**4st Quarter 2018 report for CERN Date: 3-7-19**

Percentage change in Sales from year ago quarter ___4.4__%

Percentage change in Earnings per Share from year ago quarter ____-26.1___%

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

Pre-tax Profit on sales trend? (up, even, down) Down

Return on equity trends? (up, even, down) 12.97% Down

Debt? (up, even, down) Down

Current PE is ___29.2___

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

Signature PE = ___33.6___

Club cost basis for this stock is __$55.40____. Current price is _$55.44 (03/07/19)___

(from latest valuation)

Current fair value: Morningstar: 66.00 _ S&P: $55.34_ (from 03/02/19) 4 star Sell

My SSG Total Return is _______6.2%___ Projected Average Return (Average PE): _5.0%_

**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 (03/05/19):** “We believe the outlook remains robust for Cerner as the new fundamental dynamics of the U.S. healthcare market will motivate most providers to become more efficient, with up-to-date healthcare IT playing a key role in that process. The confluence of an aging U.S. population, influx of previously uninsured into the healthcare market, and greater need for EMR/analytical tools will provide a platform for solid long-term top- and bottom-line growth.”

**S&P (03/07/19):** “We expect gross margin in 2019 to be roughly flat year-over-year at 82.5%, after gross margins contracted 90 basis points in 2018. We expect operating margin to also be flat year-over-year at 18.8%, after declining 3.6% in 2018. We view CERN’s stabilizing margins as a positive and expect the firm to work towards margin expansion in 2020 and beyond.”

MANIFEST INVESTING gives CERN a 90 Quality rating and 10.6% PAR.

**From Cerner:**
Revenue in the quarter was $1.366 billion, up 4% over Q4 of '17, and as I mentioned, just below our guidance range of $1.37 billion to $1.42 billion. The shortfall in Q4 was primarily due to lower-than-expected levels of technology resale, which was down 42% compared to Q4 of '17. Total revenue for the year was $5.366 billion, reflecting growth of 4% over 2017.

From Healthcaredive.com:
‘CEO Brent Shafer, who just completed his first year at the helm, told investors plans are underway to improve profitability.
"While we did deliver our full year guidance ranges, I'm aware that our results included a decline in operating earnings. This is not something we expect to continue and I believe the structure and process changes we are making will help make Cerner more focused and efficient which should allow us to increase our predictability, profitability over time," he said.’

from Valueline: “The recent announcement to initiate a quarterly dividend payment of $0.15 a share beginning in the September period will expand the stock’s ownership base.”

From “Crossing Wall Street” - Now the good news. Cerner also said it will initiate a quarterly dividend of 15 cents per share starting in the third quarter. Based on Thursday’s close, the dividend works out to about 1%.

The Q4 earnings drop of -26% is concerning. We keep seeing an explanation of “a bigger drop in technology resale than anticipated”. Although I’ve been having difficulty getting specific about the term “technology resale”, I think hardware sales may be a larger factor at Cerner than I originally realized. See comparison below:
Represents 3.7% of our portfolio

Recommend: Buy More __, __Hold____, Challenge with a better investment_______, Sell___