REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MDRX.OQ - Q2 2021 Allscripts Healthcare Solutions Inc Earnings Call

EVENT DATE/TIME: AUGUST 05, 2021 / 8:30PM GMT

CORPORATE PARTICIPANTS

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

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

Stephen M. Shulstein *Allscripts Healthcare Solutions, Inc. - VP of IR*

CONFERENCE CALL PARTICIPANTS

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

Eric R. Percher *Nephron Research LLC - Research Analyst*

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

Thomas Keller

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

PRESENTATION

Operator

Greetings, and welcome to Allscripts Second Quarter 2021 Earnings Call. (Operator Instructions)

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Stephen Shulstein, Vice President of Investor Relations. Thank you. You may begin.

Stephen M. Shulstein - *Allscripts Healthcare Solutions, Inc. - VP of IR*

Thank you very much. Good afternoon, and welcome to the Allscripts Second 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'll be making a number of forward-looking statements during the presentation and the Q&A part of this call. These statements are based on 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 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 also reference the GAAP and non-GAAP financial statements as well as the 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 Pack to begin.

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

Thanks, Stephen, and thanks, everyone, for joining the call. We appreciate your interest in Allscripts. I'm very pleased with our strong second quarter financial results, which represents the continuation of our strong performance this year. Our results reflect the reset of our client priorities, cost base and balance sheet across our business that began last year and continue to be implemented.

Our strong performance allowed us to innovate around value-added solutions and also provide ample free cash flow to return to shareholders. I'm proud to say that we were able to accomplish both of these objectives in the second quarter. I'd like to once again acknowledge our associates for their relentless client focus and the robust results they have been delivering.

Overall, we're pleased with the bookings performance across the portfolio. We saw steady demand for our inpatient, ambulatory, consumer and Veradigm solutions. However, while the COVID pandemic eased somewhat in the second quarter due to improving vaccination rates in North America, we still experienced residual delays in closing some new deals, particularly with large health systems market and in the international regions where the recovery from the pandemic has been more uneven.

This has resulted in deals taking longer to close, the timing for these deals are inherently harder to predict. Overall, our domestic and global pipeline for health systems remains very strong. We expect to benefit from the investments we've made to deliver Sunrise as the platform of health, delivered in the cloud through our partnership with Microsoft. This is resonating with our client base, and we believe it will be a critical driver to help us win new logos in the U.S. replacement market and in the international greenfield market.

Our partnership with Microsoft Azure delivers our clients high availability, cybersecurity, disaster recovery and business continuity, capabilities, which has only become more important over the last year.

Here are a few highlights for the second quarter. A client of 15 years, BronxCare Health System, signed an extension with Allscripts into 2031, looking to modernize its clinical documentation for nurses and physicians as they go all in for an integrated electronic health record. BronxCare has chosen to add Sunrise Mobile for nursing, FollowMyHealth, mobile patient engagement, professional services, managed services and are migrating to Microsoft Azure. This showcases how our partnership with Microsoft is resonating with our installed client base.

During the second quarter, we began the implementation of our Sunrise platform of health at Mercy Iowa City. As a reminder, this is a competitive win that we announced last quarter. We'll provide an innovative cloud-based single patient record that enhances the clinician and patient experience across all communities that Mercy serves.

In the second quarter, Mercy had further expanded their relationship with us, extending their contract to include managed services for the support of existing solutions.

In our ambulatory business, we added more than 500 practices in the independent ambulatory market across the Pro, TouchWorks and Practice Fusion platforms.

Our pipeline for the back half of the year remains very strong. Our success with new business and our pipeline are a direct result of the strategic investments we've made to build a complete end-to-end solution covering consumer, clinical, financial and revenue cycle outsourcing.

An example of the momentum that we are seeing in the ambulatory segment is the expansion of our relationship with the U.S. Orthopedic Alliance, which included additional TouchWorks license expansions and RCM services. USOA is a large alliance that is aggregating information from orthopedic physicians across the country, creating a narrow network for improved outcomes based on data aggregation of these providers.

We see cross-selling initiatives capitalizing on the breadth of our solutions. Specifically, we have focused on our Practice Fusion clients, integrating Allscripts practice management and revenue cycle solutions into the Practice Fusion electronic health record.

