

# Quality Systems Inc. (QSI)



## Company Overview

Quality Systems, Inc., together with its subsidiaries, engages in the development and marketing of healthcare information systems in the United States. The company operates in four divisions: QSI Dental, NextGen, Hospital Solutions, and Revenue Cycle Management (RCM) Services. The QSI Dental division develops, markets, and supports software suites for dental organizations. It also supports various dental organizations utilizing its Software as a Service model-based financial and clinical software, as well as certain medical clients that utilize its UNIX-based medical practice management software. The NextGen division offers integrated clinical, financial, and connectivity solutions for ambulatory and dental provider organizations, including NextGen Ambulatory product suite comprising electronic health records, practice management, dashboard, mobile solutions, and NextPen; and NextGen Community Connectivity products, such as health information exchange, patient portal, and health quality measures solutions. This division also provides electronic data interchange, hosting, data protection, and consulting services. The Hospital Solutions division offers



## Valuation

Current Price	\$ 17.19
NCAV	\$ 2.72
Total Net Reprod. Cost	\$ 6.99
Earnings Power Value (EPV)	\$ 12.91
Discounted Cash Flow (DCF)	\$ 21.47
Katsenelson Absolute PE	\$ 23.31
Ben Graham Formula	\$ 31.15

## Margin of Safety

Current Price	100.0%
NCAV	100.0%
Total Net Reprod. Cost	-3.2%
Earnings Power Value (EPV)	9.9%
Discounted Cash Flow (DCF)	26.3%
Katsenelson Absolute PE	44.8%

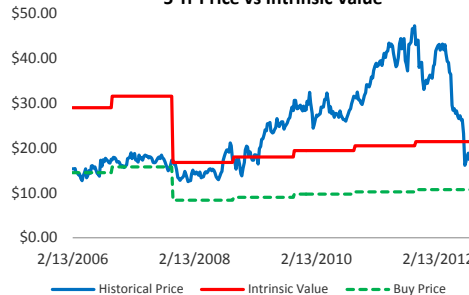
## Key Statistics

Mkt Cap (\$M)	\$ 1,020.05
52 Wk High	\$ 45.00
52 Wk Low	\$ 15.04
% off 52Wk Low	14.3%

## Company Stats

Shares Outstanding	59.3
Shares Float	43.4
Insider Ownership	26.86%
Insider Transactions	-18.4%
Institutional Owners	57.1%
Float Short	8.7%
Short Ratio	4.2
Piotroski (TTM)	3
Altman (MRQ)	5.3
Beneish (TTM)	-2.8

## 5 Yr Price vs Intrinsic Value



## Cash Flows

Free Cash Flow	19.1%
5 yr FCF Growth	19.1%
10 yr FCF Growth	21.5%

## Effectiveness

CROIC	49.3%
Avg	49.3%
FCF/S	17.9%
Avg	17.9%
ROA	17.7%
Avg	17.7%
ROE	28.5%
Avg	28.5%

## Margins & Profitability

Gross	61.6%
Gross Margin	61.6%
Operating	22.7%
Operating Margin	22.7%
Net Profit	14.8%
Net Margin	14.8%

## Efficiency

Receivables Turnover (TTM)	3.0
Inventory Turnover (TTM)	39.0
Days Sales Outstanding (TTM)	124.9

## Financial Strength (MRQ)

Quick Ratio(MRQ)	2.4
Current Ratio(MRQ)	2.4
LTD/Eq(MRQ)	0.0
Tot D/Eq(MRQ)	0.0

## Fundamental Ratios

	2011	2012	TTM
P/E	37.92	32.10	14.09
P/E (cash adjusted)	36.02	30.26	12.23
EV/EBITDA	20.45	17.05	6.78
EV/Free Cash Flow	35.15	34.41	13.88
P/S	6.63	5.64	2.28
P/BV	10.42	8.22	3.33
P/Tang BV	12.15	9.63	4.06
P/CF	30.61	25.43	10.82
P/FCF	37.01	36.51	15.99
ROE	27.4%	25.6%	23.5%
ROA	16.3%	17.2%	15.7%
ROIC	49.4%	44.1%	38.3%
CROIC	50.9%	38.8%	33.8%
Current Ratio	2.07	2.42	2.31
Total Debt/Equity Ratio	0.69	0.49	0.50
Inventory Turnover	77.90	53.55	38.95

## Selected Financial Statements

(In Millions, Except per Share Amounts)	2008	2009	2010	2011	2012	TTM/Latest
Revenue	\$ 187	\$ 246	\$ 292	\$ 353	\$ 430	\$ 448
Gross Profit	\$ 124	\$ 157	\$ 181	\$ 226	\$ 279	\$ 283
Margin %	66.49%	63.79%	62.03%	63.92%	64.82%	63.21%
R&D	\$ 11	\$ 14	\$ 17	\$ 22	\$ 31	\$ 33
Margin %	6.09%	5.61%	5.67%	6.17%	7.30%	7.40%
Operating Income	\$ 59	\$ 72	\$ 76	\$ 94	\$ 116	\$ 111
Margin %	31.84%	29.49%	25.95%	26.63%	27.03%	24.77%
Net Income	\$ 40	\$ 46	\$ 48	\$ 62	\$ 76	\$ 72
Margin %	21.49%	18.78%	16.58%	17.43%	17.60%	16.12%

## Earnings Per Share

Basic	\$ 1.47	\$ 0.83	\$ 0.85	\$ 1.07	\$ 1.29	\$ 1.23
Diluted	\$ 1.44	\$ 0.81	\$ 0.84	\$ 1.06	\$ 1.28	\$ 1.22

## Weighted Average Diluted Shares

Outstanding	27.77	56.79	57.59	58.24	59.05	59.39
Dividends Per Share	\$ 0.74	\$ 0.54	\$ 0.60	\$ 0.60	\$ 0.69	\$ 0.69
Dividend Yield	5.46%	2.35%	1.93%	1.48%	1.69%	4.03%
Net Cash From Operating Activities	\$ 44	\$ 49	\$ 55	\$ 70	\$ 77	\$ 75

## (Dollars in Millions)

Net Property, Plants & Equipment	\$ 5	\$ 7	\$ 8	\$ 13	\$ 18	\$ 21
Total Assets	\$ 188	\$ 242	\$ 310	\$ 379	\$ 440	\$ 460
Long-term Debt	\$ 4	\$ 7	\$ 21	\$ 17	\$ 16	\$ 17
Stockholders' Equity	\$ 114	\$ 156	\$ 188	\$ 225	\$ 295	\$ 307





