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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Allscripts' Third Quarter 2021 Earnings Conference Call. (Operator Instructions) At this time, it is my pleasure to turn the floor over to your host, Jenny Gelinas. Ma'am, the floor is yours.

Jenny Gelinas - *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you very much. Good afternoon, and welcome to the Allscripts' Third Quarter 2021 Earnings Conference Call. Our speakers today are Paul Black, Allscripts' Chief Executive Officer; and Rick Poulton, our President and Chief Financial Officer. We will be making a number of forward-looking statements during the presentation and the Q&A part of the call. These statements are based on our current expectations and involve a number of risks and uncertainties that could cause our actual results to vary materially. We undertake no obligation to revise these forward-looking statements in light of the new information or future events. Please refer to our earnings release and SEC filings for more information regarding the risk factors that may affect our results. Please reference the GAAP and non-GAAP financial statements as well as non-GAAP tables in our earnings release and the supplemental workbook that are both available on our Investor Relations website.

And with that, I'm going to hand the call over to Paul Black.

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Thanks, Jenny, and welcome to your new role. Welcome, everybody else, to the call today. We appreciate your interest in Allscripts. Today, I'd like to cover my view of the industry, the quarter and our long-standing relevance to health care.

As this global industry continues to manage through the pandemic, we're seeing innovations introduced to address newly exposed needs. You see this with a significant rise of telemedicine technology, options in growing patient usage and expectations of these tools. To have the ability to reach patients anywhere as a game changer for providers and advancing the methods in which humans receive the care that they need. The rise of consumerism in health care and the importance of opening the digital front door for patients to engage their health has transformed how care is delivered, and it's here to stay. Patients now demand access to care beyond the 4 walls of the practice or hospital on their schedule, at their convenience and without a long wait.

Health care providers that embrace the rise of the patient as the consumer and the importance of capturing and harnessing analytics available, which inform decision-making, will expand their brands and catchment over the next 2 to 4 years. Health care technology is central to the strategy, which is better positioned for success when clinicians, patients have access to a complete and community view of the integrated record.

Turning to the quarter. I'm pleased with our solid third quarter financial results, which represent the continuation of our strong performance this year. The results reflect decisive actions we have taken since the beginning of the COVID-19 pandemic and the efforts of the Allscripts teams located around the globe. During the quarter, we were awarded a contract extension from the National Institutes of Health Clinical Center, an important research hospital located on NIH campus in Bethesda, Maryland. The hospital and research institute have been a valued Allscripts' clients since 1976. They represent the largest hospital devoted to research in the country. This renewal will extend NIH's use of Sunrise for at least 5 additional years. It also expands the purchasing ceiling under the agreement, enabling the U.S. federal government to purchase additional solutions through this contract vehicle.

In California, Lompoc Valley Medical Center signed a 10-year agreement for Sunrise Community Care deployed on Microsoft Azure. In Iowa, Shenandoah Medical Center also signed a 10-year agreement for Sunrise Community Care. Shenandoah sought a superior and integrated EHR to address the needs of an important community hospital. A new client, Wilson N. Jones Medical Center, also signed a 10-year agreement for Sunrise Community Care. A facility of 214 licensed bed, they care for families in 4 counties of North Texas and Southern Oklahoma.

Allscripts International business also made progress this quarter. Our team won its first new client in New Zealand, Waikato District Health Board, who selected our anesthesia solution. For Allscripts, this win represents a significant opportunity to grow our business in New Zealand. We're also pleased to continue with our military contracts overseas who are prepping for new upgrades and add-on capabilities.

Since we last reported, we hosted our flagship client event, the Allscripts Client Experience, at the end of August in the United States. We hosted similar ACE events in the United Kingdom, Canada, Singapore and Australia. Approximately 3,500 clients, partners and associates attended the virtual events, which featured 3 days of education, networking and fun, with more than 180 sessions completed, 50-plus marketplace booths visited and $35,000 raised for our giveback partner, Reach Out and Read, ACE was a huge success.