Giving our clients one-stop shopping helps create loyalty, and it also enables us to maintain Allscripts as a segment leader in the independent physician practice market. Rick will discuss the performance of Veradigm in more detail later in the call. We are pleased to see this business return to double-digit growth in the second quarter as our solutions across the payer and life sciences markets continue to gain momentum. This gives us confidence in our investments to serve these important market segments.

Before I hand the call over to Rick, I'd like to expand on the comments I made on the last call regarding corporate social responsibility. This is the core of Allscripts and who we are as a company. Previously, I discussed how we are addressing the inequities in our health care system, highlighted by the pandemic and [HealthHelp IT] and Allscripts, in particular, are working to bridge the gaps in care.

We continue to make progress towards our vision of building open, connected communities of health for everyone. This year, we made significant progress at Allscripts on our DE&I initiatives. For example, all associates participated in diversity and biased education as part of our essential training program. We expanded college and intern recruitment efforts, kicked off the DEI speaker series, focused on topics related to diversity. We created the associate enrichment group program. We have also launched an internal DEI website giving associates visibility to the program, our goals and our vision.

In the second quarter, we, at Allscripts, also through our Allscripts Developer Program, kicked off a program called Empower. This new program is designed to amplify diverse voices in health care, technology to offer valuable resources to the underrepresented entrepreneurs to grow their businesses and to accelerate innovation. We partner with developers to help deliver the tools they need to connect their innovation to Allscripts clients.

Through the ADP Empower, Allscripts is creating a community of innovators. Recently recruited ADP partners were asked this question, "How can we use technology and innovative solutions to share relevant patient social drivers of health, information with care providers to advance equity of the health care access?" Eight ADP partners pitched their solutions at the Advancing Health Equity Using Social Determinants of Care Developer Challenge (sic) [Advancing Health Equity Using Social Determinants of Health Developer Challenge], which was conducted last Thursday, to demonstrate how their technology shares relevant SDOH patient information with care providers so that those care providers can better understand and care for their patients. During the event, we were joined by Dr. Micky Tripathi, ONC's National Coordinator for Health Information Technology.

I recently heard a great analogy. Over the past 20 years, health care was appropriately focused on creating systems to avoid medical errors and eliminate waste and the delay of care, thus enabling a patient safety system through health care information technology. I'm quite confident that health equity will be the focus of the next decade.

I look forward to keeping you updated on the progress of all facets of our CSR journey. It is not only the right thing to do, it will provide significant benefits to Allscripts, our clients and the communities we serve and live in.

To summarize, we have built a sustainable business model that delivers innovation and value to our clients. We improved clinical outcomes at the point of care and improved financial performance across all facets of our client operations. We have delivered strong results for our shareholders with expanded margins and free cash flow that allow 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.

With that, I'll turn the call over to Rick to provide more detail on our financial position and our outlook. Thank you.

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

Okay. Thanks, Paul, and thanks, everybody, for joining us today. Just one more reminder, as Stephen 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 second quarter, where we saw the continuation of positive trends from the first quarter. 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, EPS and free cash flow. So with that overview, let me highlight a few items, starting with our bookings performance.

We reported $180 million of new bookings in the quarter, which was up 10% year-over-year as we benefited from demand across our full solutions portfolio. We believe we are well positioned to benefit from clients returning their focus on optimizing their clinical and financial IT environments as patient volumes, at least for now, have, for the most part, returned to normal levels. While the course of the pandemic remains somewhat unpredictable, we believe our solutions will continue to resonate and our sales and implementation teams have become highly proficient in a remote working environment.

Revenue in the second quarter was $374 million, which was up 1% both year-over-year and sequentially. Our revenue results, though, were really a tale of two different stories. In our core clinical and financial segment, revenue was essentially flat on both a year-over-year and sequential basis, and this continues to reflect a conscious effort on our part to boost gross margins by emphasizing quality of revenue and acceptable levels of client profitability. Accounts and opportunities that do not meet acceptable levels of margin and profitability are being passed on or actively managed.

Conversely, as Paul highlighted earlier and as we foreshadowed on our last earnings call, in our data analytics and care coordination segment, which, after our divestitures is now essentially our Veradigm business, we saw a nice double-digit year-over-year growth in the second quarter.