	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM	
<b>Financial Statistics &amp; Ratios</b>												
<b>Valuation Ratios</b>												
P/E		8.43	12.53	16.80	15.53	14.74	9.37	28.49	36.75	37.92	32.10	14.09
P/E (cash adjusted)		3.34	7.57	13.63	13.07	12.93	7.83	26.97	34.85	36.02	30.26	12.23
EV/EBITDA		1.86	4.14	7.96	7.66	7.69	4.75	15.22	19.36	20.45	17.05	6.78
EV/Free Cash Flow		1.98	4.84	11.01	12.17	20.26	8.83	27.27	33.53	35.15	34.41	13.88
P/S		1.10	1.83	3.04	3.03	3.13	2.01	5.34	6.09	6.63	5.64	2.28
P/BV		1.27	2.13	4.31	4.99	5.38	3.29	8.43	9.44	10.42	8.22	3.33
P/Tang BV		1.32	2.20	4.45	5.37	5.83	3.57	9.53	11.35	12.15	9.63	4.06
P/CF		6.82	10.61	14.63	12.95	12.45	7.95	24.60	29.86	30.61	25.43	10.82
P/FCF		5.00	8.00	13.58	14.46	23.07	10.56	28.81	35.36	37.01	36.51	15.99
ROE		14.8%	17.0%	25.7%	32.2%	36.4%	35.2%	29.6%	25.7%	27.4%	25.6%	23.5%
ROA		10.4%	12.0%	16.2%	19.1%	22.1%	21.3%	19.0%	15.6%	16.3%	17.2%	15.7%
ROIC		61.0%	105.8%	138.8%	119.9%	91.3%	67.3%	49.3%	41.0%	49.4%	44.1%	38.3%
CROIC		108.9%	168.9%	138.2%	136.0%	62.3%	63.2%	49.3%	42.9%	50.9%	38.8%	33.8%
GPA (Gross Profitability to Assets)		45.9%	48.8%	56.6%	65.0%	70.6%	66.0%	64.7%	58.4%	59.6%	63.3%	61.5%
Book to Market		78.8%	47.0%	23.2%	20.1%	18.6%	30.4%	11.9%	10.6%	9.6%	12.2%	30.0%
<b>Solvency</b>												
Quick Ratio		2.90	2.97	2.60	2.31	2.34	2.12	2.23	2.16	2.05	2.39	2.28
Current Ratio		2.93	2.99	2.63	2.32	2.36	2.14	2.24	2.17	2.07	2.42	2.31
Total Debt/Equity Ratio		0.42	0.42	0.59	0.69	0.65	0.65	0.56	0.65	0.69	0.49	0.50
Long Term Debt/Equity Ratio		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short Term Debt/Equity Ratio		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Efficiency Ratios</b>												
Asset Turnover		0.81	0.82	0.89	0.98	1.04	0.99	1.01	0.94	0.93	0.98	0.97
Cash % of Revenue		66.5%	72.5%	57.5%	48.0%	38.2%	31.7%	28.6%	29.0%	33.0%	31.3%	29.0%
Receivables % of Revenue		32.1%	28.7%	37.5%	38.4%	40.7%	41.1%	39.0%	37.8%	39.6%	34.5%	34.2%
SG&A % of Revenue		27.9%	27.5%	27.9%	29.8%	28.8%	28.6%	28.7%	29.8%	30.7%	30.0%	30.4%
R&D % of Revenue		9.2%	8.7%	7.8%	6.8%	6.5%	6.1%	5.6%	5.7%	6.2%	7.3%	7.4%
<b>Liquidity Ratios</b>												
Days Sales Outstanding		117.0	104.6	136.9	140.3	148.5	149.9	142.2	138.1	144.4	126.0	124.9
Days Inventory Outstanding		10.2	9.2	10.7	5.1	8.4	6.0	4.6	4.4	5.5	9.0	9.4
Days Payable Outstanding		38.1	21.1	25.5	26.9	37.7	27.4	20.9	11.0	20.9	10.9	28.9
Cash Conversion Cycle		89.2	92.8	122.1	118.6	119.2	128.5	125.9	131.5	129.1	124.0	105.3
Receivables Turnover		3.12	3.74	3.31	3.01	2.86	2.65	2.85	2.83	2.82	2.98	2.97
Inventory Turnover		35.61	41.20	38.78	52.37	58.51	56.84	82.73	89.90	77.90	53.55	38.95
Average Age of Inventory (Days)		10.25	8.86	9.41	6.97	6.24	6.42	4.41	4.06	4.69	6.82	9.37
Intangibles % of Book Value		3.9%	3.0%	2.9%	7.1%	7.7%	7.8%	11.5%	16.8%	14.3%	14.7%	18.0%
Inventory % of Revenue		1.2%	1.0%	1.1%	0.5%	0.7%	0.5%	0.5%	0.5%	0.5%	0.9%	0.9%
<b>Capital Structure Ratios</b>												
LT-Debt as % of Invested Capital		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ST-Debt as % of Invested Capital		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LT-Debt as % of Total Debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ST-Debt as % of Total Debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt % of Total Assets		29.7%	29.6%	36.9%	40.8%	39.4%	39.5%	35.7%	39.3%	40.7%	33.0%	33.4%
Working Capital % of Price		64.2%	39.4%	20.4%	17.1%	15.6%	21.3%	7.6%	6.7%	6.2%	7.6%	17.5%
<b>Quality Scores</b>												
Piostroski F Score		5.00	7.00	6.00	6.00	6.00	3.00	5.00	3.00	5.00	7.00	3.00
Altman Z Score (Original)		4.10	5.58	7.10	7.17	8.03	5.92	11.89	11.26	11.67	12.77	5.27
Altman Z Score (Revised)		8.61	11.36	13.73	13.52	14.98	11.01	21.32	20.17	20.95	22.98	10.79
Beneish M Score (5 Variable)		-	-2.92	-2.61	-2.66	-2.65	-2.12	-2.50	-2.71	-2.84	-2.80	-2.82
Beneish M Score (8 Variable)		-	-2.76	-2.36	-2.48	-2.02	-1.95	-2.10	-2.38	-2.47	-2.30	-2.43

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CLEAR

### Earnings Quality Check with Accrual Analysis

Earnings growth due to accrual growth is not sustainable. This is like cookie jar accounting where a company "borrows" earnings from the future to make earnings look good today.

Balance sheet accrual can indicate whether capital is being used properly. A company with high accruals can come from acquiring or merging with companies which expands the asset base. Low balance sheet accrual companies tend to shrink their balance sheet through spin offs, share repurchases or large write offs. In these situations, it is usually removing bad performing assets or returning money to shareholders which is always a good use of capital.

High accruals indicate that the company has expanded its asset base rapidly.

Companies with high balance sheet accruals tend to have higher sales growth than low balance sheet accrual companies.

High balance sheet accruals also have a higher ROE.

Remember that maintaining a high sales growth or high ROE is difficult unless you have an entrenched moat. Such companies revert to the mean and disappoint..

Companies with low balance sheet accruals tend to have below average returns on equity. Analysts expect the company to lag.

Color Coding: **Green** = safe zone, **Yellow** = ratio is getting into warning zone, **Red** = Danger zone. Ratios are too high or low. Requires check.

