ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
Form 10-Q
May 09, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-35547

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**36-4392754** **(I.R.S. Employer** **Identification Number)**

222 Merchandise Mart, Suite 2024

Chicago, IL 60654

(Address of principal executive offices)

(312) 506-1200

(Registrant s telephone number, including area code)

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of April 30, 2014, there were 179,483,355 shares of the registrant s $0.01 par value common stock outstanding.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

For the Fiscal Quarter Ended March 31, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,580	$ 62,954
Accounts receivable, net of allowance of $51,285 and $54,252 at March 31, 2014 and December 31, 2013, respectively	341,591	313,486
Deferred taxes, net	55,466	55,468
Prepaid expenses and other current assets	103,218	107,911
Total current assets	541,855	539,819
Long-term marketable securities	1,313	1,329
Fixed assets, net	168,026	174,013
Software development costs, net	85,177	88,244
Intangible assets, net	442,053	455,971
Goodwill	1,190,603	1,189,585
Deferred taxes, net	7,361	7,361
Other assets	197,850	163,341
Total assets	$ 2,634,238	$ 2,619,663
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 68,962	$ 72,956
Accrued expenses	82,245	96,499
Accrued compensation and benefits	53,156	80,196
Deferred revenue	305,602	251,038
Current maturities of long-term debt and capital lease obligations	19,139	16,350
Total current liabilities	529,104	517,039
Long-term debt	529,755	545,133
Deferred revenue	28,769	29,080
Deferred taxes, net	83,228	79,694
Other liabilities	155,762	130,572
Total liabilities	1,326,618	1,301,518
Commitments and contingencies		
Stockholders equity:		
Preferred stock: $0.01 par value, 1,000 shares authorized, no shares issued and outstanding at March 31, 2014 and December 31, 2013	0	0
Common stock: $0.01 par value, 349,000 shares authorized at March 31, 2014 and December 31, 2013; 264,093 and 179,421 shares issued and outstanding at March 31, 2014, respectively; 263,474 and 178,802	2,641	2,635

shares issued and outstanding at December 31, 2013, respectively		
Treasury stock: at cost, 84,672 at March 31, 2014 and December 31, 2013	(278,036)	(278,036)
Additional paid-in capital	1,727,017	1,716,847
Accumulated deficit	(142,298)	(121,556)
Accumulated other comprehensive loss	(1,704)	(1,745)
Total stockholders equity	1,307,620	1,318,145
Total liabilities and stockholders equity	$ 2,634,238	$ 2,619,663

The accompanying notes are an integral part of these consolidated financial statements.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
(In thousands, except per share amounts)	**2014**	**2013**
Revenue:		
System sales	$ 23,389	$ 27,031
Professional services	50,364	61,084
Maintenance	117,077	117,708
Transaction processing and other	149,455	141,243
Total revenue	340,285	347,066
Cost of revenue:		
System sales (excluding amortization of software development costs and acquisition-related assets shown below)	7,983	13,329
Amortization of software development and acquisition-related assets	21,031	19,539
Professional services	47,900	57,582
Maintenance	35,720	36,597
Transaction processing and other	89,465	85,591
Total cost of revenue	202,099	212,638
Gross profit	138,186	134,428
Selling, general and administrative expenses	89,946	104,232
Research and development	52,305	50,659
Asset impairment charges	195	319
Amortization of intangible and acquisition-related assets	7,651	7,501
Loss from operations	(11,911)	(28,283)
Interest expense	(7,233)	(4,637)
Other (expense) income, net	(32)	8,131
Loss before income taxes	(19,176)	(24,789)
Income tax (provision) benefit	(1,566)	13,197
Net loss	($ 20,742)	($ 11,592)
Loss per share basic and diluted	($ 0.12)	($ 0.07)

The accompanying notes are an integral part of these consolidated financial statements.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands)	**Three Months Ended March 31, 2014**	**2013**
Net loss	($ 20,742)	($ 11,592)
Other comprehensive income (loss), net of taxes:		
Unrealized gain (loss) on marketable securities, net of tax	2	4
Derivatives qualifying as hedges:		
Unrealized loss on interest rate swap	(33)	(6)
Reclassification adjustment for loss included in net loss	199	359
Tax effect	(66)	(136)
Unrealized gain on interest rate swap, net of tax	100	217
Change in foreign currency translation adjustments	(61)	(739)
Total other comprehensive income (loss)	41	(518)
Comprehensive loss	($ 20,701)	($ 12,110)