It was a particularly strong quarter in our life sciences business within Veradigm, both for in-quarter revenue as well as new partnership development. We signed a partnership agreement with PRA Health Sciences, which is now part of ICON, to create the industry's leading EHR-based clinical research network, reaching more than 25,000 physicians and 40 million patients across the United States.

The partnership will use Veradigm's study source platform alongside PRA's clinical research technology support, so that physicians can offer clinical research as a care option for their patients. This is another example of the value of the last-mile connection to the physician and patient that Veradigm brings to life science companies and at a scale that is unmatched in the industry.

Also in the second quarter, another ambulatory EHR competitor of ours just went live in Veradigm's eChart Courier network, where we will deliver chart pulls for encounters within the last 2 years for more than 80,000 providers nationwide. So based on this progress during the quarter, we expect double-digit year-over-year revenue growth for the balance of the year in our Veradigm business.

So now let me turn to our overall margin performance in the quarter. Consolidated non-GAAP gross margin was 42.8%, which was up 330 basis points year-over-year, and it was primarily driven by improvements to our client services margins. As we talked about on our previous calls, this reflects the margin improvement initiatives we began last year to dramatically improve the productivity and efficiency of our client services organization.

Further down the P&L, we continued to manage our operating expenses tightly, and they came in very much in line with first quarter levels. So we saw a nice operating leverage down the P&L. This helped drive very strong 27% year-over-year adjusted EBITDA growth in the quarter and resulted in adjusted EBITDA margin of 18.4%.

Beyond those headline numbers, I am equally pleased that the quality of both our GAAP and non-GAAP earnings continue to improve. Our R&D capitalization rate continues to go down, and we are now meaningfully burning down the deferred cost balance on our balance sheet as we amortize significantly more than we are capitalizing from current period expenditures. Also, our non-GAAP adjustments are very limited and once again do not include any restructuring charges during the period.

Below the operating line, we had a $5 million recovery that we received related to our Practice Fusion DOJ settlement. This was our first of several expected recoveries related to that matter, and this GAAP income statement benefit was excluded from our non-GAAP reported income for the period.

On a per share basis, we reported non-GAAP EPS of $0.23 per share, which was up 35% year-over-year, reflecting our strong margin performance as well as our lower share count. We retired 17 million shares during the quarter through a combination of open market repurchases as well as our accelerated share repurchase programs. We also had an excellent quarter of free cash flow generation as we generated $69 million of cash flow from continuing operations and $51 million of free cash flow.

This is a direct result of our improving operating performance and our continued focus on driving down DSOs, which came in at 83 days in the second quarter, down from 96 days in the second quarter of 2020. Our free cash flow results continue the dramatic improvement from last year. And once again, I would like to publicly thank my finance team and our client-facing teams for their tremendous work in helping to drive this turnaround.

We ended the quarter with $458 million face value of debt outstanding, and we had $231 million of cash on the balance sheet. This net debt level of less than 1 turn of adjusted EBITDA leaves us with significant firepower and provides us with additional flexibility as we look to deploy capital to generate the highest returns.

Now turning to our outlook for 2021. We are increasing our 2021 adjusted EBITDA outlook to a range of $265 million to $275 million from our prior outlook of $240 million to $260 million. And we are also increasing our 2021 free cash flow outlook to a range of $115 million to $125 million from our prior outlook of $90 million to $100 million.

This reflects the performance that we've seen in the first half of the year and our expectation that we will continue to benefit both from the cost management initiatives that we have implemented and our continued strong cash flow conversion. We continue to maintain our revenue outlook of $1.5 billion for the year.

So with that, I'd like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Sean Dodge with RBC Capital Markets.

Thomas Keller

This is Thomas Keller on for Sean. I'll start off on Veradigm and the strategic partnership you guys have with PRA. Could you talk a little bit more about maybe some of the economics behind that arrangement and how you expect to see that partnership evolve just given the ICON acquisition?

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

Well, I mean, the partnership was just signed. So the acquisition from ICON, I don't think is going to disrupt it in any way. In fact, if you listen to the call transcript that ICON did a few weeks ago on their earnings call, they actually spoke about this partnership. So we think it's meaningful in their eyes as well, and we look forward to growing with it -- going together.

The partnership is built in such that we share in the economics as we deliver value to pharma companies that both of us are catering to. So I won't go any deeper than that, but it's definitely a highly aligned relationship that we look forward to capitalizing on together.