More reading: <http://tinyurl.com/6p394ap> <http://tinyurl.com/7ucpoe2>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM/MRQ
Balance Sheet Accrual Ratio	-	-14.3%	18.5%	27.0%	69.1%	54.6%	43.9%	19.3%	4.1%	39.2%	9.4%
Cash Flow Accrual Ratio	-	-31.3%	-10.8%	-12.3%	51.5%	62.1%	24.1%	7.5%	2.0%	25.1%	22.9%
Sloan Accrual Ratio	-5.3%	-3.7%	-1.2%	-1.3%	7.9%	14.2%	7.0%	2.3%	0.6%	7.7%	8.4%
Earnings	\$ 0.28	\$ 0.40	\$ 0.61	\$ 0.85	\$ 1.21	\$ 1.44	\$ 0.81	\$ 0.84	\$ 1.06	\$ 1.28	\$ 1.22
Stock Price	\$ 2.4	\$ 5.0	\$ 10.3	\$ 13.2	\$ 17.8	\$ 13.5	\$ 23.1	\$ 30.9	\$ 40.2	\$ 41.1	\$ 17.2
Total Assets	\$ 67.6	\$ 86.7	\$ 99.4	\$ 122.2	\$ 150.7	\$ 187.9	\$ 242.1	\$ 310.2	\$ 378.7	\$ 440.4	\$ 460.1
Cash & Equivalent	\$ 36.4	\$ 51.4	\$ 51.2	\$ 57.2	\$ 60.0	\$ 59.0	\$ 70.2	\$ 84.6	\$ 116.6	\$ 134.4	\$ 129.9
Total Liabilities	\$ 20.1	\$ 25.7	\$ 36.7	\$ 49.8	\$ 59.4	\$ 74.2	\$ 86.5	\$ 121.9	\$ 154.0	\$ 145.2	\$ 153.5
Short Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Assets (NOA)	\$ 11.1	\$ 9.6	\$ 11.6	\$ 15.2	\$ 31.2	\$ 54.7	\$ 85.4	\$ 103.7	\$ 108.1	\$ 160.7	\$ 176.7
Net Income	\$ 7.0	\$ 10.4	\$ 16.1	\$ 23.3	\$ 33.2	\$ 40.1	\$ 46.1	\$ 48.4	\$ 61.6	\$ 75.7	\$ 72.2
CFO	\$ 13.2	\$ 17.3	\$ 21.6	\$ 30.7	\$ 29.6	\$ 43.6	\$ 48.7	\$ 55.2	\$ 70.1	\$ 76.8	\$ 75.1
CFI	\$ (2.5)	\$ (3.7)	\$ (4.4)	\$ (5.7)	\$ (8.3)	\$ (30.2)	\$ (19.4)	\$ (13.9)	\$ (10.6)	\$ (34.9)	\$ (41.5)
Balance Sheet Aggregate Accrual	\$ -	\$ (1.5)	\$ 2.0	\$ 3.6	\$ 16.0	\$ 23.4	\$ 30.7	\$ 18.3	\$ 4.4	\$ 52.7	\$ 15.9
Cash Flow Aggregate Accrual	\$ -	\$ (3.2)	\$ (1.1)	\$ (1.6)	\$ 11.9	\$ 26.7	\$ 16.9	\$ 7.1	\$ 2.1	\$ 33.8	\$ 38.6

### Piotroski Score

Piotroski F Scores	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
Piotroski 1: Net Income	1	1	1	1	1	1	1	1	1	1	1
Piotroski 2: Operating Cash Flow	1	1	1	1	1	1	1	1	1	1	1
Piotroski 3: Return on Assets	1	1	1	1	1	0	0	0	1	1	0
Piotroski 4: Quality of Earnings	1	1	1	1	0	1	1	1	1	1	1
Piotroski 5: LT Debt vs Assets	0	0	0	0	0	0	0	0	0	0	0
Piotroski 6: Current Ratio	1	1	0	0	1	0	1	0	0	1	0
Piotroski 7: Shares Outstanding	0	0	0	0	0	0	0	0	0	0	0
Piotroski 8: Gross Margin	0	1	1	1	1	0	0	0	1	1	0
Piotroski 9: Asset Turnover	0	1	1	1	1	0	1	0	0	1	0

### Altman Z Score

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	MRQ	MRQ Edit
Working Capital	\$ 38.7	\$ 51.2	\$ 55.1	\$ 61.7	\$ 76.6	\$ 79.9	\$ 99.0	\$ 118.9	\$ 145.8	\$ 183.3	\$ 178.3	
Total Assets	\$ 67.6	\$ 86.7	\$ 99.4	\$ 122.2	\$ 150.7	\$ 187.9	\$ 242.1	\$ 310.2	\$ 378.7	\$ 440.4	\$ 460.1	
Total Liabilities	\$ 20.1	\$ 25.7	\$ 36.7	\$ 49.8	\$ 59.4	\$ 74.2	\$ 86.5	\$ 121.9	\$ 154.0	\$ 145.2	\$ 153.5	
Retained Earnings	\$ 12.4	\$ 22.8	\$ 19.2	\$ 19.2	\$ 25.3	\$ 38.1	\$ 51.8	\$ 65.7	\$ 91.1	\$ 125.6	\$ 130.7	
EBITDA	\$ 11.1	\$ 17.0	\$ 25.5	\$ 37.9	\$ 54.2	\$ 63.0	\$ 73.3	\$ 76.2	\$ 94.4	\$ 116.3	\$ 23.3	
Market Value of Equity	\$ 60.3	\$ 129.9	\$ 270.7	\$ 361.1	\$ 491.2	\$ 374.6	\$ 1,310.8	\$ 1,777.9	\$ 2,341.1	\$ 2,426.3	\$ 1,020.1	
Net Sales	\$ 54.8	\$ 70.9	\$ 89.0	\$ 119.3	\$ 157.2	\$ 186.5	\$ 245.5	\$ 291.8	\$ 353.4	\$ 429.8	\$ 118.3	
Normal Altman Z Score	4.10	5.58	7.10	7.17	8.03	5.92	11.89	11.26	11.67	12.77	5.27	
Revised Altman Z Score	8.61	11.36	13.73	13.52	14.98	11.01	21.32	20.17	20.95	22.98	10.79	

	2003	2004	Altman Z Score		Revised Altman Z Score	
			Annual	MRQ	Annual	MRQ
X1	0.42	0.39				
X2	0.29	0.28				
X3	0.26	0.05				
X4	16.71	6.65	12.77	5.27	22.98	10.79
X5	0.98	0.26				

### The Beneish Model - M Score Variables

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
M Score - 5 Variable	-	-2.92	-2.61	-2.66	-2.65	-2.12	-2.50	-2.71	-2.84	-2.80	-2.82
M Score - 8 Variable	-	-2.76	-2.36	-2.48	-2.02	-1.95	-2.10	-2.38	-2.47	-2.30	-2.43
DSRI	0.89	1.31	1.03	1.06	1.01	0.95	0.97	1.05	0.87	0.99	0.00
GMI	0.95	0.94	0.95	0.98	1.02	1.04	1.03	0.97	0.99	1.03	0.00
AQI	0.86	0.87	1.06	1.01	2.11	1.34	1.12	0.84	1.13	1.09	0.00
SGI	1.30	1.25	1.34	1.32	1.19	1.32	1.19	1.21	1.22	1.04	0.00
DEPI	1.03	1.02	1.03	1.00	0.88	1.01	1.00	1.07	1.07	1.02	0.00
SGAI	0.98	1.01	1.07	0.97	0.99	1.00	1.04	1.03	0.98	1.01	0.00
TATA	-0.08	-0.06	-0.06	0.02	-0.02	-0.01	-0.02	-0.02	0.00	-0.01	0.00
LVGI	1.00	1.15	1.12	0.98	1.00	0.88	0.99	1.10	0.81	1.01	0.00

**Quality Systems Inc. (QSI)**

10/29/2012

Enter Ticker Refresh

Figures in Millions except per share values

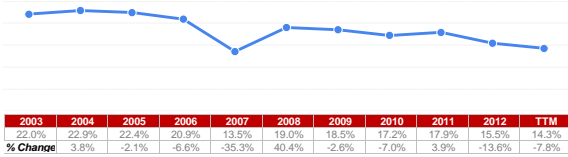
**Free Cash Flow**



**Stock Price**



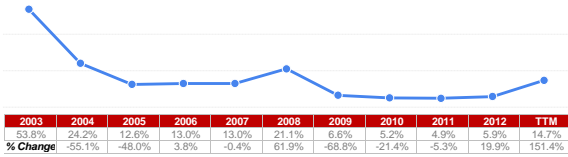
**FCF / Sales**



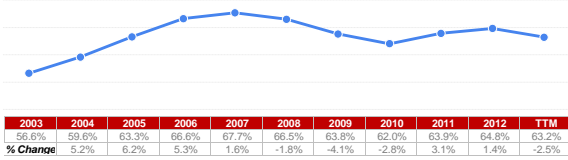
**Cash Return on Invested Capital (CROIC)**