We also had our global impact event during the quarter. Allscripts' employees around the world participated in the global impact event, providing various types of services and financial support to numerous charities. I'm quite proud of the work that we do, not only during this annual event, but also throughout the entire year, giving back to those in need. We call it winning in our communities.

An incredible amount of change in health care has occurred over the last 20 months. A new pressure around staffing shortages, wage inflation, supply chain costs have created a strategic refocus on this dimension of our solutions. Revenue cycle, once relegated as tactical, is now a strategic part of a health care organization's success. Organizations are devoting their focus, not only to treating patients that with pressing needs, but also restoring their financial health. We are strengthening clients' financial chassis by our Revenue Cycle Center of Excellence proactive monitoring services. With our collaboration, we're seeing clients achieve record cash levels, substantial reductions in denials and significant improvements in accounts receivable balances. This has all been driven through transparency into actionable data that financial managers need to effectively run their organizations every day. Our clients' improvements and performance are evidence of the impact of a truly integrated clinical and financial platform combined with proactive as-a-service analytics.

With a focus on visibility and clinician fatigue, we're also co-creating with our clients to build an individualized experience with elegance and simplicity, placing the human experience at the center of everything we do. This practice is called human-centered design. It's a thorough process that's been refined over the last 3 decades and puts a focus not only on the user and the workflow, but the human engaging with technology or the human experience. Applied across multiple industries, the human-centered design process lives where business development, product and design meat. This approach leverages the concept of personas, a representation of the problems, needs, goals and behavior of a specific group, such as researchers, doctors, nurses or CFOs.

Personas are collections of relevant information and insight known to our Allscripts' designers to create a shared understanding of what users want. It's based on research, testing and feedback from clients during the development cycle. These personas are then tested and refined with our clients as we create unique and distinctive solutions that provide the intended experience. Looking forward, we will continue to drive our initiatives and grow our strategic partnerships, such as with Microsoft, as we deliver a true platform of health powered by the cloud that connects patients and providers through all points of care.

To summarize, we have built a sustainable business model that delivers innovation and value to our clients. We have improved clinical outcomes at the point of care and strengthened financial performance across all facets of our clients' operations. we have delivered strong results for our shareholders with expanded margins and free cash flow that enable us to reinvest in the business and return substantial amounts of capital at the same time. I continue to be optimistic about our performance in 2021 and beyond.

With that, I'll turn the call over to Rick Poulton, Allscripts' President and CFO.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Okay. Thank you, Paul, and thanks, everybody, for joining us today. Just one more reminder, as Jenny indicated, additional financial details are available in the supplemental financial data workbook that's posted to our Investor Relations website.

We were very pleased with our financial performance in the third quarter, where we saw the continuation of positive trends that we experienced all year. We benefited from continued discipline in managing our cost structure, and this drove significant operating leverage, allowing us to report significant year-over-year growth in adjusted EBITDA, earnings per share and free cash flow. And it resulted in our highest quarterly adjusted EBITDA margin of the year. So with that overview, let me highlight a few items.

We reported $166 million of new bookings in the quarter, which was up 4% on a year-over-year basis. And revenue in the quarter was $369 million, up 1% year-over-year. As was the case last quarter, our revenue results are really a tale of 2 different stories. And as such, we have modified our segment reporting this quarter to provide investors greater transparency on our business. These new segments better reflect the market dynamics in which we compete as well as the way we are now managing the business from a resource allocation and leadership perspective.

The segment hospitals and large physician practices represents our Sunrise, Paragon and TouchWorks solutions, along with several other owned and third-party services and solutions that are geared toward health systems and large independent physician practices.

Our Veradigm segment reflects the provider solutions that we have geared toward our smaller physician practice network as well as the payer and life science relationships that we enable access to that network. In this regard, with this presentation, we now show the full asset base and performance of Veradigm in 1 place. The details of these segments can be found in Tables 4 and 5 of the supplemental workbook that I referred to earlier.

