

CERNER CORP. NDAQ:CERN

RECENT PRICE **49.77** P/E RATIO **20.3** (Trailing: 21.5 Median: 33.0) RELATIVE P/E RATIO **1.05** DIV'D YLD **Nil**

VALUE LINE

TIMELINESS 4 Lowered 11/11/16	High: 12.3	12.6	16.5	15.0	21.5	24.4	37.2	44.2	59.4	66.4	75.7	67.5	Target Price Range 2019 2020 2021	
SAFETY 2 Raised 3/13/15	Low: 5.9	8.1	11.0	7.6	8.3	18.0	23.0	29.7	39.4	48.4	55.8	48.0		160
TECHNICAL 2 Lowered 12/9/16	LEGENDS — 16.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 1/06 2-for-1 split 6/11 2-for-1 split 7/13 Options: Yes Shaded area indicates recession													120

2019-21 PROJECTIONS

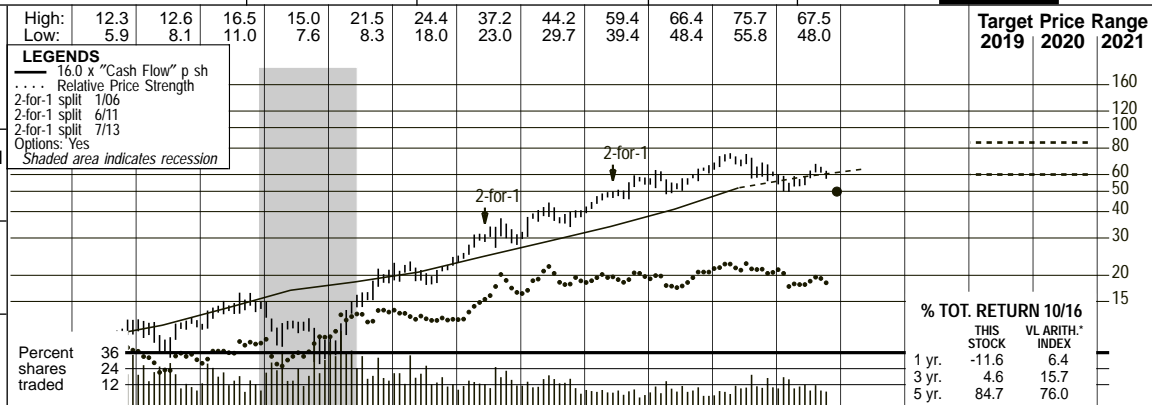
Price	Gain	Ann'l Total Return
High 85	(+70%)	14%
Low 60	(+20%)	5%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	3	0	5	0
to Sell	0	2	0	0	1	1	0	5	0

Institutional Decisions

	4Q2015	1Q2016	2Q2016
to Buy	288	339	362
to Sell	311	278	281
Hlds(000)	277890	276143	277994



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	% TOT. RETURN 10/16	THIS STOCK INDEX	VL ARITH. INDEX
1.45	1.92	2.65	2.98	3.16	3.70	4.39	4.74	5.08	5.06	5.56	6.50	7.74	8.47	9.94	13.02	14.20	15.95	Revenues per sh	21.00	
.21	.29	.38	.40	.53	.64	.72	.87	1.06	1.16	1.29	1.53	1.80	2.12	2.57	3.24	3.65	4.00	"Cash Flow" per sh	5.15	
.07	.12	.18	.15	.22	.27	.31	.38	.52	.58	.70	.88	1.13	1.32	1.65	2.11	2.31	2.60	Earnings per sh ^B	3.60	
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.06	.06	.21	.10	.15	.32	.42	.56	.33	.40	.31	.31	.53	1.03	.81	1.07	.75	.75	Cap'l Spending per sh	.75	
1.24	1.40	1.55	1.76	2.04	2.42	2.93	3.53	4.04	4.79	5.72	6.81	8.23	9.21	10.42	11.38	12.80	14.90	Book Value per sh	22.75	
278.13	282.90	284.24	281.84	293.10	314.06	313.57	320.59	324.17	330.26	332.96	339.13	344.18	343.82	342.33	339.96	337.50	335.50	Common Shs Outst'g ^D	330.00	
NMF	NMF	30.5	26.8	26.0	32.1	35.1	36.2	21.1	25.7	30.0	33.5	33.1	37.3	34.8	31.5	31.5	32.5	Avg Ann'l P/E Ratio	20.0	
NMF	NMF	1.67	1.53	1.37	1.71	1.90	1.92	1.27	1.71	1.91	2.10	2.11	2.10	1.83	1.60	1.85	1.80	Relative P/E Ratio	1.25	
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CAPITAL STRUCTURE as of 10/1/16
Total Debt \$572.5 mill. Due in 5 Yrs \$130.0 mill.
LT Debt \$535.9 mill. LT Interest \$17.0 mill. (11% of Cap'l)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
1378.0	1519.9	1647.4	1671.9	1850.2	2203.2	2665.4	2910.7	3402.7	4425.3	4800	5350	Revenues (\$mill)	6925						
21.1%	23.5%	26.0%	28.8%	29.9%	30.5%	29.8%	32.5%	33.6%	32.4%	33.0%	33.5%	Operating Margin	33.0%						
125.3	152.8	170.5	189.6	193.3	212.6	222.6	263.5	302.4	360.7	425	450	Depreciation (\$mill)	500						
102.0	127.1	173.1	193.5	237.3	306.6	397.2	466.4	576.4	740.8	800	895	Net Profit (\$mill)	1200						
39.1%	37.7%	33.6%	33.9%	34.5%	34.7%	32.4%	32.8%	32.4%	31.1%	31.5%	32.5%	Income Tax Rate	32.5%						
7.4%	8.4%	10.5%	11.6%	12.8%	13.9%	14.9%	16.0%	16.9%	16.7%	16.7%	16.7%	Net Profit Margin	17.3%						
444.7	530.5	517.7	788.2	840.2	1063.6	1210.4	1121.3	1714.5	1049.9	1250	1300	Working Cap'l (\$mill)	1500						
187.4	177.6	111.4	95.5	67.9	86.8	136.6	111.7	62.9	563.4	550	525	Long-Term Debt (\$mill)	500						
918.1	1132.4	1311.0	1580.7	1905.3	2310.7	2833.7	3167.7	3566.0	3870.4	4325	5000	Shr. Equity (\$mill)	7500						
9.8%	10.2%	12.5%	11.8%	12.2%	12.9%	13.5%	14.3%	15.9%	16.9%	16.5%	16.5%	Return on Total Cap'l	15.0%						
11.1%	11.2%	13.2%	12.2%	12.5%	13.3%	14.0%	14.7%	16.2%	19.1%	18.5%	18.0%	Return on Shr. Equity	16.0%						
11.1%	11.2%	13.2%	12.2%	12.5%	13.3%	14.0%	14.7%	16.2%	19.1%	18.5%	18.0%	Retained to Com Eq	16.0%						
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Leases, Uncapitalized Annual rentals \$26.4 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 339,496,327 shs. as of 10/27/16
MARKET CAP: \$16.9 billion (Large Cap)