**Magic Formula Investing -- Earnings Yield**



**Gross Margin**



**Piotroski F Score**



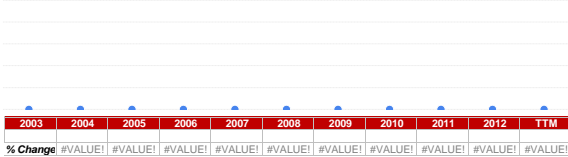
**Beneish M Score - 8 Variable Version**



**Debt to Equity**



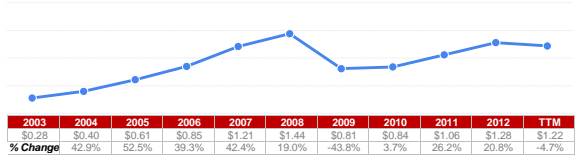
**FCF to Short Term Debt**



**Owner Earnings**



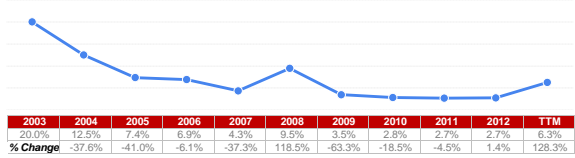
**Diluted EPS**



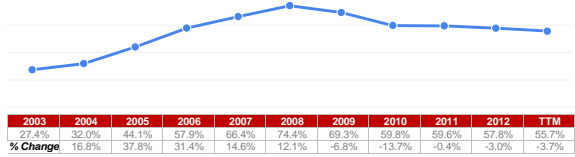
**Price / FCF**



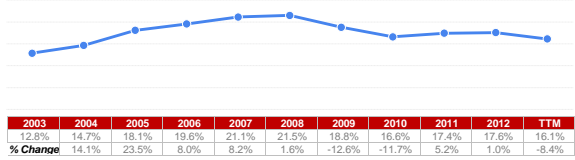
**FCF Yield**



**Magic Formula Investing -- Return on Capital**



**Net Profit Margin**



**Original Altman Z Score**



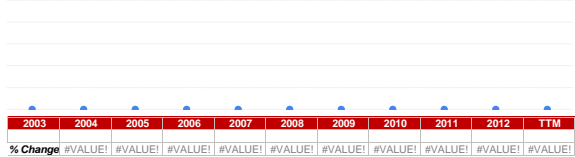
**Tax Rate**



**FCF to Total Debt**



**FCF to Long Term Debt**



Quality Systems Inc.  
(QSII)

10/29/2012

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Enter Competitor Tickers

QSII	MDRX	MCK	CPSI	CERN	GWAY	ATHN	MRGE	HSIC	
Company	Quality Systems Inc.	Allscripts Healthcare Solutions, Inc.	McKesson Corporation	Computer Programs & Systems Inc.	Cerner Corporation	Greenway Medical Technologies,	athenahealth, Inc.	Merge Healthcare Incorporated	Henry Schein, Inc.
Sector	Technology	Technology	Services	Technology	Technology	Technology	Services	Technology	Services
Industry	Healthcare Information Services	Healthcare Information Services	Drugs Wholesale	Healthcare Information Services	Healthcare Information Services	Information Technology Services	Business Services	Healthcare Information Services	Medical Equipment Wholesale
Country	USA	USA	USA	USA	USA	USA	USA	USA	USA
Earnings Date	26-Oct-2012	8-Nov-2012	25-Oct-2012	25-Oct-2012	25-Oct-2012	1-Nov-2012	18-Oct-2012	1-Nov-2012	7-Nov-2012
Price	\$17.19	\$13.14	\$92.58	\$50.07	\$77.37	\$16.33	\$63.70	\$3.47	\$74.18
Market Cap	\$1,020.05	\$2,252.06	\$21,852.58	\$554.27	\$13,244.20	\$479.78	\$2,309.76	\$319.93	\$6,567.16
Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Volume	0	0	0	0	0	0	0	0	0
Change from Open	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gap	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
50-Day High	-14.31%	-7.66%	-2.04%	-10.64%	-3.24%	-15.04%	-32.56%	-14.32%	-8.14%
50-Day Low	7.30%	28.82%	9.37%	11.39%	14.38%	14.52%	8.13%	14.52%	1.13%
52-Week High	-61.99%	-39.34%	-4.56%	-30.54%	-12.40%	-15.04%	-34.58%	-50.00%	-8.14%
52-Week Low	15.38%	48.64%	24.49%	22.80%	38.93%	61.68%	56.17%	57.73%	24.09%
P/E	15.08	42.39	14.16	20.19	35.99	14.45	130.00	0.00	18.05
Forward P/E	12.73	14.13	11.53	15.95	27.83	35.50	48.63	173.50	15.45
PEG	0.96	2.15	1.14	1.23	1.85	0.53	4.35	0.00	1.50
P/S	2.24	1.51	0.18	3.12	5.15	3.87	5.80	1.29	0.75
P/B	3.27	1.76	2.83	8.68	4.91	4.82	7.84	3.47	2.65
P/Cash	8.36	18.71	7.72	23.59	12.75	13.73	12.82	8.98	74.71
P/Free Cash Flow	0.00	13.75	14.84	0.00	0.00	0.00	82.20	0.00	14.52
Dividend Yield	4.07%	0.00%	0.86%	3.67%	0.00%	0.00%	0.00%	0.00%	0.00%
Payout Ratio	61.51%	0.00%	11.90%	74.33%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS (ttm)	\$1.14	\$0.31	\$6.54	\$2.48	\$2.15	\$1.13	\$0.49	(\$0.11)	\$4.11
EPS growth this year	21.12%	-18.30%	30.10%	36.98%	26.99%	242.32%	46.40%	73.75%	13.64%
EPS growth next year	14.41%	22.37%	10.45%	12.54%	17.80%	58.62%	31.00%	90.00%	10.09%
EPS growth past 5 years	16.26%	11.57%	11.99%	9.67%	21.27%	0.00%	27.91%	5.86%	14.66%
EPS growth next 5 years	15.78%	19.67%	12.40%	16.40%	19.42%	27.50%	29.86%	12.00%	12.00%
Sales growth past 5 years	22.29%	44.66%	5.71%	8.39%	9.84%	29.32%	34.61%	25.61%	11.18%
EPS growth quarter over quarter	-23.93%	-47.38%	41.12%	15.61%	24.30%	115.74%	14.65%	-64.63%	7.14%
Sales growth quarter over quarter	7.89%	3.68%	-1.21%	7.44%	18.34%	23.70%	26.45%	13.12%	3.32%
Return on Assets	15.43%	2.39%	4.94%	34.79%	11.93%	2.70%	5.03%	-2.36%	8.21%
Return on Equity	23.18%	4.38%	21.60%	46.29%	15.36%	0.00%	7.04%	-13.51%	14.84%
Return on Investment	21.83%	3.04%	13.20%	45.07%	13.85%	3.67%	5.89%	-3.00%	12.44%
Current Ratio	2.38	1.16	1.11	3.11	3.52	2.01	4.24	1.46	1.82
Quick Ratio	2.35	1.16	0.63	2.99	3.47	2.01	0.00	1.40	1.06
LT Debt/Equity	0.00	0.33	0.40	0.00	0.05	0.00	0.00	2.71	0.17
Total Debt/Equity	0.00	0.33	0.46	0.00	0.07	0.00	0.00	2.71	0.21
Gross Margin	61.63%	43.80%	5.49%	43.95%	77.16%	54.92%	60.73%	59.64%	28.28%
Operating Margin	22.72%	7.45%	1.94%	22.21%	21.35%	3.91%	8.10%	9.80%	6.79%
Profit Margin	14.77%	3.96%	1.30%	15.42%	14.65%	2.35%	4.55%	-4.03%	4.56%
Shares Outstanding	59.34	171.39	236.04	11.07	171.18	29.38	36.26	92.20	88.53
Shares Float	43.36	168.26	235.12	10.82	145.86	26.59	35.57	45.99	87.28
Insider Ownership	26.86%	2.11%	0.03%	2.24%	7.68%	4.23%	1.80%	17.66%	0.06%
Insider Transactions	-18.42%	47.83%	16.44%	4.20%	-0.75%	23.93%	-2.97%	-15.43%	-1.19%
Institutional Ownership	57.12%	80.23%	87.15%	85.72%	81.90%	62.63%	0.00%	34.85%	91.92%
Institutional Transactions	-6.17%	-1.07%	-0.18%	2.48%	-0.15%	7.34%	-0.60%	0.47%	-0.10%
Float Short	8.68%	2.17%	0.80%	7.24%	8.38%	5.70%	16.93%	20.36%	3.75%
Short Ratio	4.2	1.1	1.2	8.9	8.7	9.9	13.1	15.5	8.1
Performance (Week)	-5.29%	-3.24%	2.64%	-6.41%	9.85%	-10.86%	-13.11%	4.20%	-0.97%
Performance (Month)	-3.70%	20.77%	6.23%	-9.90%	3.85%	-4.00%	-29.95%	-7.96%	-6.81%
Performance (Quarter)	8.32%	41.75%	2.37%	-0.12%	4.79%	15.73%	-31.17%	13.77%	-3.41%
Performance (Half Year)	-53.31%	18.38%	1.75%	-14.51%	-4.61%	6.04%	-12.08%	-19.11%	-3.34%
Performance (Year)	-57.87%	-33.23%	9.98%	-27.56%	18.14%	0.00%	17.05%	-46.62%	6.52%
Performance (Year)	-57.87%	-33.23%	9.98%	-27.56%	18.14%	0.00%	17.05%	-46.62%	6.52%
Beta	0.74	1.42	0.77	0.42	0.85	0.00	0.86	0.95	0.74
Average True Range	0.87	0.42	1.53	1.26	2.30	0.69	3.44	0.15	1.26
Volatility (Week)	6.81%	2.65%	1.46%	3.48%	2.78%	4.02%	6.29%	5.03%	1.74%
Volatility (Month)	4.65%	3.79%	1.45%	2.14%	2.35%	3.85%	3.76%	4.20%	1.50%
20-Day Simple Moving Average	-5.36%	-1.90%	3.05%	-6.70%	4.63%	-10.96%	-19.82%	-1.55%	-3.64%
50-Day Simple Moving Average	-5.72%	10.36%	4.95%	-4.96%	5.40%	-2.34%	-25.62%	-1.38%	-4.21%
200-Day Simple Moving Average	-41.74%	-3.63%	5.82%	-7.96%	3.75%	6.09%	-18.22%	-14.59%	-1.94%
Relative Strength Index (14)	40.57	58.18	62.06	28.72	61.69	31.44	14.57	49.00	32.90
Analyst Recom	3.00	2.70	2.10	1.80	2.40	2.30	2.90	2.20	2.50
Average Volume	894.21	3,409.46	1,619.78	87.67	1,406.00	153.11	460.10	603.88	405.39
Relative Volume	2.96	0.50	1.23	2.66	3.37	1.19	3.48	1.05	0.89

