



J.P. MORGAN 2016 HEALTHCARE CONFERENCE

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Safe Harbor Provisions for Forward-Looking Statements

This presentation and the accompanying oral statements may contain forward-looking statements within the meaning of the federal securities laws. 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 and net income), are forward-looking statements within the meaning of these laws and involve a number of risks and uncertainties. Management believes that these forward looking statements are reasonable and are based on reasonable assumptions and forecasts, however, undue reliance should not be placed on such statements that speak only as of the date hereof. Moreover, these forward-looking statements are subject to a number of risks and uncertainties, some of which are outlined below. As a result, actual results may vary materially from those anticipated by the forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the failure to effectively execute upon the integration of HealthFusion or future M&A strategies; 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; uncertainties concerning threatened, pending and new litigation against the Company including related professional services fees; uncertainties concerning the amount and timing of professional fees incurred by the Company generally; changes of accounting estimates and assumptions used to prepare the prior periods' financial statements; general economic conditions; and the risk factors detailed from time to time in the Company's periodic reports and registration statements filed with the Securities and Exchange Commission.

Company Introduction



Who is QSI NextGen Healthcare?

Founded: 1974

NASDAQ: QSII

Stock price: 16.91 (1/8/16)

Market cap: 1.029B (1/8/16)

LTM revenues:

\$499.3 million (9/15, FYE 3/31/16)

