

Quality Systems, Inc. QSII

Sales USD Mil 418 **Mkt Cap USD Mil** 2,597 **Industry** Health Information Services **Sector** Technology

Quality Systems, along with its wholly-owned subsidiary NextGen Healthcare Information Systems, markets information-processing systems to medical and dental group practices, as well as to physician hospital organizations and health maintenance organizations. Its systems are used to manage medical records, treatment planning, appointment scheduling, third-party reimbursement, insurance claims, and other functions. The company also provides hardware and software maintenance and support services.

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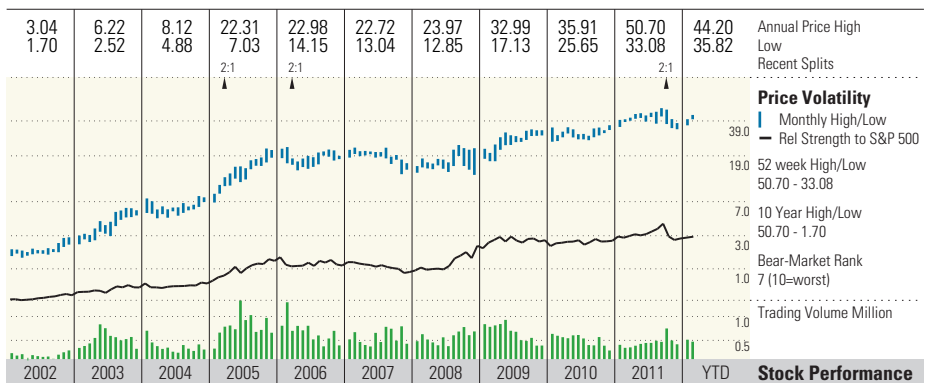
Growth Rates Compound Annual					
Grade: B	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	21.1	23.7	24.3	24.4	
Operating Income %	24.3	16.6	21.3	34.1	
Earnings/Share %	26.2	13.8	20.1	31.0	
Dividends %	4.2	7.7	—	—	
Book Value/Share %	18.7	23.1	23.2	18.5	
Stock Total Return %	11.1	35.0	17.6	35.7	
+/- Industry	-9.4	-8.5	1.5	23.6	
+/- Market	9.2	19.2	19.0	34.2	

Profitability Analysis				
Grade: C	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	32.0	34.4	9.8	22.3
Return on Assets %	19.9	21.0	5.4	9.5
Fixed Asset Turns	30.8	37.7	12.3	7.5
Inventory Turns	55.5	73.2	99.6	16.0
Revenue/Employee USD K	264.7	204.2*	—	1050.4
Gross Margin %	65.9	64.8	40.3	38.3
Operating Margin %	29.0	29.3	5.8	16.6
Net Margin %	18.9	19.1	5.7	11.1
Free Cash Flow/Rev %	10.5	14.6	7.9	0.1
R&D/Rev %	6.8	0.1	—	9.8

Financial Position			
Grade: A	03-11 USD Mil	12-11 USD Mil	
Cash	117	129	
Inventories	2	3	
Receivables	140	165	
Current Assets	282	319	
Fixed Assets	13	16	
Intangibles	79	102	
Total Assets	379	442	
Payables	22	18	
Short-Term Debt	—	—	
Current Liabilities	137	138	
Long-Term Debt	—	—	
Total Liabilities	154	159	
Total Equity	225	282	

Valuation Analysis				
	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	32.7	30.4	51.5	14.7
Forward P/E	25.4	—	—	13.5
Price/Cash Flow	36.2	28.1	25.1	7.4
Price/Free Cash Flow	59.2	39.3	36.8	17.0
Dividend Yield %	1.6	—	0.2	2.0
Price/Book	9.2	8.6	4.8	2.0
Price/Sales	6.2	5.5	2.9	1.2
PEG Ratio	1.2	—	—	1.4

Morningstar Rating — **Last Price** 44.02 **Fair Value** — **Uncertainty** — **Economic Moat™** — **Stewardship Grade** —
per share prices in USD