Veradigm revenue grew 10% year-over-year, in line with our expectations. Our Veradigm business is a uniquely scaled three-sided platform, bringing together providers and their patients alongside payers and life science organizations. And it's built to capitalize on, and benefit from, the secular trends towards advanced solutions for workflow automation, network orchestration, clinical research as a care option, and management of at-risk populations. The breadth of our network of primary care and specialty care physicians is unique in size, and we are bringing point-of-care workflow and patient-level interventions and opportunities to the exam room. Additionally, our systems of record enabled the creation of unique longitudinal records and link data sets, which brings powerful insights to life sciences organizations.

In our second quarter call, I provided an example of what we are doing when I highlighted a recently signed agreement with PRA Health Sciences, which is now part of ICON, to create an EHR-based clinical research network. Another example from our most recent quarter is that we signed a teaming agreement to allow the U.S. Centers for Disease Control and Prevention access to our Health Insights' EHR data set to advance and assist in the CDC's COVID-19 research. The real-world data that we provide will allow CDC scientists to analyze and develop insights related to variants, vaccinations, long-term effects and other emerging questions related to COVID.

We increased the strength of our Veradigm platform in the third quarter with approximately 500 new practices and another 2,000 prescribing physicians added to our Veradigm network. The new segment presentation is a good step, and our goal is to continue to increase visibility with respect to Veradigm to our future quarterly calls.

So now let me turn to our overall margin performance in the quarter. Consolidated non-GAAP gross margin was 42.4%, which was up 270 basis points year-over-year and continued a steady trend that we have seen all year. Further down the P&L, we continue to manage our operating expenses tightly, and this helped drive very strong 24% year-over-year adjusted EBITDA growth in the quarter. And it resulted in an adjusted EBITDA margin of 19.3%.

On a per share basis, we reported non-GAAP EPS of $0.27 per share, which was up 145% year-over-year and reflecting our strong margin performance as well as our lower share count. Our accelerated share repurchase program was in effect for most of the quarter, which is why you don't see any incremental cash outlays for share buybacks during the quarter. But the ASR is now settled, and we expect to return to opportunistic repurchases in Q4.

We had another strong quarter of free cash flow as we generated $57 million of cash flow from continuing operations and $35 million of free cash flow. The strength of our adjusted EBITDA and free cash flow performance during the quarter has led us to further increase our guidance for the full year as follows: We are increasing our 2021 adjusted EBITDA outlook to a range of $275 million to $285 million from our prior outlook of $265 million to $275 million. And we are also increasing our 2021 free cash flow outlook to a range of $145 million to $155 million from our prior outlook of $115 million to $125 million.

So with that, I'd like to now open the call for any questions you might have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Stuart (sic) [George] Hill at Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Guys, I don't know who that Stuart guy is, but if you find him, he can stand in and update the model for me. I guess -- I kind of have had 2. Paul and Rick, it seems like everywhere we turn the one thing that we keep hearing more about is the growth of virtual primary care. And I guess could you talk about how Allscripts is positioned as it relates to that end market? Is it kind of a headwind or a tailwind for your clients? And kind of how do you guys think about the opportunity there? And I'll come back with another question segment, if that's okay.

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Yes. I mean -- so George, we're glad to hear you didn't have a name change. Thank you. So George, we've adopted a strategy with respect to particularly telehealth and other forms of virtual care, where we're trying to really align with our clients' best interest. And so we have provided tools to them that allow them to extend their reach from the physical exam room to virtual care. And we think that's the right strategy for us to stay aligned with our clients. And so we have put in very integrated telemedicine tools to our EHRs, to our practice management systems, and we feel pretty good about it. The uptake continues. Visits, we -- I don't have any data to give you right now, but I mean our data continues to grow in terms of the use of those with our clients.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Okay. Rick, one for you. If I could follow up...