2,900+
Employees

11 Major Locations

Irvine, CA

Costa Mesa, CA

San Diego, CA

Austin, TX

Atlanta, GA

Hunt Valley, MD

St. Louis, MO

North Canton, OH

Horsham, PA

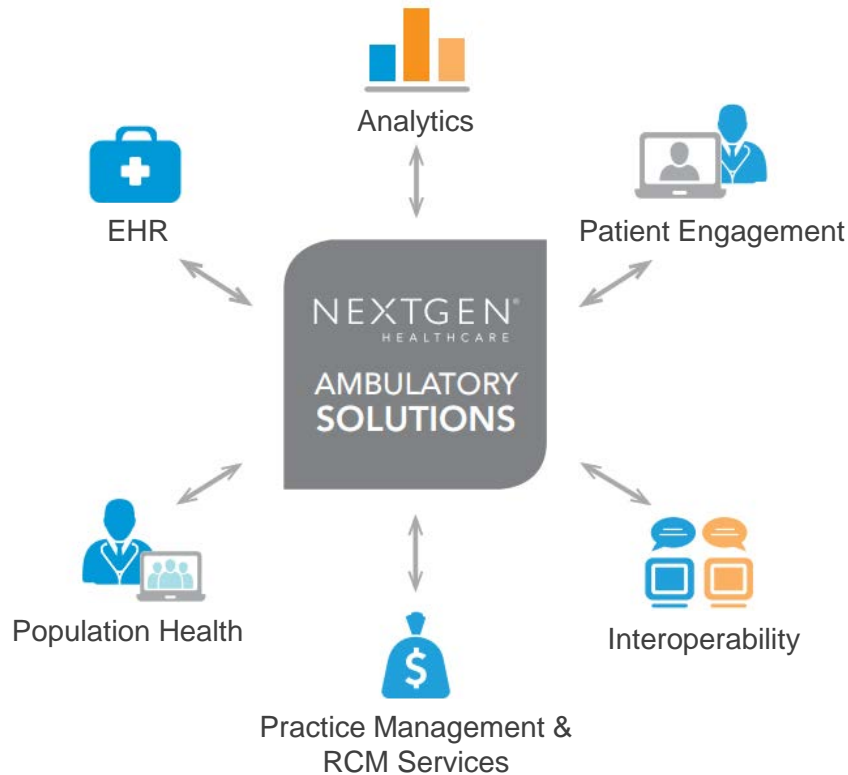
Salt Lake City, UT

Bangalore, India

Irvine, CA

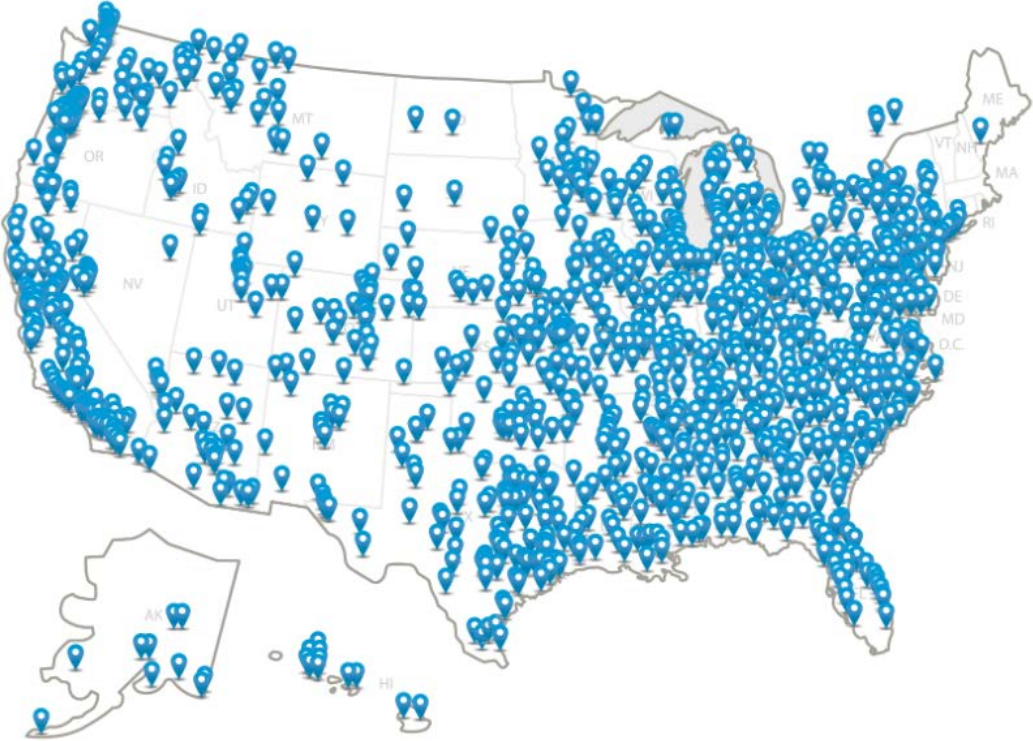
HEADQUARTERS

Broad solutions portfolio focused on ambulatory success



- Streamline and improve patient care
- Enhance care coordination
- Improve clinical outcomes
- Optimize financial results
- Reduce per capita healthcare costs
- Solve connectivity and operational challenges