Thomas Keller

Okay. Fair enough. And Paul, you mentioned some ongoing delays in closing some of the new deals. Can you ballpark some of the magnitude of that impact maybe on Q2 bookings? Is it pretty substantial? Or just any other color would be helpful.

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

I think we've, over time, talked about, especially outside of the United States, those deals are pretty good size and they're lumpy. That's probably all the further I would go with that. We're -- we like the quality of the backlog. We like the quality -- or the pipeline, I should say. I'm very personally involved in a lot of those -- the activities there, both inside the U.S. as well as outside. The teams that are working on it, and I feel great about where we are with the team today. They have a lot better skill sets, if you will. They have better ammunition. They have some good wins in the marketplace, and they have the things that you need to have in order to win. It helps having Microsoft Azure. It helps having a demonstration environment that's different than what it was, let's say, 2.5, 3 years ago.

And all that augurs towards eventual success. It's just the timing of these things from time to time don't always come in exactly when we want them to, despite us having a good bookings quarter, just giving you a little bit of continuation around the story of what it's like to operate on a global marketplace.

Operator

Our next question comes from the line of Michael Cherny with Bank of America.

Unidentified Analyst

This is [Charlotte] on for Mike. I just wanted to ask what's driving the EBITDA guidance? And then could you outline a path for the ongoing margin expansion given the success to date?

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

What's driving our EBITDA guidance modification? Well, again, I think I'll repeat what I said before, is it's function of really how we've performed in the first half of the year. You can see those numbers where we're at through 2 quarters. And I think that, plus what we see ahead in terms of continued benefits from our cost initiatives and whatnot, is what gives us the confidence to raise the midpoint of that range by $20 million at the midpoint.

So we've obviously narrowed the range as well, given that half the year is already done. So that's what's giving rise to that. If there's a more specific question, please let me know.

And I -- you'd have to repeat what you asked on margin. I didn't quite get all of that.

Unidentified Analyst

Yes. I was just wondering if you could outline the path for ongoing margin expansion. Just any color around there would be helpful.

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

Well, we've done a nice job, I think, stepping up gross margins. It all starts at the top. And gross margins, as you can see from the trailing quarters that we put in our supplemental data workbook, that one of the big drivers there is the efficiencies we are producing around our client services. So that's both project-based services as well as recurring services that we provide to clients.

We frankly started at a pretty unacceptably low level of performance, if you go back to the beginning of 2020. And we've been laser-focused on improving that through productivity and other efficiency efforts. So that's paying off, and we've made nice progress, very steady progress. We'll continue to look at that. And we'd like to balance that with some continued improvement in mix as we are successful with our selling efforts and getting more software.

Operator

Our next question comes from the line of George Hill with Deutsche Bank.

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

Actually, Rick, a follow-up kind of thinking about the raise. I guess, if you were to bucket the points of improvement around, what I would call, like your cost management, your client management. And I assume you're seeing some recovery on the business services side as it relates to utilization. When you think about the raise of the midpoint by $20 million, I guess, could you kind of rank order those in priorities how they contribute to the $20 million?

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

So George, I understand the question. I guess I'd probably -- I'd answer it a little bit differently than you're asking it, though. I mean, you can see where we are on an EBITDA basis first half, right? First half, we're at $136 million already.

So we performed -- I guess it's fair to say we've overperformed where relative to our initial guidance. And we've done that really on the cost side of the equation. So we've made more progress even faster than I'd imagine when -- or faster than I built into our plan when we provided our initial guidance. So with what we've posted so far and best crystal ball we have on what's ahead, it was appropriate to lift the bar for our guidance. And so that's really what's behind it.

Can I piece it out the way you're piecing it out? That's pretty tough to do, George. I wouldn't say that. I would say though that, again, if you start at the top of the P&L, gross profit is where it all begins. Our margins are up nicely year-over-year. We continued building off of what was a very strong fourth quarter or we kind of kept -- we held in line with what was a very strong fourth quarter.

And so we made good progress on our labor efficiency. I mean most of our cost of sales is labor-related costs, and we've done a nice job on our cost efficiency there. That's why you see those services margins jumping. And that, combined with just maniacal focus on keeping our SG&A costs in line, is what has led to the EBITDA performance and the guidance outlook.