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Sorry. Sorry, George, I'd also add that the way that we do, two, it's a bit different in the alignment with those clients, not only we have a single schedule that they can see. So somebody else inside the organization at some other point in time, because there is a televisit scheduled. Secondly, the record itself is actually updated so you have a single record that's actually updated, they hasn't tell -- the results of the televisit on it as well, not if not in a separate silo of information that's disconnected from that patient for that health system.

And then thirdly, we also have a billing component, which is also quite important as you think about the co-pay as well as the actual billing for that service. So we think there's a relatively complete full system that's required in order to really make this thing be sustainable over a long period of time.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Well, that's helpful. I'll drop 2 more on you guys real quick, and then I'll hop back in the queue. One is for Rick. It's pretty easy. You guys raised the EBITDA guidance by about $10 million, but the free cash flow guidance by about $30 million. I guess, Rick, could you just talk about where the spread is? And then my other one for you, Paul, would be, you guys continue to make great progress in Veradigm. And the valuation of assets that look like Veradigm in the market continue to command pretty steep multiples. I guess, could you talk about how you feel about whether there's any value to be unlocked here? And I'll hop back in.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. I mean, George, I understand the point on the first question. Really, the updated guidance ranges are really a reflection of where we are through 9 months. So we had a very strong quarter in Q3 from a cash flow perspective relative to what I was expecting. And so with that and where we're at through 9 months comes the bigger step up in the range there. But that said, I think what we've seen each quarter is pretty indicative of steady-state ability for us. So I feel good. I don't feel like there's anything unusual in there. And I just -- I think you just interpret the new ranges as 9 months actual with a kind of a lens towards Q4.

On your second question, yes, I mean, the valuation topic is not lost on us, George. We're -- it's suffice to say we're a little frustrated at why we appear to trade at such a large discount to other peers around us. Part of our efforts to create transparency and visibility is to make sure the market understands that. And we'll -- with that, we'll continue to evaluate our options and make the smartest strategic decisions we think we can.

Operator

We'll go next to Mike Cherny at Bank of America.

Unidentified Analyst

This is [Charlotte] on for Mike. So it seems like you've seen a lot of margin improvement, and you kind of hit an inflection point in your margins. I guess how do you think about what you would do with the improved profitability? And then how do you think about expanding this as we're going into the end of the year?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

When you say what would we do with the improved profitability, do you mean in terms of deployment of capital or cash?

Unidentified Analyst

Sure. Yes.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, I think it's -- let's start by looking backwards a little. I mean, we've been pretty aggressive, I would say, with using our balance sheet and our cash to buy back shares. We are very comfortable now where our debt levels are. We're actually below our stated kind of long-term goal of 1.5 turns. So we're significantly below that goal. We continue to invest in the business nicely. And so we were -- we've been very aggressive about buying back stock. And as I said in my prepared remarks, we will continue to opportunistically come back to the market in Q4. And we continue to also evaluate whether there are things out there that might make sense to add to our asset base as well. So we haven't ruled any use of cash out. But we definitely think our stock is cheap, and we think it's a good return for our shareholders to take some of that out.

Unidentified Analyst

Great. And then just a second question here. I think last quarter, you mentioned managing to higher quality clients with higher margins versus quantity of revenue. I guess, can you just describe any benefits that the business had in the quarter and how you're thinking about managing this going forward?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, we're going to try to manage with that same attitude and same discipline, in part shows why our -- is a reflection of why our revenue hasn't grown as much in the hospital and large physician practice segment. We are trying to emphasize margins. And our -- we have a little pressure at the gross margin level, as you saw in the quarter in that segment, down just slightly from Q2. But we're making it up on the operating cost side, too, and it's a combination of our direct cost of sales and our operating cost that we use to service our clients. So we are emphasizing margin performance, and we have passed on some opportunities and restructured other opportunities with some of our clients because of those goals. And that will continue to be the way we manage the business going forward.

