



## Cerner Reports Second Quarter 2009 Results

July 29, 2009

### Strong Earnings and Cash Flow

KANSAS CITY, Mo., July 29, 2009 (GLOBE NEWSWIRE) -- Cerner Corp. (Nasdaq:CERN) today announced results for the 2009 second quarter that ended July 4, 2009, delivering strong levels of bookings, earnings and cash flow.

Bookings in the second quarter of 2009 were \$394.0 million. Second quarter revenue was \$403.8 million, which is flat over the year-ago period.

On a Generally Accepted Accounting Principles (GAAP) basis, second quarter 2009 net earnings were \$43.7 million, and diluted earnings per share were \$0.52. Second quarter 2008 GAAP net earnings were \$35.3 million, and diluted earnings per share were \$0.42.

#### Adjusted (non-GAAP) Earnings

Adjusted second quarter 2009 net earnings were \$46.0 million, compared to \$42.5 million of adjusted net earnings in the second quarter of 2008. Adjusted diluted earnings per share were \$0.55 in the second quarter of 2009 compared to \$0.51 in the second quarter of 2008. Analysts' consensus estimate for second quarter 2009 adjusted diluted earnings per share was \$0.55.

Adjusted Net Earnings is not a recognized term under GAAP and should not be substituted for net earnings as a measure of the Company's performance but instead should be utilized as a supplemental measure of financial performance in evaluating our business. Following is a description of adjustments made to second quarter net earnings. For more detail, please see the accompanying schedule, titled "Reconciliation of Adjusted Net Earnings and Adjusted Diluted Earnings Per Share to GAAP Net Earnings and Diluted Earnings Per Share."

Adjusted second quarter 2009 and 2008 net earnings and diluted earnings per share exclude the impact of accounting pursuant to Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, which requires the expensing of stock options. The effect of accounting under SFAS 123R reduced second quarter 2009 net earnings and diluted earnings per share by \$2.3 million and \$0.03, respectively, and reduced second quarter 2008 net earnings and diluted earnings per share by \$2.2 million and \$0.03, respectively.

Second quarter 2008 adjusted net earnings and adjusted diluted earnings per share exclude the impact of a third party supplier settlement. The settlement reduced second quarter 2008 net earnings and diluted earnings per share by \$5.0 million and \$0.06, respectively.

#### Other Second Quarter Highlights:

- \* Second quarter cash collections of \$436.0 million and operating cash flow of \$67.9 million.
- \* Days sales outstanding of 100 days compared to 102 days in the first quarter of 2009 and 90 days in the year-ago quarter.
- \* Total revenue backlog of \$3.7 billion, up 12 percent over the year-ago quarter. This is comprised of \$3.1 billion of contract backlog and \$0.6 billion of support and maintenance backlog.

"We delivered good earnings and cash flow performance in the second quarter despite the economy continuing to have an impact on our revenue levels," said Neal Patterson, Cerner co-founder, chairman and chief executive officer. "We continue to believe the Health Information Technology for Economic and Clinical Health (HITECH) provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) represent a substantial opportunity for Cerner in coming years. And the investment from the ARRA could create the level of systemic change in the U.S. healthcare system that will improve safety and quality while also saving our nation hundreds of billions of dollars annually," Patterson said.

#### Future Period Guidance

##### Cerner currently expects:

- \* Third quarter 2009 revenue between \$410 million and \$430 million.
- \* Third quarter 2009 adjusted diluted earnings per share before stock options expense between \$0.57 and \$0.63.
- \* Third quarter 2009 new business bookings between \$380 million and \$420 million.
- \* Full-year 2009 revenue between \$1.7 billion and \$1.75 billion.
- \* Full-year 2009 adjusted diluted earnings per share before stock options expense between \$2.40-\$2.50, which is unchanged from prior guidance.
- \* SFAS No. 123R share-based compensation expense to reduce diluted earnings per share by approximately \$0.03 in the third quarter of

2009 and 12-13 cents for the full-year 2009.

#### Earnings Conference Call

Cerner will host an earnings conference call to provide additional detail on second quarter results at 3:30 p.m. CT on July 29. The dial-in number for the conference call is (617) 213-8844; the passcode is Cerner. The company recommends joining the call 15 minutes early for registration. The re-broadcast of the call will be available from 5:30 p.m. CT, July 29 through 11:59 p.m. CT, Aug. 1. The dial-in number for the re-broadcast is (617) 801-6888; the passcode is 85120678.

An audio webcast will be available live and archived on Cerner's Web site at [www.cerner.com](http://www.cerner.com) under the About Cerner section (click Investors, then Presentations and Webcasts).