CURRENT POSITION 2014 2015 10/1/16 (\$MILL.)

Cash Assets	1420.9	513.2	692.7
Receivables	672.8	1034.1	985.2
Inventory (FIFO)	23.8	15.8	19.7
Other	231.3	264.7	300.7
Current Assets	2348.8	1827.8	1998.3
Accts Payable	160.3	215.5	219.5
Debt Due	67.5	41.8	36.6
Deferred Revenue	209.7	278.4	308.7
Other	196.8	242.2	263.3
Current Liab.	634.3	777.9	828.1

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh)

Revenues	12.5%	15.0%	12.5%
"Cash Flow"	17.5%	17.5%	12.0%
Earnings	23.0%	23.0%	13.5%
Dividends	---	---	<i>Nil</i>
Book Value	17.5%	16.5%	14.0%

QUARTERLY REVENUES (\$ mill.)^A

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2013	680.0	707.6	727.8	795.3	2910.7
2014	784.8	851.8	840.2	926.0	3402.7
2015	996.1	1126.0	1127.9	1175.3	4425.3
2016	1138.1	1216.0	1184.6	1261.3	4800
2017	1250	1350	1350	1400	5350

EARNINGS PER SHARE^{ABC}

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2013	.31	.32	.33	.36	1.32
2014	.37	.40	.42	.47	1.65
2015	.45	.52	.54	.61	2.11
2016	.53	.58	.59	.61	2.31
2017	.60	.65	.65	.70	2.60

QUARTERLY DIVIDENDS PAID

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012					
2013					
2014					
2015					
2016					

NO CASH DIVIDENDS BEING PAID

BUSINESS: Cerner Corp. designs, develops, markets, installs, and supports clinical and management information systems. Cerner's systems are designed and developed using a single, unified information architecture: *Cerner Millennium*. Cerner's software and systems are focused on the clinical side of healthcare and are targeted at hospitals and integrated delivery networks. System

Cerner Corporation's financial report for the September period did not meet with investor approval. As has been the case for the last year or so, the vendor of clinical information systems and services had trouble meeting its revenue forecast. That said, the difficulty in the third quarter stemmed more from declines in sales of system software and hardware resale, rather than from the integration of Cerner Health Services (acquired in early 2015). In addition, although contracting activity remained healthy on a relative basis in the September quarter, bookings disappointed shareholders, despite the very difficult comparison posed by the same period in 2015. Nonetheless, Cerner held its profit margins, and earnings registered within its forecast range, though slightly below *Value Line's* estimate. **We have made adjustments to our estimates for this year and next.** Our revenue and earnings targets for 2016 are now \$4.8 billion and \$2.31 a share, versus the previous \$4.95 billion and \$2.35. The reality is that growth in contract bookings is likely to be only modestly positive in 2016, after advancing at a double-digit

pace over the last five or six years. That said, we foresee little reason to expect that Cerner should not continue benefiting from providers' purchases of healthcare information systems. However, the regulatory requirements imposed by the Centers of Medicare and Medicaid Services (CMS) to receive the associated incentive payments have been modified recently, and providers are taking time to evaluate their effect. Meanwhile, although we look for the pace of contract bookings to improve in 2017, moderate growth is more likely than the rapid clip recorded in past years. Accordingly, our revenue and earnings estimates for next year are now \$5.35 billion and \$2.60 a share, compared to the previous \$5.45 billion and \$2.65. **Cerner stock may interest patient investors.** The company has a strong position in the healthcare information technology business, with revenue, earnings, and market share likely advancing nicely over the next three to five years. Although the stock is currently untimely, it is favorably ranked for Safety and the company is rated quite well for financial strength. *Charles Clark* December 9, 2016

(A) Fiscal year ends on the Saturday closest to December 31st. (B) Fully-diluted earnings; non-GAAP EPS from 2014. Excl. items: '00, \$1.20; '01, d\$1.05; '02, d5c; '05, 1c; '06, 5c; '08, 10c; '13, d19c; '14, d15c; '15, d57c. (C) Quarters may not sum to annual figure, due to rounding or to changes in diluted shares outstanding. (D) In millions, adjusted for stock splits.

Company's Financial Strength	A+
Stock's Price Stability	60
Price Growth Persistence	100
Earnings Predictability	100

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