

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

SHARED MEDICAL SYSTEMS CORP

CIK: **89415** | IRS No.: **231704148** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-07416** | Film No.: **94528129**
SIC: **7374** Computer processing & data preparation

Mailing Address
51 VALLEY STREAM PKWY
MALVERN PA 19355

Business Address
51 VALLEY STREAM PKWY
MALVERN PA 19355
2152196300

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 March 31, 1994

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 0-7416

SHARED MEDICAL SYSTEMS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 23-1704148
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

51 Valley Stream Parkway 19355
Malvern, Pennsylvania (Zip Code)
(Address of principal executive offices)

(610) 219-6300
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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 X No

On April 30, 1994, there were 22,856,113 shares of Common Stock outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SHARED MEDICAL SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
	(unaudited)	
<S>	<C>	<C>

ASSETS

Current Assets:

Cash and short-term investments.....	\$ 25,719,000	\$ 35,826,000
Accounts receivable, net of reserve of \$4,376,000 in 1994 and \$4,279,000 in 1993.....	114,984,000	113,138,000
Prepaid expenses, inventories, etc.....	13,811,000	16,572,000
	-----	-----
Total Current Assets.....	154,514,000	165,536,000
	-----	-----
Property and Equipment, at cost:		
Land and land improvements.....	10,703,000	10,703,000
Buildings.....	57,534,000	57,368,000
Equipment.....	180,465,000	183,257,000
	-----	-----
	248,702,000	251,328,000
Less: Accumulated depreciation and amortization.....	146,917,000	146,463,000
	-----	-----
	101,785,000	104,865,000
	-----	-----
Computer Software, net of accumulated amortization of \$30,225,000 in 1994 and \$28,552,000 in 1993.....	34,957,000	33,547,000
	-----	-----
Other Assets.....	38,788,000	37,494,000
	-----	-----
	\$330,044,000	\$341,442,000
	=====	=====

</TABLE>

The accompanying note is an integral part of this statement.

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SHARED MEDICAL SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEET (Continued)

<TABLE>
<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
	(unaudited)	
	<C>	<C>
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Notes payable.....	\$ 7,092,000	\$ 5,830,000
Current portion of long-term obligations under capital leases.....	2,404,000	2,433,000
Dividends payable.....	4,796,000	4,778,000
Accounts payable.....	14,668,000	16,509,000
Accrued expenses.....	20,848,000	32,434,000
Current deferred revenues.....	22,627,000	23,477,000
Accrued and current deferred income taxes.....	6,371,000	7,379,000
	-----	-----
Total Current Liabilities.....	78,806,000	92,840,000
	-----	-----
Deferred Revenues.....	20,304,000	21,619,000
	-----	-----
Long-Term Obligations Under Capital Leases.....	5,771,000	6,395,000
	-----	-----

Deferred Income Taxes.....			22,325,000	22,382,000
			-----	-----
Stockholders' Investment:				
Preferred stock, par value \$.10;				
authorized 1,000,000 shares; none				
issued.....			--	--
Common stock, par value \$.01; authorized				
60,000,000 shares;				
		1994	1993	
		-----	-----	
Shares issued.....	26,855,050	26,770,731		
Less-				
Treasury shares:				
Donated.....	1,114,400	1,114,400		
Purchased.....	2,901,020	2,903,523		
Shares				
outstanding.....	22,839,630	22,752,808	269,000	268,000
Paid-in capital.....			29,995,000	28,829,000
Retained earnings.....			232,577,000	228,831,000
Purchased common stock in treasury,				
at cost.....			(54,907,000)	(54,948,000)
Cumulative translation adjustment.....			(5,096,000)	(4,774,000)
			-----	-----
Total Stockholders' Investment.....			202,838,000	198,206,000
			-----	-----
			\$330,044,000	\$341,442,000
			=====	=====

</TABLE>

SHARED MEDICAL SYSTEMS CORPORATION
CONSOLIDATED STATEMENT OF INCOME

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	-----	-----
	1994	1993
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Revenues:		
Service and system fees.....	\$115,414,000	\$108,114,000
Hardware sales.....	9,756,000	9,106,000
	-----	-----
	125,170,000	117,220,000
Cost of Hardware Sales.....	8,249,000	7,333,000
	-----	-----
Revenues Less Cost of Hardware Sales.....	116,921,000	109,887,000
	-----	-----
Expenses:		
Operating and development.....	53,164,000	51,006,000
Marketing and installation.....	38,287,000	35,791,000
General and administrative.....	11,177,000	10,667,000
Interest.....	286,000	264,000
	-----	-----
	102,914,000	97,728,000
	-----	-----
Income Before Income Taxes.....	14,007,000	12,159,000

Provision for Income Taxes.....	5,463,000	4,620,000
	-----	-----
Net Income.....	\$ 8,544,000	\$ 7,539,000
	=====	=====
Net Income Per Common Share.....	\$.37	\$.33
	=====	=====
Number of shares used to compute per share amounts.....	23,225,000	23,031,000
	=====	=====
Dividends Declared Per Common Share.....	\$.21	\$.21
	=====	=====

</TABLE>

The accompanying note is an integral part of this statement.