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	**Three Months Ended March 31, 2014**	**2013**
Cash flows from operating activities:		
Net loss	($ 20,742)	($ 11,592)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	45,127	41,997
Stock-based compensation expense	10,070	8,004
Excess tax benefits from stock-based compensation	(1,132)	(1,654)
Deferred taxes	4,398	(14,080)
Asset impairment charges	195	319
Change in fair value of 1.25% call option and cash conversion option	56	0
Other losses (gains), net	1,407	(8,575)
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable, net	(28,178)	(10,905)
Prepaid expenses and other assets	2,363	(12,832)
Accounts payable	(889)	21,735
Accrued expenses	(14,255)	(7,616)
Accrued compensation and benefits	(27,027)	849
Deferred revenue	54,248	35,462
Other liabilities	(4,353)	(1,746)
Net cash provided by operating activities	21,288	39,366
Cash flows from investing activities:		
Capital expenditures	(11,945)	(16,435)
Capitalized software	(9,144)	(7,871)
Cash paid for business acquisitions, net of cash acquired	0	(148,802)
Purchases of marketable securities, other investments and related intangible assets	(5,968)	0
Sales and maturities of other investments	19	12,516
Proceeds from sale of fixed assets	55	0
Net cash used in investing activities	(26,983)	(160,592)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,673	7,931
Excess tax benefits from stock-based compensation	1,132	1,654
Taxes paid related to net share settlement of equity awards	(3,184)	(1,648)
Payments of capital lease obligations	(110)	(182)
Credit facility payments	(30,313)	(27,614)
Credit facility borrowings, net of issuance costs	15,000	129,043
Net cash (used in) provided by financing activities	(15,802)	109,184
Effect of exchange rate changes on cash and cash equivalents	123	314
Net decrease in cash and cash equivalents	(21,374)	(11,728)
Cash and cash equivalents, beginning of period	62,954	103,956
Cash and cash equivalents, end of period	$ 41,580	$ 92,228

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Allscripts Healthcare Solutions, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Each of the terms we, us, or our as used herein refers collectively to Allscripts Healthcare Solutions, Inc. and its wholly-owned subsidiaries, unless otherwise stated.

Unaudited Interim Financial Information

The unaudited interim consolidated financial statements as of and for the three months ended March 31, 2014 have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) for interim financial reporting. These interim consolidated financial statements are unaudited and, in the opinion of our management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly the consolidated financial statements for the periods presented in accordance with generally accepted accounting principles in the United States of America (GAAP). The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC s rules and regulations for interim reporting. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2013 (our Form 10-K).

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates.

Significant Accounting Policies

There have been no changes to our significant accounting policies from those disclosed in our Form 10-K.

Recently Adopted Accounting Pronouncements

In March 2013, the FASB issued updated authoritative guidance to resolve the diversity in practice about whether FASB Account Standards Codification (ASC) Subtopic 810-10, *Consolidation Overall*, or ASC Subtopic 830-30, *Foreign Currency Matters Translation of Financial Statements*, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, this guidance resolves the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. This guidance is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013 and we adopted the new guidance in the first quarter of 2014. The adoption of this accounting guidance had no impact on our consolidated results.

In July 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-011, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* This ASU provides specific guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date and states that an unrecognized tax benefit in those circumstances should be presented as a reduction to the deferred tax asset. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and we adopted the new guidance prospectively in the first quarter of 2014. The adoption of this accounting guidance resulted in the reclassification, for presentation purposes only, of approximately $4 million from other liabilities to deferred tax assets in our consolidated balance sheet as of March 31, 2014.

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2. Business Combinations

Acquisition of dbMotion Ltd.

On March 4, 2013, we acquired all of the issued and outstanding share capital of dbMotion Ltd. (dbMotion), a leading supplier of community health solutions.

Under the acquisition method of accounting, the fair value of consideration transferred was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date with the remaining unallocated amount recorded as goodwill. During the three months ended March 31, 2014, we finalized the allocation of the fair value of the consideration transferred, which resulted in an increase of approximately $1.0 million in both the total fair value of consideration transferred and the residual allocation to goodwill.