#### About Cerner

Cerner is transforming healthcare by eliminating error, variance and waste for healthcare providers and consumers around the world. Cerner solutions optimize processes for healthcare organizations ranging in size from single-doctor practices, to health systems, to entire countries, for the pharmaceutical and medical device industries, and for the healthcare commerce system. These solutions are licensed by more than 8,000 facilities around the world, including approximately 2,100 hospitals; 3,300 physician practices covering more than 30,000 physicians; 500 ambulatory facilities, such as laboratories, ambulatory centers, cardiac facilities, radiology clinics and surgery centers; 600 home-health facilities; and 1,500 retail pharmacies. The following are trademarks of Cerner: Cerner and Cerner's logo. Nasdaq: CERN. For more information about Cerner, please visit our Web site at [www.cerner.com](http://www.cerner.com).

This release contains forward-looking statements that involve a number of risks and uncertainties. It is important to note that the Company's performance, and actual results, financial condition or business could differ materially from those expressed in such forward-looking statements. The words "believe," "opportunity," "could," "guidance," and "expects" or the negative of these words, variations thereof or similar expressions are intended to identify such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the possibility of product-related liabilities; potential claims for system errors and warranties; the possibility of interruption at our data centers or client support facilities; our proprietary technology may be subject to claims for infringement or misappropriation of intellectual property rights of others, or may be infringed or misappropriated by others; risks associated with our non-U.S. operations; risks associated with our ability to effectively hedge exposure to fluctuations in foreign currency exchange rates; risks associated with our recruitment and retention of key personnel; risks related to our reliance on third party suppliers; risks inherent with business acquisitions; changing political, economic and regulatory influences; government regulation; significant competition and market changes; the current adverse financial market environment and uncertainty in global economic conditions; variations in our quarterly operating results; potential inconsistencies in our sales forecasts compared to actual sales; and the volatility in the trading price of our common stock. Additional discussion of these and other factors affecting the Company's business is contained in the Company's periodic filings with the Securities and Exchange Commission. The Company undertakes no obligation to update forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time.

CERNER CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

|  | Three<br>Months<br>Ended<br>July 4,<br>2009 (1) | Six<br>Months<br>Ended<br>July 4,<br>2009 (1) | Three<br>Months<br>Ended<br>June 28,<br>2008<br>(1) (2) | Six<br>Months<br>Ended<br>June 28,<br>2008<br>(1) (2) |
|--|---|---|---|---|
| (In thousands, except<br>per share data) |   |   |   |   |
| Revenue                                  |   |   |   |   |
| System sales                             | \$114,302                                       | \$214,491                                     | \$120,633   | \$236,865   |
| Support, maintenance<br>and services     | 281,444   | 565,272                                       | 271,470   | 531,264   |
| Reimbursed travel                        | 8,060   | 16,365  | 10,697  | 19,436  |
|  | -----   | -----   | -----   | -----   |
| Total revenue                            | 403,806   | 796,128                                       | 402,800   | 787,565   |
| Margin                                   |   |   |   |   |
| System sales                             | 71,673  | 130,298                                       | 74,789  | 150,838   |
| Support, maintenance<br>and services     | 265,244   | 533,410                                       | 256,225   | 500,567   |
|  | -----   | -----   | -----   | -----   |
| Total margin                             | 336,917   | 663,708                                       | 331,014   | 651,405   |
|  | -----   | -----   | -----   | -----   |

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Operating expenses  |           |           |           |           |
| Sales and client service  | 171,633   | 344,986   | 182,915   | 353,997   |
| Software development  | 65,090    | 129,826   | 65,890    | 135,054   |
| (Includes amortization of software development costs of \$15,830 and \$28,879 for the three and six months ended July 4, 2009; and \$13,409 and \$24,425 for the three and six months ended June 28, 2008.) |           |           |           |           |
| General and administrative  | 34,038    | 60,760    | 28,988    | 52,667    |
|   | -----     | -----     | -----     | -----     |
| Total operating expenses  | 270,761   | 535,572   | 277,793   | 541,718   |
|   | -----     | -----     | -----     | -----     |
| Operating earnings  | 66,156    | 128,136   | 53,221    | 109,687   |
| Interest income   | 1,953     | 3,686     | 3,245     | 7,074     |
| Interest expense  | (2,099)   | (4,153)   | (2,785)   | (5,583)   |
| Other income  | 213       | 417       | 42        | (171)     |
|   | -----     | -----     | -----     | -----     |
| Non-operating income (expense), net   | 67        | (50)      | 502       | 1,320     |
| Earnings before income taxes  | 66,223    | 128,086   | 53,723    | 111,007   |
| Income taxes  | (22,478)  | (43,511)  | (18,436)  | (38,903)  |
|   | -----     | -----     | -----     | -----     |
| Net earnings  | \$ 43,745 | \$ 84,575 | \$ 35,287 | \$ 72,104 |
|   | =====     | =====     | =====     | =====     |
| Basic earnings per share  | \$ 0.54   | \$ 1.05   | \$ 0.44   | \$ 0.90   |
|   | =====     | =====     | =====     | =====     |
| Basic weighted average shares outstanding   | 80,691    | 80,512    | 80,618    | 80,500    |
| Diluted earnings per share  | \$ 0.52   | \$ 1.02   | \$ 0.42   | \$ 0.86   |
|   | =====     | =====     | =====     | =====     |
| Diluted weighted average shares outstanding   | 83,590    | 83,258    | 83,581    | 83,553    |