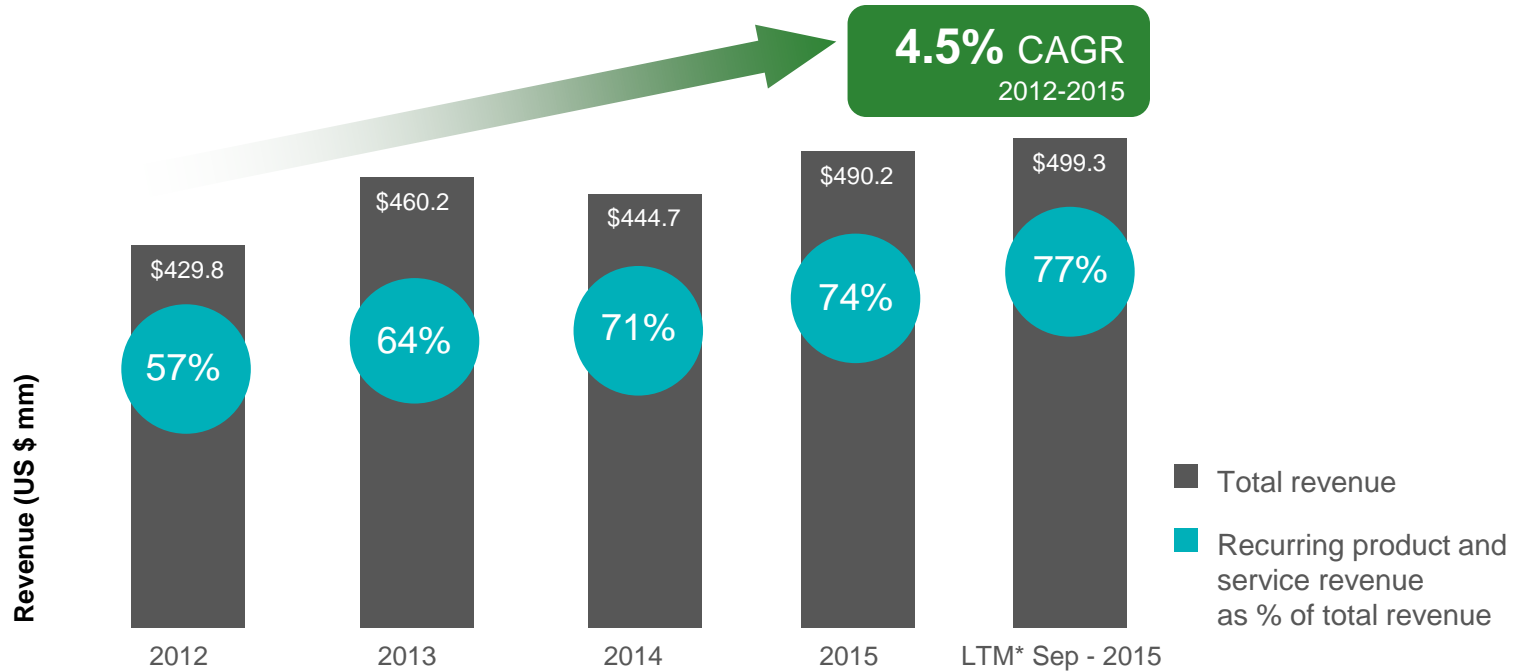
Delivering value to one of the industry's largest install bases



7,000+
Clients

90,000+
Providers

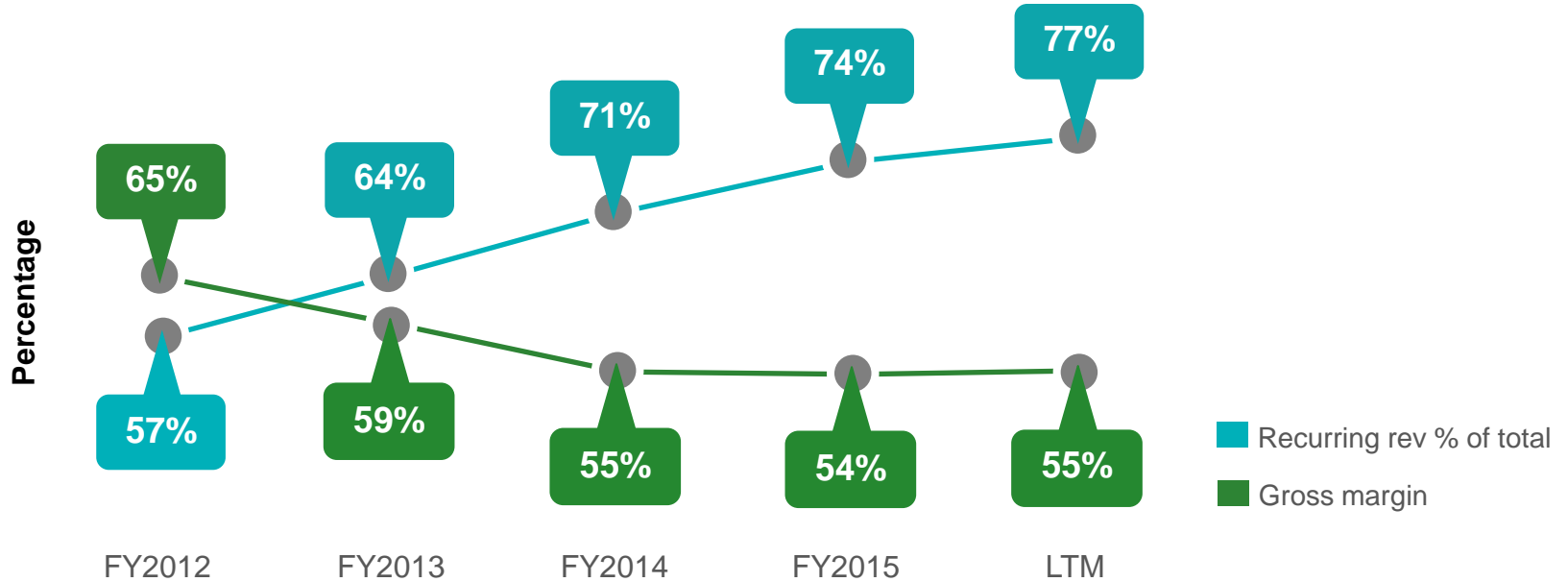
Driving profitable financial performance