The total fair value of consideration transferred for the dbMotion acquisition is comprised of the following:

	(In thousands)
Cash	$ 140,079
Allscripts common stock, 3,823,453 shares, par value $0.01 per share, fair value at closing $12.57 per share	48,061
Deferred cash consideration payable on the 18-month anniversary of the closing	23,023
Subordinated promissory note maturing 18 months following the closing	6,648
Fair value of Allscripts previous interest in dbMotion	8,367
Total fair value of consideration transferred	$ 226,178

The allocation of the fair value of the consideration transferred, including all measurement period adjustments, is as follows:

	(In thousands)
Acquired cash and cash equivalents, and restricted cash	$ 14,188
Accounts receivable, net	3,226
Prepaid expenses and other current assets	574
Fixed assets and other long-term assets	1,449
Goodwill	137,649
Intangible assets	85,450
Accounts payable and accrued liabilities	(10,560)
Deferred taxes, net	(36)
Deferred revenue	(5,100)
Other liabilities	(662)
Net assets acquired	$ 226,178

Acquisition costs related to the dbMotion acquisition totaled approximately $1.8 million and $1.4 million for the three months ended March 31, 2014 and 2013, respectively, and are included in selling, general and administrative expenses. These costs include employee compensation costs of approximately $1.8 million and $0.5 million during the three months ended March 31, 2014 and 2013, respectively. During the three months ended March 31, 2013, we also incurred $0.5 million of seller transaction costs. Additional employee compensation of approximately $1.4 million related to the dbMotion acquisition is expected to be incurred during the remainder of 2014.

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The revenue and net loss of dbMotion since March 4, 2013 that are included in our consolidated statement of operations for the three months ended March 31, 2013, and the supplemental pro forma revenue and net loss of the combined entity, are as follows:

(In thousands)	Three Months Ended March 31, 2013 (Unaudited)
Actual from dbMotion since acquisition date of March 4, 2013:	
Revenue	$ 174
Net loss	($ 2,847)
Supplemental pro forma data for combined entity:	
Revenue	$ 348,260
Net loss	($ 23,014)
Net loss per share, basic and diluted	($ 0.13)

The unaudited supplemental pro forma data has been calculated after applying our accounting policies and adjusting the results of dbMotion to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on January 1, 2012, together with the consequential tax effects. Supplemental pro forma results for the three months ended March 31, 2013 were adjusted to exclude acquisition-related costs incurred during the period as well as the nonrecurring gain related to the fair value adjustment of our prior cost method investment in dbMotion. The effects of transactions between us and dbMotion during the period presented have been eliminated.

Amortization of software development costs and acquisition-related assets in our consolidated statement of operations for the three months ended March 31, 2013 includes approximately $1.2 million related to the acquisition of dbMotion, which is attributable to cost of revenue as follows: approximately $0.4 million related to system sales, approximately $0.6 million related to professional services, and approximately $0.2 million related to maintenance.

Acquisition of Jardogs LLC

Also on March 4, 2013, we acquired substantially all of the assets of Jardogs LLC (Jardogs), the developer of FollowMyHealth, a highly-rated, cloud-based patient engagement solution provider, for $24 million in cash. During the three months ended March 31, 2014, we finalized the allocation of the Jardogs purchase price, resulting in no additional measurement period adjustments to the fair values of the assets and liabilities acquired as disclosed in our Form 10-K.

The pro forma impact of the Jardogs acquisition on current and prior quarters, as well as the net revenues and operating losses generated by Jardogs subsequent to its acquisition for the three months ended March 31, 2013, are not material. Acquisition and integration-related costs related to the Jardogs acquisition are included in selling, general and administrative expenses for the three months ended March 31, 2013 and totaled approximately $0.7 million.