Note 1: Operating expenses for the three months ended July 4, 2009 and June 28, 2008 and the six months ended July 4, 2009 and June 28, 2008 include share-based compensation expense. The impact of this expense on net earnings is presented below:

|                                 | Three<br>Months<br>Ended<br>July 4,<br>2009 | Six<br>Months<br>Ended<br>July 4,<br>2009 | Three<br>Months<br>Ended<br>June 28,<br>2008 | Six<br>Months<br>Ended<br>June 28,<br>2008 |
|---------------------------------|---|---|--|--|
|                                 | -----                                       | -----                                     | -----  | -----                                      |
| Sales and client service        | \$ 1,377                                    | \$ 3,086                                  | \$ 1,732                                     | \$ 3,566                                   |
| Software development            | 851   | 2,002                                     | 621  | 1,397                                      |
| General and administrative      | 1,358                                       | 2,418                                     | 1,075  | 2,027                                      |
|                                 | -----                                       | -----                                     | -----  | -----                                      |
| Total Shared Based Compensation | 3,586                                       | 7,506                                     | 3,428  | 6,990                                      |
| Amount of related income        |   |   |  |  |

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| tax benefit                            | (1,336)  | (2,796)  | (1,277)  | (2,604)  |
| Net impact on net earnings             | \$ 2,250 | \$ 4,710 | \$ 2,151 | \$ 4,386 |
| Decrease to diluted earnings per share | \$ 0.03  | \$ 0.05  | \$ 0.03  | \$ 0.06  |

Note 2: Includes the impact of the third party supplier settlement reported in the second quarter of 2008.

|   | Three<br>Months<br>Ended<br>July 4,<br>2009 | Six<br>Months<br>Ended<br>July 4,<br>2009 | Three<br>Months<br>Ended<br>June 28,<br>2008 | Six<br>Months<br>Ended<br>June 28,<br>2008 |
|---|---|---|--|--|
| Sales and client service<br>Amount of related income<br>tax benefit | \$ --                                       | \$ --                                     | \$ 8,014                                     | \$ 8,014                                   |
| Net impact on net earnings  | \$ --                                       | \$ --                                     | \$ 5,030                                     | \$ 5,030                                   |
| Decrease to diluted earnings<br>per share                           | \$ --                                       | \$ --                                     | \$ 0.06                                      | \$ 0.06                                    |

#### CERNER CORPORATION

Reconciliation of Adjusted Net Earnings and Adjusted Diluted Earnings  
Per Share to GAAP Net Earnings and Diluted Earnings Per Share(1)  
(unaudited)

|  | Three<br>Months<br>Ended<br>July 4,<br>2009 | Six<br>Months<br>Ended<br>July 4,<br>2009 | Three<br>Months<br>Ended<br>June 28,<br>2008 | Six<br>Months<br>Ended<br>June 28,<br>2008 |
|--|---|---|--|--|
| Net Earnings   |   |   |  |  |
| (In thousands)                                       |   |   |  |  |
| Net earnings   | \$ 43,745                                   | \$ 84,575                                 | \$ 35,287                                    | \$ 72,104                                  |
| Share-based compensation<br>expense(2)               | 3,586                                       | 7,506                                     | 3,428  | 6,990                                      |
| Income tax benefit of<br>share-based compensation(2) | (1,336)                                     | (2,796)                                   | (1,277)                                      | (2,604)                                    |
| Third party supplier<br>settlement(2)                | --  | --  | 8,014  | 8,014                                      |
| Income tax benefit of supplier<br>settlement(2)      | --  | --  | (2,984)                                      | (2,984)                                    |
| Adjusted net earnings<br>(non-GAAP)                  | \$ 45,995                                   | \$ 89,285                                 | \$ 42,468                                    | \$ 81,520                                  |
| Diluted Earnings Per Share                           |   |   |  |  |
| Diluted earnings per share(2)                        | \$ 0.52                                     | \$ 1.02                                   | \$ 0.42                                      | \$ 0.86                                    |
| Share-based compensation<br>expense (net of tax)(2)  | 0.03  | 0.05                                      | 0.03   | 0.06                                       |
| Third party supplier settlement<br>(net of tax)(2)   | --  | --  | 0.06   | 0.06                                       |