*LTM revenue includes \$16.5 million from recently divested Hospital Solutions Division revenue

FYE 3/31

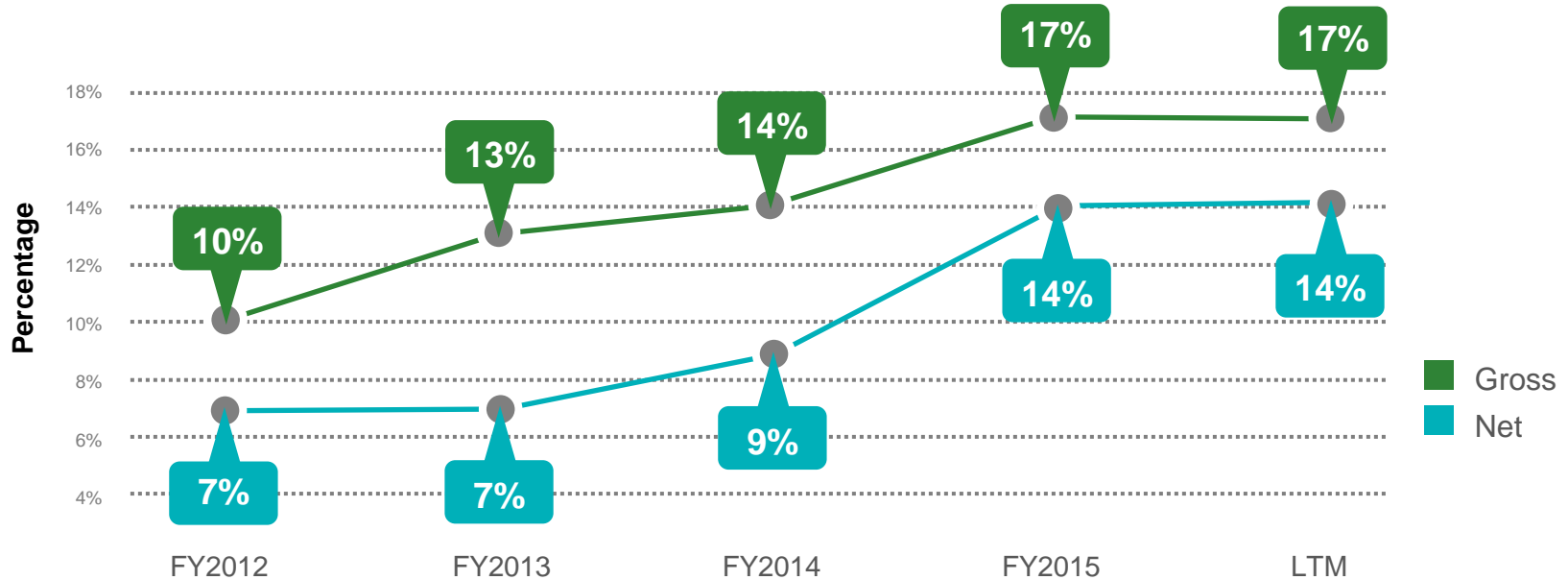
Consolidated gross margin trend



Decline in gross margin % reflects the mix shift towards recurring product and service revenue
Less reliance on quarterly software sales
Earnings get more predictable as % of recurring revenue increases

FYE 3/31

R&D gross spending and net expense as % of revenue



Gross and net R&D growth rates are outpacing our revenue growth
Near-term R&D expense ratios are expected to be at least 15% of revenue

FYE 3/31

Opportunities & Strategy



What we stand for...

