areas. These reductions are all -- and then the cost savings that are referenced here are all personnel related. And we will continue to look in other areas for opportunity to save. Which I would expect we will find some areas to find some additional savings.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

But how I would look at that is, let's not forget that the phase of the organization that we're in is now building capabilities for future growth. And so how I would look at this now is we feel like we're at a cost structure that sets us up well to deliver on the promise of a focus on the EPS line in FY17.

As we start to move through this year and we start to identify, and we start to deliver on some of those growth capabilities that we will be building throughout this year, we will continue to open up additional opportunities to invest and grow the value that we're delivering to clients.

And so once again, the way I would characterize this is this is a realignment of the organization to effect a future strategy. Within the context of that realignment costs did fall out. But this is really more about creating a platform for both investment organically as well as potential future inorganic actions to increase the value we're delivering to clients, and by extension the value we're delivering to shareholders.

Nicholas Jansen - *Raymond James - Analyst*

Thanks for that, Rusty. And just on that last comment regarding inorganic. How do we think about the M&A pipeline today, your ability to potentially digest something sooner rather than later as we think about trying to broaden your service offering into your customer base? Thanks.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes, I would say that first of all right now we're pretty focused on the plan we've laid out in front of you. We've realigned the organization. We want to as quickly as possible become very nimble and very execution capable. But that will take a little bit of time.

And so what I would say is I would say two things. Number one, I would say that as you see we still have significant access to liquidity. And we are a business that generates continued cash, so that number should increase. But until we believe that we are at a place where this organization is truly aligned and executing, we're probably going to focus on just getting to that place.

Nicholas Jansen - *Raymond James - Analyst*

Thanks for all the color.

Operator

(Operator Instructions) Your next question comes from Matthew Gillmor of Robert Baird.

Matthew Gillmor - *Robert Baird - Analyst*

Hi, good morning guys, and thanks for taking the question. I had a quick follow up to a comment Rusty just made. As you think about phase two of the strategy and preparing for growth you've mentioned needing to build out capabilities. And I assume a lot of this relates to what you're doing at MediTouch. But can you give us a flavor for what you'll be building out during phase two as it relates to the core NextGen platform?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes, I'll talk. I'm just going to briefly touch on three areas, but really I'm going to defer this question to our analyst day in June. But really when you think about it the three areas that we're focused on from a new capability standpoint is going to be number one as we've talked about over time taking MediTouch up market. But in addition, we've already talked about our investment in moving into the population health applications analytics and services area. These are things that we'll begin to discuss as we get to analyst day in June.

Matthew Gillmor - *Robert Baird - Analyst*

Got it. Thanks, very much.

Operator

Your next question comes from Stephen Hagan of Deutsche Bank.

George Hill - *Deutsche Bank - Analyst*

Hi, good morning guys. This is actually George Hill in for Stephen Hagan.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

I guess Rusty, if I'm thinking about the -- I want to understand what's going on with the underlying business, and on a go-forward basis are you worried about increased [turn] in the legacy NextGen base? And is there anybody who's sort of promised NG Now who now isn't going to ever see that product and might be unhappy? You said you worry about [turn] in the underlying business going up.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Yes, I think certainly we'll get a little more into those FY16 numbers as we get into the earnings call in May. But I'd say, look it's a replacement market. It's something that we're always focused on is making sure we have a great client experience which makes our clients comfortable in continuing to invest with us.

I think both this structure and a lot of the work we've done on the client experience and certainly we've seen returns through our internal voice of client survey. Are indicating that we're making a good bit of progress in increasing that level of comfort within our client base. As I said, we'll get more into the numbers as we move into the earnings call in May.

But I also think talking about the NG Now platform, I think our clients right now are very focused, and I've talked to a lot of them. Are very focused on just make that NextGen ambulatory platform that supports our business in the way we work robust, scalable and of high quality. That's what I need you to do today. And then once I know you can do that, then I want to start to invest and build other solutions around that that you can provide to me.

And so I'd say our thesis is pretty much the same, which is from the day I walked in. It's that client experience, client experience, client experience. We're now getting to a structure that provides a client experience as a natural extension of the way we're structured. We've got a CTO in who is definitely making sure that that software experience continues to be more robust.

And so we feel good about the path we're on. It's not say that it's not a little bit of a bumpy road and hence the muted and choppy revenue guidance, but we're making a good bit of progress.

George Hill - *Deutsche Bank - Analyst*

Okay, that's helpful. And then maybe just one quick follow up is with respect to the legacy NextGen base, can you rough segment the business for us? How much of it is large practices tied to integrated delivery networks? How much of it is kind of a large independent group practices? How much of it is the federally qualified health centers? How much is kind of the small, mid-size, and [indy] guys? Is there any color you can give us around that just to kind of evaluate overlapping risk of the legacy footprint?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

You know we tend to stay away from detailed conversations about the client base. And so what I would say is I'd say that we've got a lot of diversity in our client base. And that once again allows us to bring different aspects of the solution to different parts of that client base. But as far as segmenting the client base within this call we're going to stay away from that.

George Hill - *Deutsche Bank - Analyst*

Okay, appreciate the color. Thanks.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Thanks, George.

Operator

Your next question comes from Sandy Draper of SunTrust, Robinson, Humphrey.

Unidentified Participant - *SunTrust, Robinson, Humphrey - Analyst*

Hi, thank you for taking my questions. This is actually Stan on for Sandy. Just a quick question, I'd like to know what your commitment is towards clients who are on the NextGen Now platform currently. In other words, do clients continue to pay for and receive maintenance? Can these customers stay on for five years? And also if they're hiring doctors can they continue to add licenses?

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

So I'm sorry, I think you're misunderstanding. So NextGen Now is a multi-year next generation platform development effort that did not come to release. NextGen ambulatory is our current flagship in-market enterprise product which we continue to enhance, develop on, and deliver commercially to clients. So this impairment does not affect any software that is actually in the field or sold to clients. And there are very few client expectations around the software that was impaired.

Unidentified Participant - *SunTrust, Robinson, Humphrey - Analyst*

Got it.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

All right --

Operator

This concludes, I'm sorry, this concludes our allotted time. I would now like to turn the floor back over to Mr. Rusty Frantz for any additional or closing remarks.

Rusty Frantz - *Quality Systems, Inc. - President, CEO*

Thank you very much. Well, first of all I wanted to thank everybody for being on the call on short notice. As I sit here today, I'm optimistic and excited for the future. We're becoming a nimble, aligned, organization focused on delivering important solutions to our ambulatory client base as they navigate our healthcare systems transition from volume to value. I look forward to sharing more about our journey going forward, most notably during our analyst day in June.

Thanks again for being on the call, and have a great day.

Operator

This concludes the Quality Systems Business Strategy Review conference call. Thank you for your interest in Quality Systems. If you'd like to listen to a replay of today's conference, please dial 800-585-8367 and refer to conference ID 1292427. A webcast archive of this call can also be found at www.qsii.com. Please disconnect your lines at this time, and have a wonderful day.