Operator

(Operator Instructions) We'll go next to Sean Dodge at RBC Capital Markets.

Sean Wilfred Dodge - *RBC Capital Markets, Research Division - Analyst*

Rick, maybe going back to the new cash flow target, the $145 million, $155 million. Can we think about that as a good jumping-off point for 2022? Or I know you had some recoveries in practice fusion related to the DOJ case. Are those included in there? Is there anything else included in there that we need to think about adjusting that as we, I guess, kind of make our bridges into next year?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. Sean, we had $5 million of recoveries, so not a big number. But yes, that does flow through free cash flow -- cash flow from operations. So there's maybe a $5 million anomaly. I'd also say we did -- we've done a very good job over the last 12 months of managing working capital on the balance sheet. And so we may have a small kind of onetime good guy from that, but that's not big money either.

So I think those 2 things aside, what you're seeing from us is what we are capable of doing and what we're committed to continuing to drive. And I think it is a good jumping-off point. We've had some cash flow in from some of our investment portfolio as well, but that's obviously not in the free cash flow number. So if you're -- in terms of cash to the balance sheet, we have picked up some cash from other places. But if you're just trying to model free cash flow or think about that for next year, I would say where we're at and those 2 adjustments, then you've got a pretty good starting point.

Sean Wilfred Dodge - *RBC Capital Markets, Research Division - Analyst*

Okay. That's helpful. And then on -- I guess on the margins -- margin outlook, you've made a lot of progress resetting the cost base. But if we take a step back and think about kind of cadence and drivers going forward, is most of it now going to be dependent on revenue growth and operating leverage? Or do you think there's still some meaningful opportunities maybe still across the client services organization to pull incremental cost out?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

There's absolutely continued opportunity, particularly, and as you pointed out, in services. I think we still -- while we've made tremendous progress over the last 6 quarters, there is still room to go to drive better profitability in the services areas. That said, we do face -- we face, of course, wage pressure. Not lost on anybody that the labor markets are pretty tight right now. So we'll have some things that work against us that we have to drive operating efficiencies just to offset. So I think we've grabbed the most of the proverbial low-hanging fruit and -- but we still have several initiatives around continuing to get efficiencies out of the workforce and efficiencies out of some areas of our operations like services that will -- we expect to offset some of those other pressures that are coming at us.

Operator

We'll go next to Charles Rhyee with Cowen.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Paul and Rick, I appreciate the earlier comments about why we want to focus on quality clients, and then we might have passed up some opportunities. But when we look at the -- even on the resegmented business, I think year-to-date, it's down roughly 2.5%. Obviously, last year was COVID, but back even in '19, core clinical and financial solutions, I think, was down about 1% or so. Where do you think we hit sort of an inflection here? Obviously, you've kind of restructured and refocused and done a great job on the margins. But is there a point where you expect this area to cycle back to growth? And then secondly, on Veradigm, looking at these -- at the supplemental here, and about 10% growth in the third quarter. It looks like accelerating from about 6.5% last quarter growth year-over-year. What is -- what do you see the growth profile for Veradigm here as not giving guidance per se, but if we think over the next few years, what should the growth profile of this business or do you expect it to be?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, Charles, let me take your question, and I'll answer in reverse order. So Veradigm, we foreshadowed that double-digit growth last call. So in some respects, I think we just delivered on what we said. And we have a tougher comp in Q4 because we had a really good pop in Q4 of last year with some benefits. But I expect fourth quarter to be strong, continue our sequential growth that we're seeing in that business. And as I look ahead to 2022, we still look at double-digit growth being the goal for us.

On the first segment, yes, I mean it's -- I mean the answer to that is yes. We have seen some shrinking of the business. Some of that is intentional on our part. As I said, we've become a little more discriminating in business. But some of it is still the tail end of some attrition that we talked about a lot last year, talked about, I think, a little bit earlier this year, but we have -- we're still kind of winding down a bolus of attrition that we had from some of our larger academic medical centers or larger clients that decided to go in a different direction.