VISION

We enable healthy communities while lowering the cost of care.

MISSION

We enrich the ambulatory patient care experience, promote healthy communities, and empower physician practices success by delivering solutions that transform care – placing the patient at the center of the healthcare system.

VALUES

Client-Focused
Quality
Teamwork
Accountability
Diversity

QSI NextGen 2.0

New Leadership

- CEO (7/15)
- New independent Chairman (11/15)
- CTO and CFO hires in process

New Financial Mindset

- Change in capital return strategy
- Prudent use of leverage
- Cost containment



New Strategic Direction



Components of new strategic direction



HealthFusion: major acquisition



Cloud transition

Announced October 2015, closed January 2016

Transaction value \$165 million plus \$25 million earnout*

\$0.11 - \$0.13 accretive (FYE 3/17)

Financed through combination of debt and cash on hand

90% of revenue recurring

*Full earnout achieved at \$43M CY16 revenue

HealthFusion: highlights



Cloud transition

- Provides a highly scalable, pure cloud-based platform
- “Sticky” client base
- Track record of meaningful double digital growth
- Opens up less penetrated small practice market
- Proven management team with impressive track record of growth



Managed Cloud Services



Cloud transition



Current NextGen Solutions
in the cloud



Clients scale up services faster
and more easily

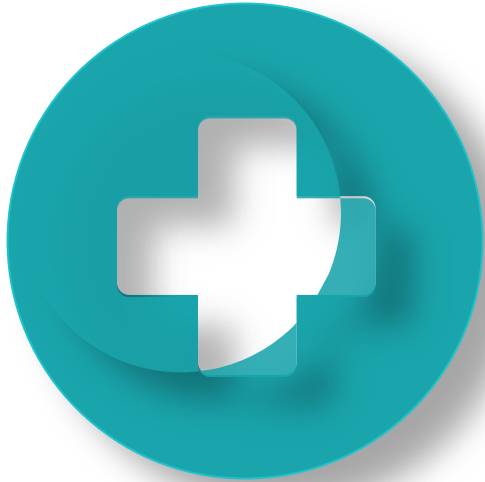


Significantly lower clients' TCO

Focus on core ambulatory client segment



Focus on core ambulatory segment

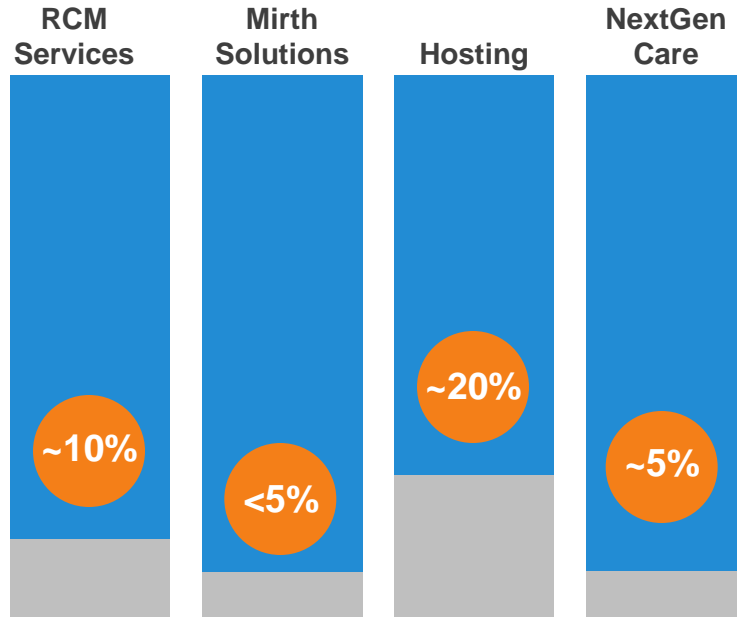


- **Emphasis on client retention**
 - Invest in the NextGen Ambulatory platform
 - Reduce TCO for clients
 - Expand client success team, new service model
 - Shift from a product-centric approach to a client-success mindset
 - Help clients transition to value-based reimbursement models
- **Divestiture of Hospital Division**
 - October 2015
 - Eliminate distraction, losses, and cash burn
- **Core focus of future M&A activity**