3. Fair Value Measurements

Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair values of assets and liabilities required to be measured at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value in one of the following three categories:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Our Level 1 investments include money market funds valued daily by the fund companies, and the valuation is based on the publicly reported net asset value of each fund.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Our Level 2 non-derivative investments include marketable securities and consist of mortgage and asset-backed bonds. Marketable securities are recorded at fair value determined using a market approach, based on prices and other relevant information generated by market transactions involving identical or comparable assets which are considered to be Level 2 inputs. Our Level 2 derivative financial instrument is an interest rate swap contract which is valued based upon observable values for underlying interest rates and market determined risk premiums.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Our Level 3 financial instruments include derivative financial instruments comprising the 1.25% Call Option asset and the embedded conversion option liability. Refer to Note 7, Debt, and Note 9, Derivative Financial Instruments, for further information, including defined terms, regarding our derivative financial instruments. These derivatives are not actively traded and are valued based on an option pricing model that uses observable and unobservable market data for inputs. Significant market data inputs used to determine fair value as of March 31, 2014 included our common stock price, time to maturity of the derivative instruments, the risk-free interest rate, and the implied volatility of our common stock. The 1.25% Call Option asset and the embedded cash conversion option liability were designed with the intent that changes in their fair values would substantially offset, with limited net impact to our earnings. Therefore, the sensitivity of changes in the unobservable inputs to the option pricing model for such instruments is substantially mitigated.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of the respective balance sheet dates:

	Balance Sheet	March 31, 2014				December 31, 2013			
(In thousands)	Classifications	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money market funds	Cash equivalents	$ 0	$ 0	$ 0	$ 0	$ 3,634	$ 0	$ 0	$ 3,634
Marketable securities	Long-term marketable securities	0	1,313	0	1,313	0	1,329	0	1,329
1.25% Call Option	Other assets	0	0	134,600	134,600	0	0	104,656	104,656
Cash conversion option	Other liabilities	0	0	(135,637)	(135,637)	0	0	(105,637)	(105,637)
Interest rate swap	Other liabilities	0	(292)	0	(292)	0	(458)	0	(458)
Total		$ 0	$ 1,021	($ 1,037)	($ 16)	$ 3,634	$ 871	($ 981)	$ 3,524

During the three months ended March 31, 2014, we acquired certain non-marketable equity securities of a third party and entered into a commercial agreement with the third party to license and distribute its products and services for total consideration of approximately $6.0 million. The equity investment and commercial agreement were valued at approximately $4.1 million and $1.9 million, respectively. The equity investment is recorded at cost and is included in other assets, and the commercial agreement is included in intangible assets, net, in the accompanying consolidated balance sheet as of March 31, 2014. As of December 31, 2013, our outstanding investments in non-marketable equity securities were not material.

Our long-term financial liabilities include amounts outstanding under our senior secured credit facility, with carrying values that approximate fair value since the interest rates approximate current market rates. In addition, the carrying amount of our 1.25% Cash Convertible Senior Notes (the 1.25% Notes) approximates fair value as of March 31, 2014, since the effective interest rate on the 1.25% Notes approximates current market rates. See Note 7, Debt, for further information regarding our long-term financial liabilities.

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4. Stockholders Equity

Stock-based Awards

We measure stock-based compensation expense at the grant date based on the fair value of the award. We recognize the expense for service-based share awards over the appropriate service period on a straight-line basis, net of estimated forfeitures. We recognize the expense for performance-based and market-based share awards over the vesting period under the accelerated attribution method, net of estimated forfeitures. In addition, we recognize stock-based compensation cost for awards with performance conditions if and when we conclude that it is probable that the performance conditions will be achieved.

The fair value of service-based restricted stock units and restricted stock awards is measured at their underlying closing share price on the date of grant. The fair value of market-based restricted stock units is measured using the Monte Carlo pricing model. The fair value of stock options granted during the three months ended March 31, 2013 was determined using the Black-Scholes-Merton valuation model and reflects the below input assumptions. No stock options were granted during the three months ended March 31, 2014.

	Three Months Ended March 31, 2013
Weighed-average exercise price	$ 12.72
Expected term (in years)	4.75
Expected volatility	55.9%
Expected dividend yield	0%
Risk-free interest rate	0.8%

Stock-based compensation expense recognized during the three months ended March 31, 2014 and 2013 is included in our consolidated statements of operations as follows:

(In thousands)	Three Months Ended March 31, 2014	2013
Cost of revenue:		
Professional services	$ 606	$ 577
Maintenance	330	381
Transaction processing and other	402	424
Total cost of revenue	1,338	1,382
Selling, general and administrative expenses	6,178	4,726
Research and development	2,554	1,896
Total stock-based compensation expense	$ 10,070	$ 8,004

No stock-based compensation costs were capitalized during the three months ended March 31, 2014 and 2013.