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SHARED MEDICAL SYSTEMS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
	(unaudited)	
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net Income.....	\$ 8,544,000	\$ 7,539,000
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization.....	7,458,000	7,335,000
Asset (increase) decrease -		
Accounts receivable.....	(1,846,000)	(566,000)
Prepaid expenses, inventories, etc.....	2,761,000	(3,628,000)
Other assets.....	(1,413,000)	(1,537,000)
Liability increase (decrease) -		
Accounts payable and accrued expenses.....	(13,427,000)	(3,053,000)
Deferred revenues.....	(2,165,000)	1,080,000
Accrued and deferred income taxes.....	(1,065,000)	2,544,000
Other.....	(323,000)	(651,000)
	-----	-----
Net cash (used) provided by operating activities.....	(1,476,000)	9,063,000
	-----	-----
Cash Flows from Investing Activities:		
Property and equipment additions.....	(2,747,000)	(9,482,000)
Investment in computer software.....	(3,137,000)	(2,873,000)
Dispositions of equipment.....	214,000	139,000
Partnership investment and related loan.....	-	(8,200,000)
	-----	-----
Net cash used for investing activities.....	(5,670,000)	(20,416,000)
	-----	-----
Cash Flows from Financing Activities:		
Dividends paid.....	(4,778,000)	(4,739,000)
Change in treasury stock.....	41,000	58,000
Payments on long-term obligations under capital leases.....	(653,000)	(412,000)
Increase (decrease) in notes payable.....	1,262,000	(6,000)
Exercise of stock options.....	1,167,000	243,000
	-----	-----

Net cash used for financing activities.....	(2,961,000)	(4,856,000)
	-----	-----
Net Decrease in Cash and Short-Term Investments.....	(10,107,000)	(16,209,000)
Cash and Short Term Investments, Beginning of Period.....	35,826,000	30,854,000
	-----	-----
Cash and Short-Term Investments, End of Period.....	\$ 25,719,000	\$ 14,645,000
	=====	=====

</TABLE>

The accompanying note is an integral part of this statement.

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SHARED MEDICAL SYSTEMS CORPORATION

Note to Consolidated Financial Statements
March 31, 1994 (unaudited) -

Note 1 - The information furnished in this Form 10-Q reflects all normal and

recurring adjustments which are, in the opinion of management, necessary for a
fair presentation of the financial statements as of March 31, 1994.

Item 2. Management's Discussion and Analysis of Financial Condition and Results
of Operations.

Material Changes in Financial Condition

The Company's financial condition has remained strong throughout the three
months ended March 31, 1994. Management is not aware of any potential material
impairments to the Company's current financial position nor is it aware of any
material changes.

The most significant requirements for funds now anticipated are for purchases of
equipment and payment of cash dividends. The Company plans to fund these
expenditures primarily through internally generated funds.

At March 31, 1994, the Company had lines of credit with banks totaling
\$50,684,000, primarily at their prime interest rates. At March 31, 1994,
\$43,592,000 of these lines of credit remained unused.

Material Changes in Results of Operations

Three Months Ended March 31, 1994 Compared to the Three Months Ended
March 31, 1993.

Revenues

Service and system fees revenues increased by \$7,300,000 (6.8%) in the
first quarter of 1994 compared to the first quarter of 1993. Contributing
to this increase were higher levels of system processing fees and
professional services support fees.

Hardware sales revenues increased to \$9,756,000 for the first quarter of
1994 from \$9,106,000 in the first quarter of 1993 due primarily to changes
in the timing and product mix of systems installed.

Cost of Hardware Sales

Cost of hardware sales increased by \$916,000 in the quarter ended March 31,
1994 compared to the same period in 1993. This increase was primarily due
to the increase in hardware sales revenues. Additionally, cost of hardware

sales fluctuated due to changes in the timing and product mix of systems installed.

SHARED MEDICAL SYSTEMS CORPORATION

Expenses

Operating and development expenses increased by \$2,158,000 (4.2%) in the quarter ended March 31, 1994 compared to the same period in 1993. This increase was primarily due to increased personnel and related costs to support the higher levels of professional services provided by the Company. These increases were partially offset by efficiencies gained through decreased costs for computer hardware at the Company's Information Systems Center.

Marketing and installation expenses increased by \$2,496,000 (7.0%) in the quarter ended March 31, 1994 compared to the same period in 1993 primarily due to increased costs for personnel and outside consulting fees related to the higher levels of professional services provided by the Company.

General and administrative expenses increased by \$510,000 (4.8%) in the quarter ended March 31, 1994 compared to the same period in 1993 primarily due to increased personnel and related costs to support the business.

Provision for Income Taxes

The provision for income taxes increased in the quarter ended March 31, 1994, by \$843,000 (18.2%) when compared to the same period in 1993. This increase was primarily due to an increase of \$1,848,000 (15.2%) in income before income taxes. Additionally, the Company's effective tax rate was 39% in the first quarter of 1994 compared to 38% in the first quarter of 1993. The change in the effective tax rate was primarily due to an increase in the statutory corporate income tax rate for federal income taxes enacted in the third quarter of 1993.

Net Income

Net income was \$8,544,000 in the quarter ended March 31, 1994 compared to \$7,539,000 in the quarter ended March 31, 1993 for the reasons discussed above.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

- (a) None
- (b) No reports on Form 8-K were filed during the three-month period ended March 31, 1994.

SHARED MEDICAL SYSTEMS CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHARED MEDICAL SYSTEMS CORPORATION

Registrant

May 13, 1994

Date

/s/ Terrence W. Kyle

Terrence W. Kyle
Vice President of Finance
Principal Financial Officer and
Duly Authorized Officer