Cross-sell opportunity



Cross-selling



NextGen Ambulatory Client Penetration

- Restructuring the sales organization
- Reengineering the sales process
- Target ambulatory install base:
 - RCM Services
 - Mirth Solutions
 - Hosting
 - NextGen Care

More effective use of capital



More effective
use of capital

Conservative use of leverage to grow the business (less than 1.5:1 EBITDA ratio)

Effective cost management

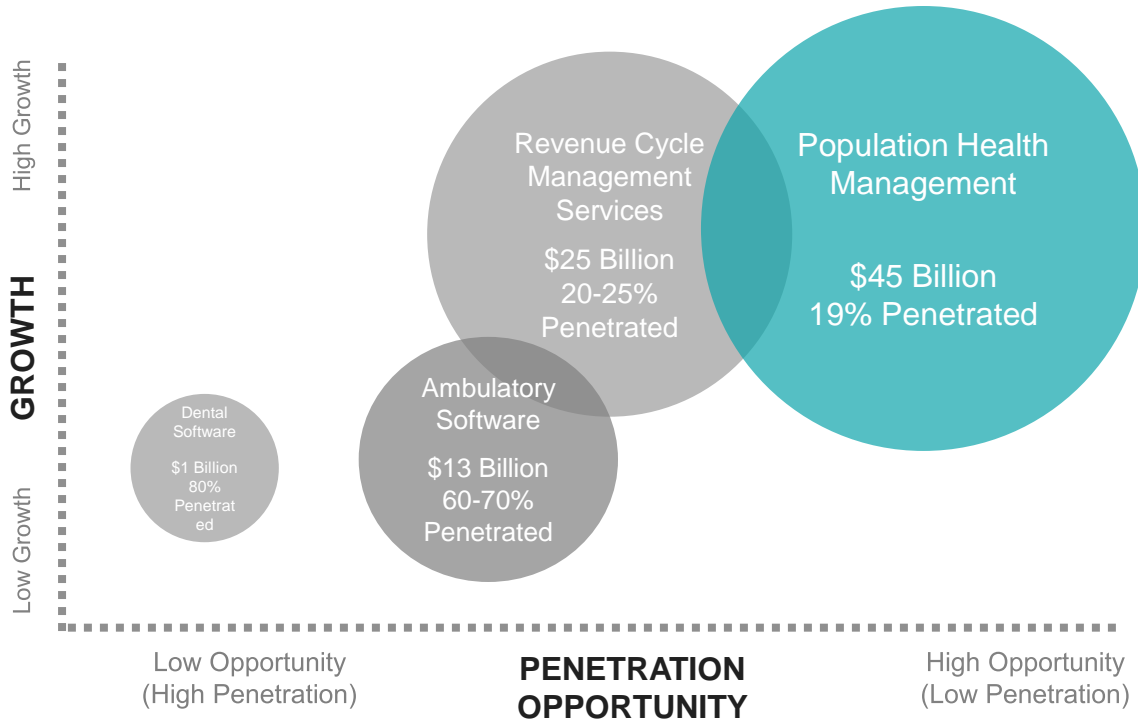
Ample dry powder for inorganic growth

Cessation of the dividend

Lower total cost of capital

Shift from income to share price appreciation as main approach to shareholder returns