# Quality Systems Inc. (QSII)

10/29/2012

Select input with each list or enter

Shares Out.	M.O.S	Growth	Discount %	Terminal %	Select FCF	Adjust 2012 FCF
59.35	50%	14.0%	9.0%	0%	FCF	\$58.0

Enter Ticker

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Current Price	Fair Value	Buy Under	Actual M.O.S	52 Wk High	52 Wk Low
\$17.19	\$21.47	\$10.73	20%	\$45.00	\$15.04

Fiscal Year	Trend	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
<b>Cash Flow Data</b>												
Cash from Operations		\$13.2	\$17.3	\$21.6	\$30.7	\$29.6	\$43.6	\$48.7	\$55.2	\$70.1	\$76.8	\$75.1
Capex		(\$1.1)	(\$1.1)	(\$1.7)	(\$5.7)	(\$8.3)	(\$8.1)	(\$3.2)	(\$4.9)	(\$6.8)	(\$10.3)	(\$11.2)
Cash Flow		\$8.8	\$12.2	\$18.5	\$27.9	\$39.5	\$47.1	\$53.3	\$59.5	\$76.5	\$95.4	\$94.3
Free Cash Flow		\$12.1	\$16.2	\$19.9	\$25.0	\$21.3	\$35.5	\$45.5	\$50.3	\$63.3	\$58.0	\$63.8
	YOY% Change		34.4%	22.8%	25.3%	-14.7%	66.6%	28.3%	10.5%	25.8%	-8.3%	10.1%

Margins	Trend	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
<b>Margins</b>												
Gross Margin		56.6%	59.6%	63.3%	66.6%	67.7%	66.5%	63.8%	62.0%	63.9%	64.8%	63.2%
Operating Margin		19.5%	23.5%	35.6%	30.0%	32.4%	31.8%	29.5%	25.9%	26.6%	27.0%	24.8%
Net Margin		12.8%	14.7%	18.1%	19.6%	21.1%	21.5%	18.8%	16.6%	17.4%	17.6%	16.1%

EPS & Tax	Trend	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
<b>EPS &amp; Tax</b>												
Diluted EPS		\$0.28	\$0.40	\$0.61	\$0.85	\$1.21	\$1.44	\$0.81	\$0.84	\$1.06	\$1.28	\$1.22
Tax Rate		36.6%	38.9%	36.8%	38.5%	38.7%	36.4%	37.1%	36.5%	34.8%	35.0%	34.8%

Efficiency & Profitability	Trend	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
<b>Efficiency &amp; Profitability</b>												
CROIC		108.9%	168.9%	138.2%	136.0%	62.3%	63.2%	49.3%	42.9%	50.9%	38.8%	33.8%
FCF/Sales		22.0%	22.9%	22.4%	20.9%	13.5%	19.0%	18.5%	17.2%	17.9%	15.5%	14.3%
Inventory Turnover		35.6	41.2	38.8	52.4	58.5	56.8	82.7	89.9	77.9	53.5	39.0
Return On Assets (ROA)		10.4%	12.0%	16.2%	19.1%	22.1%	21.3%	19.0%	15.6%	16.3%	17.2%	15.7%
Return On Equity (ROE)		14.8%	17.0%	25.7%	32.2%	36.4%	35.2%	29.6%	25.7%	27.4%	25.6%	23.5%

Debt Related	Trend	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
<b>Debt Related</b>												
Debt to Equity		42.2%	42.1%	58.5%	68.8%	65.1%	65.3%	55.6%	64.7%	68.6%	49.2%	50.1%
Capitalization Ratio		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF to Total Debt		60.2%	63.2%	54.3%	50.1%	35.8%	47.8%	52.6%	41.3%	41.1%	45.8%	41.6%
FCF to Short Term Debt												
FCF to Long Term Debt												