|                               |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|
| Adjusted diluted earnings per | -----   |         |         |         |
| share (non-GAAP)              | \$ 0.55 | \$ 1.07 | \$ 0.51 | \$ 0.98 |
|                               | =====   |         |         |         |

Note 1: The presentation of Adjusted Net Earnings, a Non-GAAP financial measure, is not meant to be considered in isolation, as a substitute for, or superior to, Generally Accepted Accounting Principles (GAAP) results and investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Adjusted Net Earnings may also be different from similar non-GAAP financial measures used by other companies and may not be comparable to similarly titled captions of other companies due to potential inconsistencies in the method of calculation. The Company believes that Adjusted Net Earnings is important to enable investors to better understand and evaluate its ongoing operating results and allows for greater transparency in the review of its overall financial, operational and economic performance.

Note 2: The Company provides earnings with and without stock options expense and unique items such as the third party supplier settlement because earnings excluding these items are used by management along with GAAP results to analyze its business, make strategic decisions and for management compensation purposes.

CERNER CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

|  |                 |                    |
|--|-----------------|--------------------|
| (In thousands)                         | July 4,<br>2009 | January 3,<br>2009 |
|  | -----           | -----              |
| Assets                                 | (unaudited)     |                    |
| Cash and cash equivalents              | \$ 353,918      | \$ 270,494         |
| Short-term investments                 | 30,177          | 38,400             |
| Receivables, net                       | 444,699         | 468,928            |
| Inventory                              | 12,594          | 10,096             |
| Prepaid expenses and other             | 90,463          | 69,553             |
| Deferred income taxes                  | 5,650           | 1,402              |
|  | -----           | -----              |
| Total current assets                   | 937,501         | 858,873            |
| Property and equipment, net            | 501,066         | 483,399            |
| Software development costs, net        | 228,629         | 218,811            |
| Goodwill                               | 149,251         | 146,666            |
| Intangible assets, net                 | 44,110          | 51,925             |
| Long-term investments                  | 99,150          | 105,300            |
| Other assets                           | 15,184          | 16,014             |
|  | -----           | -----              |
| Total assets                           | \$1,974,891     | \$1,880,988        |
|  | =====           | =====              |
| Liabilities                            |                 |                    |
| Accounts payable                       | \$ 59,039       | \$ 93,667          |
| Current installments of long-term debt | 25,477          | 30,116             |
| Deferred revenue                       | 111,935         | 107,554            |

|   |             |             |
|---|-------------|-------------|
| Accrued payroll and tax withholdings          | 69,010      | 67,266      |
| Other accrued expenses                        | 38,318      | 42,620      |
|   | -----       | -----       |
| Total current liabilities                     | 303,779     | 341,223     |
|   |             |             |
| Long-term debt                                | 122,945     | 111,370     |
| Deferred income taxes and other liabilities   | 105,901     | 100,546     |
| Deferred revenue                              | 14,013      | 15,554      |
|   | -----       | -----       |
| Total liabilities                             | 546,638     | 568,693     |
|   | -----       | -----       |
| Stockholders' Equity                          |             |             |
| Common stock                                  | 818         | 810         |
| Additional paid-in capital                    | 518,949     | 491,080     |
| Retained earnings                             | 944,673     | 860,098     |
| Treasury Stock                                | (28,002)    | (28,002)    |
| Accumulated other comprehensive loss          | (8,305)     | (12,977)    |
|   | -----       | -----       |
| Total Cerner Corporation stockholders' equity | 1,428,133   | 1,311,009   |
| Noncontrolling interest                       | 120         | 1,286       |
|   | -----       | -----       |
| Total stockholders' equity                    | 1,428,253   | 1,312,295   |
|   | -----       | -----       |
| Total liabilities and stockholders' equity    | \$1,974,891 | \$1,880,988 |
|   | =====       | =====       |

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