Population health market opportunity



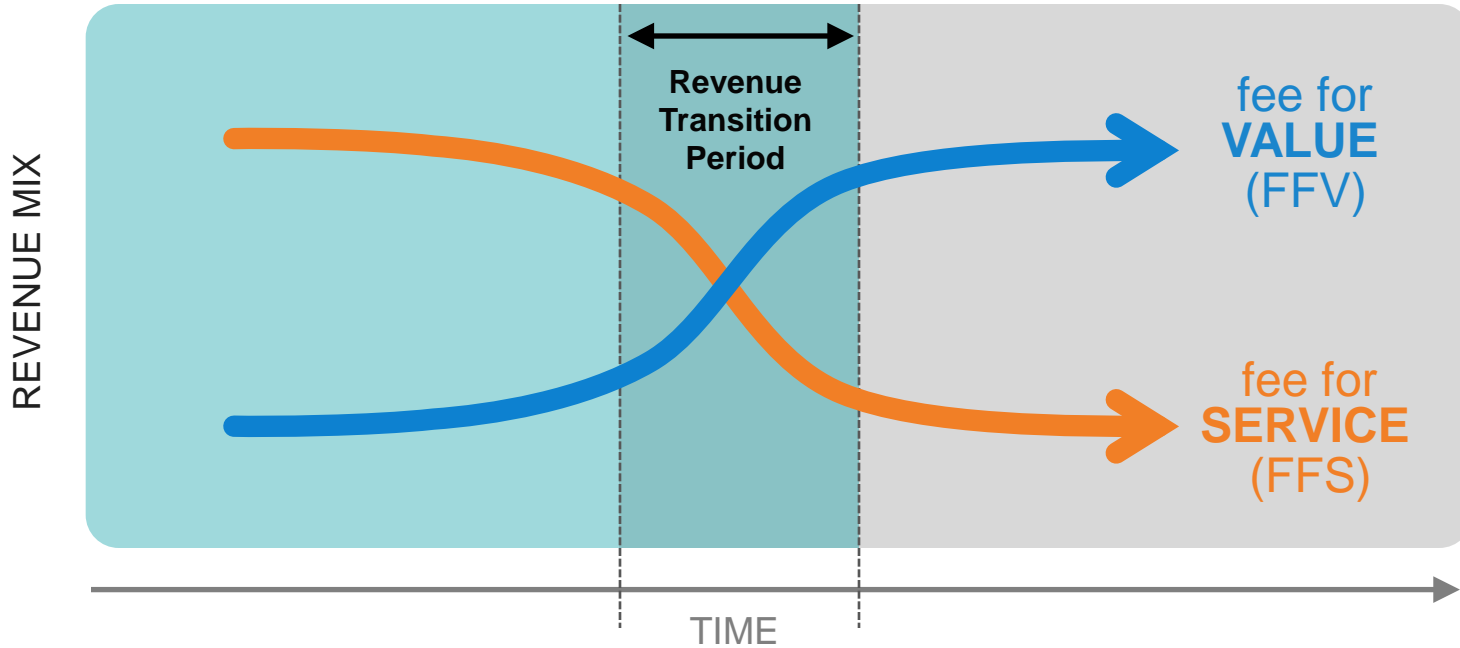
Population health software and services

1. Citi Research 2. TriZetto, Industry Perspectives on Future Trends in Population Health; 3: KPMG Population Health Investment Survey

Transition to fee-for-value



Population health software and services



Managing pop health requires new capabilities

A frontier we have already begun exploring



Population health software and services



Proactive Care

Fuels targeted risk stratification to **pinpoint patients needing proactive care**

Care Coordination

Offers content rich disease management tools **enabling focused care coordination**

Interoperability

Facilitates smooth and secure data exchange **through industry leading interoperability**

Analytics

Delivers robust analytics to **better understand patient population needs**

Patient Engagement

Cultivates patient engagement **encouraging patients to invest in their own health**

In summary, why QSI NextGen?

- 1 Strong recurring revenue**
- 2 Large footprint**
- 3 New management taking company in new strategic direction**
- 4 Significant cash flow and dry powder to grow business**
- 5 Well positioned to capitalize on emerging fee-for-value/population health market**

Thank You