## 5 Year Multi-Year Performance

	2007-2011	2008-2012	2007-2010	2008-2011	2009-2012	2007-2009	2008-2010	2009-2011	2010-2012	Median
Tang Shareholder Equity	23.0%	24.5%	22.9%	22.5%	22.3%	27.8%	22.2%	18.3%	26.8%	22.9%
Free Cash Flow	31.3%	17.0%	33.2%	21.3%	13.5%	46.2%	19.1%	17.9%	15.0%	19.1%
CROIC	50.9%	49.3%	55.8%	50.1%	46.1%	62.3%	49.3%	49.3%	42.9%	49.3%
FCF/Sales	17.9%	17.9%	17.9%	18.2%	17.6%	18.5%	18.5%	17.9%	17.2%	17.9%
ROA	19.0%	17.2%	20.2%	17.7%	16.7%	21.3%	19.0%	16.3%	16.3%	17.7%
ROE	29.6%	27.4%	32.4%	28.5%	26.6%	35.2%	29.6%	27.4%	25.7%	28.5%
Gross Margin	63.9%	63.9%	65.1%	63.9%	63.9%	66.5%	63.8%	63.8%	63.9%	63.9%
Operating Margin	29.5%	27.0%	30.7%	28.1%	26.8%	31.8%	29.5%	26.6%	26.6%	28.1%
Net Margin	18.8%	17.6%	20.0%	18.1%	17.5%	21.1%	18.8%	17.4%	17.4%	18.1%
Revenue Growth	22.5%	23.2%	22.9%	23.7%	20.5%	25.0%	25.1%	20.0%	21.4%	22.9%
Earnings Growth	-3.3%	-2.9%	-11.5%	-9.7%	16.5%	-18.2%	-23.6%	14.4%	23.4%	-3.3%
Cash from Ops Growth	24.1%	15.2%	23.1%	17.1%	16.4%	28.3%	12.5%	19.9%	17.9%	17.9%

## 10 Year Multi-Year Performance

	2003-2010	2004-2011	2005-2012	2003-2008	2004-2009	2005-2010	2006-2011	2007-2012	2003-2012	Median
Tang Shareholder Equity	19.2%	18.4%	22.5%	18.1%	18.4%	20.8%	23.4%	24.5%	20.9%	20.8%
Free Cash Flow	22.6%	21.5%	18.8%	24.0%	22.9%	20.3%	20.4%	25.6%	20.9%	21.5%
CROIC	86.0%	62.7%	56.6%	122.4%	99.6%	62.7%	56.6%	50.1%	49.3%	62.7%
FCF/Sales	20.0%	18.8%	18.2%	21.5%	20.0%	18.8%	18.2%	17.6%	18.8%	18.8%
ROA	17.6%	17.7%	18.1%	17.6%	19.1%	19.1%	19.1%	18.1%	16.7%	18.1%
ROE	27.7%	28.5%	28.5%	28.9%	30.9%	30.9%	28.5%	28.5%	26.6%	28.5%
Gross Margin	63.5%	63.9%	64.4%	64.9%	65.1%	65.1%	65.2%	64.4%	63.9%	64.4%
Operating Margin	29.8%	29.8%	29.8%	30.9%	30.9%	30.9%	29.8%	28.3%	28.3%	29.8%
Net Margin	18.4%	18.4%	18.4%	18.8%	19.2%	19.2%	19.2%	18.2%	17.9%	18.4%
Revenue Growth	27.0%	25.8%	25.2%	27.8%	28.2%	26.8%	24.3%	22.3%	25.7%	25.8%
Earnings Growth	17.0%	14.9%	11.2%	38.8%	15.2%	6.6%	4.5%	1.1%	18.4%	14.9%
Cash from Ops Growth	22.7%	22.1%	19.8%	27.0%	23.0%	20.6%	18.0%	21.0%	21.6%	21.6%

## Projection of future Free Cash Flow

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Yearly Growth Input Field										
14%	\$66.12	\$75.38	\$85.93	\$93.24	\$104.98	\$118.21	\$133.11	\$136.97	\$152.51	\$169.80
Terminal Growth										
0%	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80	\$ 169.80

## Calculation

Total Cash	\$	134.90
MAX(0,Current Liabilities-Current A	\$	-
<b>Excess Cash</b>	\$	134.90
Adding some Intangibles	\$	-
Interest Bearing Debt	\$	-
<b>Present Value</b>	\$	1,273.93
Shares Outstanding		59,347
<b>Per Share Value</b>	\$	21.47
Desired Margin of Safety		50%
Purchase Price	\$	10.73
Current Price	\$	17.19
Margin of Safety		20%

## Sensitivity Matrix: Growth vs Discount Rate

Growth Rates	Discount Rates				
	7%	8%	9%	10%	11%
10%	\$ 20.52	\$ 19.00	\$ 17.66	\$ 16.47	\$ 15.42
12%	\$ 22.73	\$ 20.99	\$ 19.46	\$ 18.10	\$ 16.90
<b>14%</b>	\$ 25.20	\$ 23.22	\$ <b>21.47</b>	\$ 19.92	\$ 18.54
16%	\$ 27.97	\$ 25.71	\$ 23.71	\$ 21.95	\$ 20.38
18%	\$ 31.08	\$ 28.49	\$ 26.22	\$ 24.21	\$ 22.43

## Sensitivity Matrix: Margin of Safety %

Growth Rates	Discount Rates				
	7%	8%	9%	10%	11%
10%	16.2%	9.5%	2.7%	-4.3%	-11.5%
12%	24.4%	18.1%	11.7%	5.0%	-1.7%
<b>14%</b>	31.8%	26.0%	<b>19.9%</b>	13.7%	7.3%
16%	38.5%	33.1%	27.5%	21.7%	15.7%
18%	44.7%	39.7%	34.4%	29.0%	23.4%

## Variable Fields

Intangibles% add to DCF	0%
Decay Rate (Yr4E-Yr7E)	10%
Extra Decay (Yr8E-Yr10E)	10%

# Quality Systems Inc. (QSII)

10/29/2012

Shares Out.	M.O.S	Growth	Projection	EPS	Corp Bond
59.35	66%	14.0%	Analyst Estimate	\$1.18	3.50
		14.0%			

Enter Ticker

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Current Price	Intrinsic \$	Buy Under	Actual M.O.S	52 Wk High	52 Wk Low
\$17.19	\$31.15	\$10.59	45%	\$45.00	\$15.04

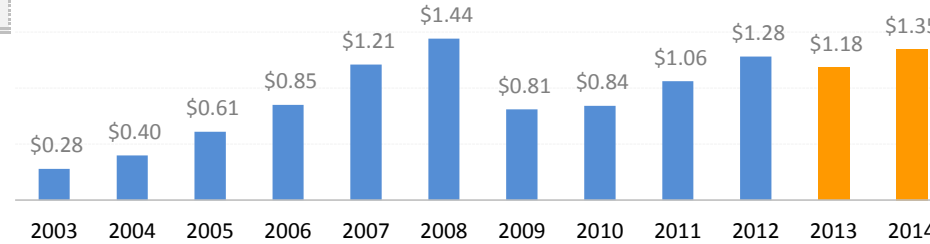
5 Yr EPS Growth	2007-2011	2008-2012	2007-2010	2008-2011	2009-2012	2007-2009	2008-2010	2009-2011	2010-2012	Median
	-3.3%	-2.9%	-11.5%	-9.7%	16.5%	-18.2%	-23.6%	14.4%	23.4%	-3.3%