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

No, I follow you. And if I can have a quick follow-up. What I was wondering, Rick, was like was the lift in services -- like, I guess, what I was wondering was were you guys -- had you guys been extremely conservative in how you had thought about the services part of the business? And then the recovery, the lift helped you out, but it sounds like it's on the cost part.

I guess, Paul, one for you, is that as we start to see the nice recovery in the Veradigm business, maybe thinking about the portfolio and kind of any -- are there any changes that you would look to make there?

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

No. We've always been looking for things. We always -- we've highlighted in the past what we would do if we had a bunch of extra money to go spend on things. We would certainly -- in an accretive way and in a cost-effective way, we would certainly like to continue to build upon the success that we've demonstrated with all of our capital deployment.

So there's nothing specific right now, George, that I would point to that's different than what we've talked about in the past. It's nice to be in a position where you could have this kind of conversation where things are clean, where you have opportunity to pull your head up and look at things that are out there. As you know, there's a lot of things that are out there, and there's a lot of things that are out there that are extraordinarily frothy that we're probably not going to be looking at it as carefully as a lot of other people that are looking at it in the marketplace today.

Operator

Our next question comes from the line of Eric Percher with Nephron Research.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

Still appreciating the relative simplicity, guys. Question for you, Paul, on the ambulatory success. Do you see this as stemming from product improvement more or sales strategy? I know you mentioned the Ortho Alliance. And then is there an interplay with additional capabilities at Veradigm and how you think about the leverage that you get from that into the physician base?

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

There's a lot of different markets that we cover, a small physician practice. Small, meaning, 2 and less that is extraordinarily well covered by the Veradigm, the Practice Fusion solution. Our ability to get, if you will, a bit more than the wallet share out of that, Eric, has been part of the strategy going forward, and that is a new component that we're just starting to bear fruit from. It is always amazing how many of the new clients we get in that part of the market. That part of the market is still relatively robust. You, of course, have to sell a lot of them to move the meter, but we, of course, like it because not only do you get to clients, but you also get the data in that part of the business.

On the midsize with the Pro solution, that has been something that's been augmented with Azure in some cases, and that's been a bit of a new, if you will, offering in the marketplace. That, combined with TouchWorks, both of which have a back-end revenue cycle management outsourcing capability. That's a new capability we've had over the course of, let's just say, the last 2.5, 3 years. And that's gaining a lot of traction in the marketplace as -- I'll just say the fatigue that's set in by some of the provider organizations with all the people that are working in the back office and their acknowledgment, quite frankly, during the pandemic that those people who were sent home actually could potentially be outsourced or more effectively managed by a third party. That's all we do.

So we're getting a lot of traction by the combination of a breadth of offerings, Eric, as well as what we're doing across the platform or from a technology standpoint.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

I'm curious, when you think about the technology, we see a lot of organizations that are helping physicians manage risk. And I'm thinking that agilon's (inaudible) to the boxes, the oaks and villages. How do you think about your ability to enable the physician?

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

I'm sorry, our ability to what?

Eric R. Percher - *Nephron Research LLC - Research Analyst*

Enable the physician to take on risk? The role that you might have there?

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

Yes. I think we're giving the -- on the revenue cycle management side, we're giving them quite a bit of information that they perhaps didn't have in the past. The actual contract management component of that, we're actually using partners to do that today, Eric. So we're actually -- that's the capability that we have, but it's not currently native inside of what we do. We're building some of those capabilities for some of our largest clients that are doing that on a regular basis, especially those which operate in the California marketplace, which has been full cap for a very long period of time.

So we -- when we go into those markets, we're able to offer that. In some cases, we're using a qualified third party to help us.

Operator

Our next question comes from the line of Charlie Rhyee with Cowen.

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

Yes. I wanted to ask about the interoperating rules, interoperability rules. I think enforcement started this summer. Can you talk about sort of the readiness of your clients? And what kind of extra services they're looking for from you guys to help them comply with all the new rules coming through? And also, what kind of opportunities has the interoperability rule created for Veradigm?

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

So Charles, we -- I think our clients are in very good shape on interoperability. We were solving a lot of the notification elements of that rule with actually the CarePort business that we divested. We continue to have a reseller agreement with CarePort. That's a very elegant solution for those rules. It's, frankly, one of the only solutions in the market that is comprehensive. We -- so we bring that to all our clients or have that available for our clients and most of them have become clients of CarePort. So we think that they're in very good shape from that.