We're just about done digesting that. It's a little bit more of a tail to go, but we're just about done digesting that. And there is definitely growth opportunities ahead. Paul talked about some of the client successes earlier in his comments. Fundamentally, there's kind of 3 places where we see opportunities. We have opportunity to continue to gain more wallet share with the client base that we still have. And some of Paul's comments spoke to some success there. We have the ability to compete in the replacement market that exists here in the U.S. And we think our solution set and where we're taking that solution set should be quite competitive there.

And then finally, there's outside the U.S., which is a much more of an open white space than we have here in the U.S. And we think we're positioned well with some of our points of presence. We think it's a more level-playing field outside the U.S., and we have a nice pipeline of opportunities. They're difficult to predict success because they're mostly public sector clients, and the deal times are inherently tough to predict, but they're real. So all in, we still like our longer-term prospects in that segment, Charles, but we've gone through a little bit of short-term recalibration on our way to that.

Charles Rhyee - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I appreciate that. And maybe just a follow-up there. So if we were -- maybe it's a little cherry-picking, but if we were to back out that bolus, that tail of the attrition that you're kind of winding down, is -- would you say the underlying -- the rest of the business has been growing?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, we definitely have success stories that we've shared. And again, Paul made some comments about some success that's [registering] from the recent quarters. So there are pieces that are always growing. There are pieces that haven't been growing. The net of that for a few quarters now has been a net decline. But as I said, as we get through the tail end of attrition, which through next year will mostly be done, we think, then the netting should turn to -- we hope and expect the netting to turn to a positive. I mean it's a long way out from now, but that's what our expectation is.

Operator

We'll go next to Donald Hooker, SVB Leerink (sic) [KeyBanc Capital Markets].

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP & Equity Research Analyst*

This is Don Hooker, I guess, from a different firm, but this is Don Hooker, KeyBanc. Is someone else on?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Hi, Don.

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP & Equity Research Analyst*

Okay. It's me. Okay. Just making sure it wasn't somebody else. I do not work at Leerink, but that's fine, wonderful firm. So I have a couple of mundane questions, if you don't mind. Just I guess, first, what is -- you guys are doing a great job kind of buying back stock and generating cash flow. What is the ending share count? I was just fumbling through your numbers here, just sort of thinking about going into Q4 and kind of where you're at in terms of share count. I know it's moving down through the quarter. So where did we start Q4 with?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, I mean there's -- you see the weighted average on the P&L, right? I assume you have the P&L in front of you. There really -- there was only a modest change in Q3. Most of -- we were in an ASR program for most of the quarter. And so most of the shares under the program were delivered to us when we launched the program at the end of Q2. There was only a small little settlement that happened in Q3. So a long winded way of saying, the average for Q3 should be a pretty decent proxy right now for Q4. Obviously, then what could change that is any incremental buybacks that we do during this quarter. So hopefully, that helps you.

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP & Equity Research Analyst*

Okay. No, super. And then another kind of quick one for me. I guess, did you mention -- it looks like you guys divested to be precise. And I was just wondering if that had any -- I think that was after the quarter, I believe.

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Yes. It was -- sorry, let me finish -- go ahead and finish your question. I'm sorry.

Donald Houghton Hooker - *KeyBanc Capital Markets Inc., Research Division - VP & Equity Research Analyst*

Yes, I think it was after the quarter. So I guess my question was, can we expect cash proceeds from that in Q4?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

It was during the quarter, Don, and there's actually a small gain that's attributed to it. That's actually down in our nonoperating results. But it wasn't a cash deal. We actually rolled the business into another company, and we took a noncontrolling stake in that combined entity. So we did not pull any cash on.

Operator

(Operator Instructions) We will go next to Stephanie Davis at SVB.