We granted stock-based awards as follows:

(In thousands, except per share amounts)	Three Months Ended March 31, 2014 Shares	Weighted-Average Grant Date Fair Value
Service-based restricted stock units	1,302	$ 18.47
Performance-based restricted stock units with a service condition	467	$ 18.51
Market-based restricted stock units with a service condition	221	$ 14.36

	1,990	$	18.03

During the three months ended March 31, 2014 and the year ended December 31, 2013, approximately 0.6 million and 2.6 million shares of stock, respectively, were issued in connection with the exercise of options and the release of restrictions on stock awards.

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Stock Repurchases

In April 2011, the Board of Directors of Allscripts Healthcare Solutions, Inc. (the Board) approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, the Board approved the repurchase of an additional $200 million, bringing the total repurchase authorization to $400 million. Any share repurchase transactions may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

No shares were repurchased under this program during the three months ended March 31, 2014 and the year ended December 31, 2013. As of March 31, 2014, the amount available for repurchase of our common stock under this program was approximately $123 million.

Net Share-settlements

Beginning in 2011, upon vesting, restricted stock units and awards are generally net share-settled to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The majority of restricted stock units and awards that vested in 2014 and 2013 were net-share settled such that we withheld shares with value equivalent to the employees minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. Total payments for the employees minimum statutory tax obligations to the taxing authorities are reflected as a financing activity within the accompanying consolidated statements of cash flows. The total shares withheld for the three months ended March 31, 2014 and 2013 were 174 thousand and 125 thousand, respectively, and were based on the value of the restricted stock units and awards on their vesting date as determined by our closing stock price. These net-share settlements had the effect of share repurchases by us as they reduced the number of shares that would have otherwise been issued as a result of the vesting.

Issuance of Warrants

In June 2013, we agreed to issue a warrant to a commercial partner as part of an overall commercial relationship pursuant to which the warrant holder has the right to purchase 1.5 million shares of our common stock at a strike price of $12.94 per share. The warrant vests in four equal annual installments of 375 thousand shares (beginning in June 2014) and expires in June 2020. Our issuance of the warrant was a private placement exempt from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended. This warrant is not actively traded and is valued based on an option pricing model that uses observable and unobservable market data for inputs. During the three months ended March 31, 2014, we recognized approximately $0.6 million of the warrant fair value as a reduction to transaction processing and other revenues.

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5. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average shares of common stock outstanding and dilutive common stock equivalents. Dilutive common stock equivalents consist of stock options, restricted stock unit awards and warrants calculated under the treasury stock method.

The calculations of earnings (loss) per share are as follows:

(In thousands, except per share amounts)	Three Months Ended March 31, 2014	2013
Basic Loss per Common Share:		
Net loss	($ 20,742)	($ 11,592)
Net loss available to common stockholders	($ 20,742)	($ 11,592)
Weighted-average common shares outstanding	179,033	173,710
Basic Loss per Common Share	($ 0.12)	($ 0.07)
Diluted Loss per Common Share:		
Net loss	($ 20,742)	($ 11,592)
Net loss available to common stockholders	($ 20,742)	($ 11,592)
Weighted-average common shares outstanding	179,033	173,710
Dilutive effect of stock options, restricted stock unit awards and warrants	0	0
Weighted-average common shares outstanding assuming dilution	179,033	173,710
Diluted Loss per Common Share	($ 0.12)	($ 0.07)

As a result of our net loss available to common stockholders for the three months ended March 31, 2014 and 2013, we used basic weighted-average common shares outstanding in the calculation of diluted loss per share for each of these periods, since the inclusion of any stock equivalents would be anti-dilutive.

The following stock options, restricted stock unit awards and warrants are not included in the computation of diluted (loss) earnings per share as the effect of including such stock options, restricted stock unit awards and warrants in the computation would be anti-dilutive:

(In thousands)	Three Months Ended March 31, 2014	2013
Shares subject to anti-dilutive stock options, restricted stock unit awards and warrants excluded from calculation	21,721	3,668

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6. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following:

	March 31, 2014			December 31, 2013		
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Intangible Assets, Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Intangible Assets, Net**
Intangibles subject to amortization						
Proprietary technology	$ 445,960	($ 240,548)	$ 205,412	$ 445,960	($ 231,634)	$ 214,326
Customer contracts and relationships	544,073	(359,432)	184,641	542,205	(352,560)	189,645
Total	$ 990,033	($ 599,980)	$ 390,053	$ 988,165	($ 584,194)	$ 403,971