As far as opportunities for Veradigm on that. I don't see a direct link right now, Charles, but it doesn't mean we won't see one emerge right now from those rules in particular.

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

Okay. That's great. And maybe if I could just follow up on Veradigm. You're expecting it to grow double digits this year. Maybe can you help us kind of understand what's resonating in the market and driving the strong growth expectation? What products are, in particular, clients looking at and are very interested in?

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

Yes. Well, I mean, so Veradigm has multiple legs to the stool of Veradigm. But the one that's getting a lot of traction right now is our life sciences leg. And life sciences, there is a very fundamental shift, as you know in -- real-world evidence is really becoming a fundamental pillar for drug discovery.

And that phrase gets tossed around a lot. But what we deliver is a real answer to that. And that's really what this partnership with PRA is an example of. But we have an incredible size between the ambulatory HR footprint that we have across our multiple platforms, plus the footprint that comes from some of the third-party relationships that we've talked about on these calls, comes collectively a -- frankly, an unparalleled network of access to the point of care. And that is really getting the interest of almost everybody in the life science space right now.

So we're riding that wave, and it is absolutely a big part of what's behind our revenue outlook for Veradigm. It's not the only thing Veradigm's doing, but that's a big piece of it right now.

Operator

Our next question comes from the line of Stephanie Davis with SVB Leerink.

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

This is Joy on for Stephanie. Wanted to follow up on Veradigm as well. And was hoping if you can provide some color on what kinds of in-house R&D investments you're currently making in the business. And maybe if you can force-rank what your top investment focuses are.

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

Well, the first part of the question with respect to Veradigm, where is the R&D investment. Look, a lot of it is in organizing the information that we have, tokenizing the information that we have to make it most relevant. And so that, along with ease of use tools for physicians and patients, is kind of what's at -- is getting the bulk of the Veradigm dollars.

So that's internally in terms of -- and I think the second part of your question, was that Veradigm specific or just broadly for the company?

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

Both, if possible.

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

Well, again, then at a Veradigm level, I'd just say -- I'd say it's the same place we're investing today, the same priorities are where we'll continue to invest. I mean we'll also look potentially to add bolt-on acquisitions around Veradigm. We see long-term growth opportunities there. Assets in that space tend to be expensive, but at smaller scales, it may make sense for us to augment some of our assets. That could be around data registries, it could be around some other capabilities that -- rather than build them organically.

But broader the company, look, we'd like to invest or we'd like to invest to keep the company growing, but we're also going to be judicious with capital. So we're going to have the high bar for return on investment and making sure we have a good business model before we go deploy capital.

As you know, we've been very -- we've had a lot of capital go -- return to shareholders recently. We're very comfortable with our debt levels right now. So I think debt paydown is the lowest priority at this juncture. Investing in the business is our highest priority, but with, again, the caveat of it has to make -- has to have a very good expected value on return on investment. So...

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

That's super helpful. That leads right into my next question of just how you're balancing your ongoing investments with the share repurchase program.

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

Our ongoing investments with the share repurchase partner?

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

Yes.

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

Well, I think right now, we are in an enviable position where we have a ton of dry powder. So we don't feel constrained on either of those paths right now. Certainly, continuing to improve the free cash flow generation of business creates even more flexibility. And we don't not feel constrained at all. So I don't think balance is really in our vocabulary right now. It's really about being just smart with the capital that we have access to.

Operator

(Operator Instructions) There are no further questions in the queue. I'd like to hand the call back to Mr. Paul Black for closing remarks.

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

Thank you very much. I'm pleased with the broad progress we've made since Q1 of 2020. This has indeed been a challenging time for our industry, our clients and our associates. I'm grateful for the 8,000-plus Allscripts associates who have leaned into this pandemic, delivering results for our shareholders, and importantly, delivered new innovative solutions for our clients who are on the front line of COVID.

Our first half performance, along with our outlook for the second half, has allowed us to increase our outlook for both full year 2021 adjusted EBITDA and free cash flow. As shareholders, we appreciate your trust in Allscripts. We will continue to do everything we can to reward that confidence with strong performance. Thank you.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.