Yueli Zhang - *SVB Leerink LLC, Research Division - Research Analyst*

This is Joy Zhang on for Stephanie. Just one question from me. We've started to see some of your peers pivot to a surround-sound strategy with greater focus on adjacencies across the EHR. Now you've already made some investments there historically. So I was hoping to hear a refresh on some of the areas in your portfolio where you've got the highest level of excitement? And any other adjacencies that you'd like to enter?

Richard J. Poulton - *Allscripts Healthcare Solutions, Inc. - President & CFO*

Well, let me talk about the Veradigm segment, and then maybe Paul will make some comments on the hospital segment. So our adjacencies that we're going after, frankly, go well beyond the provider market, that's a lot of what the ambition have been in Veradigm. We've been at it for several years now. And we've now built what we think is a very unique platform that not only allows us to have a strong presence with providers and a strong financial return from providers, we were also able to bring that to both the payer and life science end markets as well. So I mean, I think that's the ultimate adjacencies that we're pursuing.

Inside the provider subset of that, there are definitely strategies to continue to give them what they really need. So some of smaller practices are very interested in practice management type of solutions and helping them with their revenue cycle, helping them, obviously, with now telemedicine and other virtual care capabilities. So there's a whole host of adjacent products or services, if you will, that we're bringing to the providers. But the core strategy is to step out of just the provider world and bring into these other end markets as well. So that's what Veradigm is doing. I think on the hospital side, Paul, anything you want to add to that?

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Yes. I would say that there's a number of concentric circles of opportunity that surround the core EMR install, which is fundamentally what we've been doing since the last tail over the last 9 years in order to maintain and create additional relevance for the company and quite frankly, stickiness for the core EMR. So what we're doing around the consumer and the digital front door, there's not a single client that's not asking for that kind of capability, and we have that. We have a lot of managed services opportunities as clients pressure -- are getting pressure on wage as I said earlier, they're seeing wage inflation. They're seeing some costs go up that are -- that they're really trying to control for. So there's pieces of the business that are interested in outsourcing to us, and we'll do that in a profitable way.

I mentioned, and Rick mentioned also on both sides, the revenue cycle management services, there a lot of people through COVID as they sent a lot of folks home. They actually said since those people are home, they actually could be at home and working for somebody else. And our CMS revenue cycle is a very highly automated and becoming very highly predictable experience for clients and it sets itself up quite well for SLAs, which are very important to clients, and we're happy to do that as well.

The concept around hosting and having on-prem, if you will, capabilities in computers with cyber, with everything else that's going on, again, also the deployment of capital on their side our hosting business is -- continues to show a lot of promise, especially as we are moving clients to Azure. And we had a couple more that moved over the last quarter, and we have -- that's a very nice piece of business for us. We do a lot of project work. We have a lot of updates and upgrades that will be coming on as a result of the regulatory work in 2022. And our professional services business is not only doing well, but it's also extraordinarily well run today and throwing off some nice margins that have historically not been as predictable as what we've had over the last 12 months.

And then the light space, I would say, Rick mentioned it earlier, that when you think about wallet share, there's a lot of clients that are saying -- that are really looking internally for cost savings. And they're saying, if I had 700 different relationships, how can I get it down to 500? We've got 3 or 4 clients that are doing that right now. And in doing that, they're looking to us today for a broader set of solutions that historically weren't here 5 and 6 years ago. So we are repositioning Allscripts as being a single shop to be able to acquire lots of other software from that historically they've sourced through a different -- in many times a competitive product.

Operator

With no other questions holding, I will turn the conference back to management for any additional or closing comments.

Paul M. Black - *Allscripts Healthcare Solutions, Inc. - CEO & Director*

Thank you very much for your time today. We appreciate it, and we're quite pleased with our Q3 results and look forward to talking to you again in another 3 months. Thank you very much.

Operator

Ladies and gentlemen, that will conclude today's conference. We thank you for your participation. You may disconnect at this time and have a great day.