1st Quarter 2019 report for CERN Date: 5-7-19

Percentage change in Sales from year ago quarter ___5.6%_________

Percentage change in Earnings per Share from year ago quarter_____-23.7%_________

Is company meeting our target sales & earnings estimates? No.

Pre-tax Profit on sales trend? (up, even, down) Down (negative range but up from last Q)

Return on equity trends? (up, even, down) 13.32% Up

Debt? (up, even, down) Down

Current PE is ___35.5___

Where does it fall in my estimated High/low range of PE's?  Mid-range

Signature PE = ___33.6%_______

Club cost basis for this stock is __$55.40_____. Current price is _$68.47 (05/03/19)___ (from latest valuation)

Current fair value: Morningstar: 66.00 _ S&P: $60.89_ (from 05/04/19) 1 star Strong Sell

My SSG Total Return is _______8.9%___ Projected Average Return (Average PE):_8.9%_

What will drive future growth:

VL (03/08/19)  “At this juncture, we look for Cerner’s revenue to advance some 7.0% in 2020. Its overall profitability should improve as its services businesses expand, allowing earnings to grow somewhat faster than the top line.”

MStar (04/26/19):  “In addition to the previously announced dividend program, the company has been authorized to repurchase $1.5 billion in shares over the next 12 months. We maintain our $66 fair value estimate and wide moat rating.”

“To achieve the back-end-loaded 20% increase in profitability objective, management retained AlixPartners to assess steps to streamline operations and assess the portfolio of software solutions.”

S&P (05/04/19): “We lowered our opinion on shares of CERN to Strong Sell from Sell after CERN shares rose approximately 11% on the mid-April 2019 announcement of a cooperation agreement with activist Starboard Value LP. The cooperation agreement resulted in an additional $1.2 billion of shares for repurchase and a commitment from CERN to initiate a dividend. We believe that the shift in capital allocation strategy reflects CERN's limited near-term opportunities to invest in high-growth projects due to industry-wide headwinds,
such as lower investment in information technology (IT) systems by hospitals and delays in population health management initiatives.”

MANIFEST INVESTING gives CERN a 90 Quality rating and 5.3% PAR.

**From Cerner:** “During the quarter, we rolled out a refined operating model, which is designed to improve our operating efficiency and speed value creation for our clients. These refinements are foundational to significant improvements in profitably we expect to deliver as part of recently announced operational improvement initiatives.”

**From “Crossing Wall Street”** – “Cerner recently said it had reached an agreement with Starboard Value to start paying a dividend and increase its buyback authorization by $1.5 billion. Cerner is a solid stock. Buy up to $66 per share.”

Although 4th Quarter sales were up from the previous quarter, there are some risk factors to consider. Their agreement with Starboard value to realign their long-term priorities seems to have S&P concerned as they changed from Sell to Strong Sell in their recommendation. (They are the only analysts I have seen that recommend a Sell currently.) The recent increase in their stock price would make this a pretty good time to sell if that were recommended but the SSG comes out as a Buy and future projections don’t seem to warrant a Sell. I currently recommend a hold.

**Represents 3.7% of our portfolio**

Recommend: Buy More __, __ Hold____, Challenge with a better investment______, Sell___