10 Yr EPS Growth	2003-2010	2004-2011	2005-2012	2003-2008	2004-2009	2005-2010	2006-2011	2007-2012	Median
	17.0%	14.9%	11.2%	38.8%	15.2%	6.6%	4.5%	1.1%	14.9%

Diltued EPS	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
	\$ 0.28	\$ 0.40	\$ 0.61	\$ 0.85	\$ 1.21	\$ 1.44	\$ 0.81	\$ 0.84	\$ 1.06	\$ 1.28	\$ 1.22
	<b>2013E</b>		<b>2014E</b>								
Forecast Method	\$ 1.37	\$ 1.57									
Linear Regression Method	\$ 1.30	\$ 1.48									
Analyst Estimate	\$ 1.18	\$ 1.35									

## Graham Value Calculation

Normal Earnings	\$ 1.18
Growth Rate	14.00%
Corp Bond Rate	3.50
Per Share Value	\$ 31.15
MOS	66%
Purchase Price	\$ 10.59
Current Price	\$17.19
Actual Discount	45%



## Graham's Sensitivity Matrix

Growth Sensivity Incremer	10%
EPS Sensivity Increments	10%

Growth	EPS				
	\$ 0.94	\$ 1.06	\$ 1.18	\$ 1.30	\$ 1.42
11.2%	\$ 21.60	\$ 24.30	\$ 27.00	\$ 29.70	\$ 32.40
12.6%	\$ 23.26	\$ 26.17	\$ 29.08	\$ 31.98	\$ 34.89
14.0%	\$ 24.92	\$ 28.04	\$ 31.15	\$ 34.27	\$ 37.38
15.4%	\$ 26.58	\$ 29.91	\$ 33.23	\$ 36.55	\$ 39.87
18.5%	\$ 30.24	\$ 34.02	\$ 37.80	\$ 41.58	\$ 45.36

# Quality Systems Inc. (QSII)

10/29/2012

<b>Enter Ticker</b>	<b>Refresh</b>	<b>CLEAR</b>	<b>Current EPS Exp Growth</b> 8%	<b>Dividend Yield</b> 4.07%	<b>Business Risk</b> Above Average 13 of 20 pts	<b>Financial Risk</b> Excellent 20 of 20 pts	<b>Earnings Predictability</b> Above Average 11 of 20 pts
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<b>Katsenelson Absolute PE</b>	<b>Current Price</b> \$17.19	<b>Fair Value</b> \$23.31	<b>Fair Value PE</b> 19.11	<b>Current PE</b> 12.70	<b>FV Exp Grth</b> 19%	<b>M.O.S</b> 26%
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Determine Business Risk	2008	2009	2010	2011	2012	TTM	AVERAGE	STDEV
ROE	35.25%	29.65%	25.69%	27.42%	25.63%	23.54%	27.9%	4.2%
<i>Consistency/quality check</i>		1	1	1	1	1	5	
ROA	21.33%	19.05%	15.60%	16.27%	17.18%	15.69%	17.5%	2.3%
<i>Consistency/quality check</i>		0	0	1	1	0	2	
CROIC	63.17%	49.28%	42.93%	50.89%	38.76%	33.84%	46.5%	10.4%
<i>Consistency/quality check</i>		1	1	1	1	1	5	
Intangibles % of Book Value	7.79%	11.54%	16.83%	14.26%	14.65%	17.99%	13.8%	3.7%
<i>Consistency/quality check</i>		0	0	1	0	0	1	

**Business Risk Factor:** 13 pts out of 20 Above Average 3% Factor AVERAGE 13 STDEV 0.0%

Determine Financial Risk	2008	2009	2010	2011	2012	TTM	AVERAGE	STDEV
Current Ratio	2.14	2.24	2.17	2.07	2.42	2.31	2.22	0.13
<i>Consistency/quality check</i>		1	1	1	1	1	5	
Total Debt/Equity Ratio	0.65	0.56	0.65	0.69	0.49	0.50	0.59	0.08
<i>Consistency/quality check</i>		1	1	1	1	1	5	
Short Term Debt/Equity Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Consistency/quality check</i>		1	1	1	1	1	5	
FCF to Total Debt	47.80%	52.57%	41.25%	41.07%	45.78%	41.59%	45.0%	4.6%
<i>Consistency/quality check</i>		1	1	1	1	1	5	

**Financial Risk Factor:** 20 pts out of 20 Excellent 10% Factor AVERAGE 20 STDEV 0.0%

Determine Earnings Predictability	2008	2009	2010	2011	2012	TTM	AVERAGE	STDEV
Gross Margin	66.49%	63.79%	62.03%	63.92%	64.82%	63.21%	64.0%	1.5%
<i>Consistency/quality check</i>		0	0	1	1	0	2	
Net Margin	21.49%	18.78%	16.58%	17.43%	17.60%	16.12%	18.0%	1.9%
<i>Consistency/quality check</i>		0	0	1	1	0	2	
Earnings	\$1.44	\$0.81	\$0.84	\$1.06	\$1.28	\$1.22	1.11	0.25
<i>Consistency/quality check</i>		0	1	1	1	0	3	
Cash from Ops	\$43.60	\$48.71	\$55.22	\$70.06	\$76.79	\$75.09	\$61.58	14.25
<i>Consistency/quality check</i>		1	1	1	1	0	4	

**Earnings Predict. Factor:** 11 pts out of 20 Above Average 1% Factor AVERAGE 11 STDEV 0.0%

## Katsenelson Absolute PE Valuation Model

Earnings Growth	8.00%	12.70
Dividend Yield	4.07%	4.00
	=	
<b>Adjusted Base PE</b>		<b>16.70</b>
Business Risk	Above Average [1 + (1 - 0.97)]	x
Premium/Discount Factor:	0.97	x
Financial Risk	Excellent [1 + (1 - 0.9)]	x
Premium/Discount Factor:	0.90	x
Earnings Predictability	Above Average [1 + (1 - 0.99)]	=
Premium/Discount Factor:	0.99	=
<b>Adjusted Fair Value PE</b>	<b>19%</b>	<b>19.11</b>

P/E	Exp EPS Grwth Rate
7.00	0%
7.65	1%
8.30	2%
8.95	3%
9.60	4%
10.25	5%
10.90	6%
11.55	7%
12.20	8%
12.85	9%
13.50	10%
14.15	11%
14.80	12%
15.45	13%
16.10	14%
16.75	15%
17.40	16%
17.90	17%
18.40	18%
18.90	19%
19.40	20%
19.90	21%
20.40	22%
20.90	23%
21.40	24%
21.90	25%

Dividend Yield	Add'l P/E Points
0.0%	0.0
0.1%	0.5
0.5%	0.5
1.0%	1.0
1.5%	1.5
2.0%	2.0
2.5%	2.5
3.0%	3.0
3.5%	3.5
4.0%	4.0
4.5%	4.5
5.0%	5.0
5.5%	5.5
6.0%	6.0
6.5%	6.5
10.0%	10.0

Δ0.65

Δ0.50

# Quality Systems Inc.

(QSII)

10/29/2012

Figures in Millions except per share values

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CLEAR

Shares Out.	Main. Capex	Normalized Income	Discount Rate	R&D Years	SG&A %
59.35	\$5.79	\$63.00	9%	3	25%
		\$63.00			

Current Price	EPV	Net Reproduction Value	EPV MOS	NCAV	52 Wk High	52 Wk Low
\$17.19	\$12.91	\$6.99	0.0%	\$2.34	\$45.00	\$15.04