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
24.1	120.3	35.7	158.8	-0.6	-13.5	46.7	46.7	13.1	8.0	19.0	Total Return %
47.5	93.9	26.7	155.8	-14.2	-17.0	85.2	23.3	0.3	8.0	11.7	+/- Market
56.1	80.7	3.7	90.1	30.4	-20.7	68.3	-35.5	1.3	-10.7	6.4	+/- Industry
—	—	—	—	—	2.5	2.5	1.9	1.7	1.9	1.6	Dividend Yield %
124	280	390	1013	1004	835	1235	1800	2023	2176	2597	Market Cap USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Financials
44	55	71	89	119	157	187	246	292	353	418	Revenue USD Mil
56.7	56.6	59.6	63.3	66.6	67.7	66.5	63.8	62.0	63.9	65.9	Gross Margin %
8	11	17	32	36	51	59	72	76	94	121	Oper Income USD Mil
17.7	19.5	23.5	35.6	30.0	32.4	31.8	29.5	25.9	26.6	29.0	Operating Margin %
5	7	10	16	23	33	40	46	48	62	79	Net Income USD Mil
0.11	0.14	0.20	0.31	0.43	0.61	0.72	0.81	0.84	1.06	1.35	Earnings Per Share USD
—	—	—	—	—	—	0.50	0.58	0.60	0.63	0.70	Dividends USD
50	51	52	53	55	55	56	57	58	58	59	Shares Mil
0.93	1.12	1.48	3.22	3.92	4.19	5.33	3.03	3.66	4.80	4.79	Book Value Per Share USD
8	13	17	22	31	30	44	49	55	70	72	Oper Cash Flow USD Mil
-1	-1	-1	-2	-6	-8	-8	-12	-18	-24	-28	Cap Spending USD Mil
8	12	16	20	25	21	35	36	37	46	44	Free Cash Flow USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Profitability
10.9	11.8	13.5	17.3	21.0	24.4	23.7	21.4	17.5	17.9	19.9	Return on Assets %
14.3	16.1	19.2	26.0	34.5	40.6	39.1	34.3	28.1	29.8	32.0	Return on Equity %
11.9	12.9	14.7	18.1	19.5	21.1	21.5	18.8	16.6	17.4	18.9	Net Margin %
0.92	0.91	0.92	0.96	1.08	1.15	1.10	1.14	1.06	1.03	1.05	Asset Turnover
1.3	1.4	1.4	1.6	1.7	1.6	1.6	1.6	1.6	1.7	1.6	Financial Leverage

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-11	Financial Health
31	39	51	55	62	77	80	99	119	146	181	Working Capital USD Mil
—	—	—	—	—	—	—	—	—	—	—	Long-Term Debt USD Mil
40	48	61	63	72	91	114	156	188	225	282	Total Equity USD Mil
—	—	—	—	—	—	—	—	—	—	—	Debt/Equity

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
19.1	31.9	27.6	50.8	31.6	22.7	26.7	38.8	36.1	27.5	32.7	Price/Earnings
—	—	—	—	—	—	—	—	—	1.6	2.2	P/E vs. Market
2.5	4.3	4.8	9.4	6.9	4.7	5.3	6.5	6.1	5.2	6.2	Price/Sales
2.7	5.0	5.1	11.9	9.5	7.3	8.2	10.4	9.5	7.7	9.2	Price/Book
11.3	19.5	17.4	33.4	35.7	22.0	31.8	29.5	26.8	30.3	36.2	Price/Cash Flow

Quarterly Results						
Revenue USD Mil	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	97.1	100.4	107.6	112.8		
Prior Year Period	78.5	82.9	81.5	91.9		
Rev Growth %	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	23.7	21.1	32.1	22.8		
Prior Year Period	19.3	24.4	13.6	22.6		
Earnings Per Share USD	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	0.32	0.33	0.35	0.36		
Prior Year Period	0.23	0.21	0.23	0.30		

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Quality Systems, Inc	2597	418	32.7	32.0
Cerner Corporation	12007	2088	42.9	14.2
Allscripts-Misys Hea	4030	705	50.5	8.3

Major Fund Holders		% of shares
		—
		—
		—