## Asset Valuation Section

### Data: Asset Valuation

Shares Outstanding	59.3
Balance Sheet Assets	\$ 455.3
Adjusted Assets	\$ 455.3
Total Liabilities	\$ 153.5
Total Equity	\$ 301.8
Average SGA %	29.5%
Marketing/Brand Value	\$ 127.0
R&D Value	\$ 41.7
Cash Needed for Business	\$ 4.5
Interest Bearing Debt	\$ -
Non Interest Bearing Debt	\$ 82.9
Excess Cash	\$ 126.3

### Calculation: Asset Valuation

	Total	Per Share
Tangible BV	\$ 183	\$ 3.09
Adjusted BV	\$ 302	\$ 5.09
NCAV	\$ 139	\$ 2.34
Reprod. Cost of Assets	\$ 624	\$ 10.51
Reprod. Cost of Assets BV	\$ 470	\$ 7.93
Total Net Reprod. Cost	\$ 415	\$ 6.99

Quarterly numbers based on:

Q1

### Adjustments:

#### Assets

	Book Value	Fixed BV	Multiplier	Reproduction Asset Value
<b>Cash &amp; Equivalents</b>	\$ 129.9			\$ 129.9
Marketable Securities	\$ 5.0			\$ 5.0
Accounts Receivable	\$ 153.2			\$ 153.2
Other Receivable	\$ -			\$ -
<b>Net Receivables</b>	\$ 153.2			\$ 153.2
<i>Inventories: Raw Materials</i>	\$ -			\$ -
<i>Inventories: Work in Progress</i>	\$ -			\$ -
<i>Inventories: Purchased Components</i>	\$ 4.2			\$ 4.2
<i>Inventories: Finished Goods</i>	\$ -			\$ -
<i>Inventories: Other</i>	\$ -			\$ -
<b>Inventories -- Total</b>	\$ 4.2			\$ 4.2
Prepaid Expenses	\$ -			\$ -
Current Deferred Income Taxes	\$ 10.1			\$ 10.1
Other Current Assets	\$ 7.6			\$ 7.6
<b>Total Current Assets</b>	\$ 310.0			\$ 310.0
Goodwill, Net	\$ 63.2			\$ 63.2
Intangibles, Net	\$ 55.2			\$ 55.2
<b>Intangibles</b>	\$ 118.3			\$ 118.3
Property/Plant/Equipment - Net	\$ 20.6			\$ 20.6
Other Long Term Assets, Total	\$ 6.4			\$ 6.4
<b>Total Assets</b>	\$ 455.3			\$ 455.3

## EPV Valuation Section

### Values for Normalized Income

TTM Free Cash Flow	\$ 63.8
Avg Normalized Income	\$ 78.7
Med Normalized Income	\$ 77.8
Avg Adj. Income 5 yrs	\$ 73.5
TTM Adjusted Income	\$ 103.8

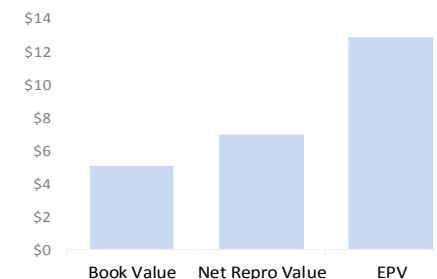
EPV > Net Repro Value = Moat exists

EPV = Net Repro Value = No Moat

EPV < Net Repro Value = Value Destroyer

### Data: EPV

Cost of Capital	9.0%
Normalized Adjusted Income	\$ 63.0
Average Maintenance Capex	\$ 5.8
Interest Bearing Debt	\$ -
1% of sales	\$ 4.5
Cash & Equiv	\$ 134.9
Cash - Debt	\$ 130.4
Shares	59.35



### Calculation: EPV

Cost of Capital Rates	EPV	Per Share	+ Cash - Debt	Per Share
5%	\$ 1,144.1	\$ 19.28	\$ 1,274.6	\$ 21.48
7%	\$ 817.2	\$ 13.77	\$ 947.7	\$ 15.97
<b>9%</b>	<b>\$ 635.6</b>	<b>\$ 10.71</b>	<b>\$ 766.1</b>	<b>\$ 12.91</b>
11%	\$ 520.1	\$ 8.76	\$ 650.5	\$ 10.96
13%	\$ 440.1	\$ 7.41	\$ 570.5	\$ 9.61

### Adjustments:

#### Liabilities & Equity

	Book Value	Fixed BV	Multiplier	Reproduction Liability Value
Accounts Payable	\$ 13.1			\$ 13.1
Accrued Expenses	\$ -			\$ -
Accrued Liabilities	\$ 21.3			\$ 21.3
Notes Payable/Short Term Debt	\$ -			\$ -
Current Port. of LT Debt/Capital	\$ -			\$ -
Leases	\$ -			\$ -
Other Current Liabilities	\$ 31.5			\$ 31.5
<b>Total Current Liabilities</b>	\$ 65.8			\$ 65.8
Long-Term Debt	\$ -			\$ -
Capital Lease Obligations	\$ -			\$ -
Deferred Income Taxes	\$ 5.4			\$ 5.4
Total Other Liabilities	\$ 11.7			\$ 11.7
<b>Total Liabilities</b>	\$ 153.5			\$ 153.5
Common Stock Equity	\$ 306.6			\$ 306.6
Retained Earnings	\$ 130.7			\$ 130.7
<b>Total Capitalization</b>	\$ 306.6			\$ 306.6
<b>Total Equity</b>	\$ 306.6			\$ 301.8
<b>Total Liabilities &amp; Equity</b>	\$ 460.1			\$ 460.1

# Quality Systems Inc. (QSII)

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Current Price	NNWC	NNWC %	NCAV	NCAV %
\$17.19	\$1.66	0.0%	\$2.72	0.0%

*Figures in Millions except per share values*

	BV	CLEAR	BV Multiplier	Net Net Value
<b>Cash &amp; Equivalents</b>	\$ 129.91		100%	\$ 134.90
<i>Marketable Securities</i>	\$ 4.99			
<i>Accounts Receivable</i>	\$ 153.22		75%	
<i>Other Receivable</i>	\$ -			
<b>Receivables</b>	\$ 153.22			\$ 114.91
<i>Inventories: Raw Materials</i>	\$ -		50%	
<i>Inventories: Work in Progress</i>	\$ -			
<i>Inventories: Purchased Components</i>	\$ 4.23			
<i>Inventories: Finished Goods</i>	\$ -			
<i>Inventories: Other</i>	\$ -			
<b>Inventories -- Total</b>	\$ 4.23			\$ 2.11
<b>Current Assets - Total</b>	\$ 314.82			\$ 314.82
<b>Total Assets</b>	\$ 460.06			\$ 460.06
<b>Total Liabilities</b>	\$ 153.51			\$ 153.51
Shares Outstanding	59.35			59.35

	Total (\$m)	Per Share
Total Current Assets	\$ 314.82	\$ 5.30
<b>Market Cap &amp; Share Price</b>	1.020B	<b>\$ 17.19</b>
<b>Book Value</b>	\$ 306.56	\$ 5.17
<b>Net Net Working Capital</b>	\$ 98.42	<b>\$ 1.66</b>
<i>Discount to NNWC</i>		<b>0%</b>
<b>Net Current Asset Value</b>	\$ 161.31	<b>\$ 2.72</b>
<i>Discount to NCAV</i>		<b>0%</b>

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