

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 1997

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-15386

CERNER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

43-1196944

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification Number)

2800 Rockcreek Parkway
Kansas City, Missouri 64117
(816) 201-1000

(Address of Principal Executive Offices, including zip code;
registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the registrant was required to
file such reports) with the Commission, and (2) has been subject
to such filing requirements for the past 90 days.

Yes X No

There were 32,857,844 shares of Common Stock, \$.01 par
value, outstanding at March 29, 1997.

CERNER CORPORATION AND SUBSIDIARIES

I N D E X

Part I. Financial Information:

Item 1. Financial Statements:

Consolidated Balance Sheets as of March 29, 1997
and December 28, 1996 (unaudited)

Consolidated Statements of Earnings for the
three months ended March 29, 1997
and March 30, 1996 (unaudited)

Consolidated Statements of Cash Flows
for the three months ended March 29, 1997
and March 30, 1996 (unaudited)

Notes to Consolidated Financial Statements

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Financial Condition and Results of Operations

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Part I. Financial Information
Item 1. Financial Statements

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 29, 1997	December 28, 1996
(In thousands)		
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,557	\$ 6,905
Short-term investments	100,926	103,997
Receivables	99,090	96,238
Inventory	1,476	1,616
Prepaid expenses and other	2,299	3,660
	-----	-----
Total current assets	210,348	212,416
Property and equipment, net	60,800	60,047
Software development costs, net	32,221	30,128
Intangible assets, net	3,815	3,973
Noncurrent receivables	2,893	3,637
Other assets	5,425	4,552
	-----	-----
	\$315,502	\$314,753
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 8,711	\$ 9,346
Current installments of long-term debt	70	104
Advanced billings	7,677	7,811
Accrued income taxes	14,866	13,654
Accrued payroll and tax withholdings	8,713	6,755
Other accrued expenses	2,068	3,542
	-----	-----
Total Current Liabilities	42,105	41,212
	-----	-----
Long-term debt, net	30,000	30,000
Deferred income taxes	12,805	12,806
Stockholders' Equity:		
Common stock, \$.01 par value, 150,000,000 shares authorized, 33,520,862 shares issued in 1997 and 33,403,727 issued in 1996	335	334
Additional paid-in capital	145,197	144,941
Retained earnings	93,063	91,125
Treasury stock, at cost (663,018 shares in 1997 and 513,018 shares in 1996)	(7,969)	(5,693)
Foreign currency translation adjustment	(34)	28
	-----	-----
Total stockholders' equity	230,592	230,735
	-----	-----
	\$315,502	\$314,753
	=====	=====

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

	Three Months Ended	
	March 29,	March 30,
	1997	1996

(In thousands, except Per share data)		
Revenues:		
System sales	\$34,075	\$37,168
Support and maintenance	15,724	13,579
Other	1,330	1,835
	-----	-----
Total revenues	51,129	52,582
	-----	-----
Costs and expenses:		
Cost of revenues	15,147	17,284
Sales and client service	18,620	15,623
Software development	9,616	8,540
General and administrative	5,207	4,850
	-----	-----
Total costs and expenses	48,590	46,297
	-----	-----
Operating earnings	2,539	6,285
Interest income, net	584	671
	-----	-----
Earnings before income taxes	3,123	6,956
Income Taxes	1,187	2,734
	-----	-----
Net earnings	\$ 1,936	\$ 4,222
	=====	=====
Earnings per share	\$.06	\$.13
	=====	=====
Weighted average shares outstanding	33,480	33,701
	-----	-----

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Three Months Ended
March 29, 1997 March 30, 1996

(In thousands)

Cash flows from operating activities:		
Net earnings	\$ 1,936	\$ 4,222
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,084	3,603
Issuance of stock as compensation	16	--
Provision for deferred income taxes	(1)	3,725
Loss on disposal of capital equipment	--	14
Changes in assets and liabilities:		
Receivables	(2,108)	(3,213)
Inventory	140	(1,739)
Prepaid expenses and other	431	(1,074)
Accounts payable	(635)	3,340
Accrued income taxes	1,212	--
Other accrued liabilities	350	1,336
	-----	-----
Total adjustments	3,489	5,992
	-----	-----
Net cash provided by operating activities	5,425	10,214
	-----	-----
Cash flows from investing activities:		
Purchase of capital equipment	(2,664)	(5,179)
Purchase of land, building and improvements	(17)	(219)
Capitalized software development costs	(4,034)	(2,981)
	-----	-----
Net cash used in investing activities	(6,715)	(8,379)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	--	3
(repayment) of long-term debt	(34)	(34)
Proceeds from exercise of options	243	147
Purchase of treasury stock	(2,276)	--
	-----	-----
Net cash provided by (used in) financing activities	(2,067)	116
	-----	-----
Foreign currency translation adjustment	(62)	126
	-----	-----
Net increase (decrease) in cash, cash equivalents, and short-term investments	(3,419)	2,077
Cash, cash equivalents, and short-term investments at beginning of period	110,902	112,118
	-----	-----
Cash, cash equivalents, and short-term investments at end of period	\$107,483	\$114,195
	=====	=====

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Statement Presentation

The consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at March 29, 1997 and December 28, 1996 and the results of operations and cash flows for the periods presented. The results of the three-month periods are not necessarily indicative of the operating results for the entire year.

(2) Earnings Per Share

Net earnings per share for the three months ended March 29, 1997 is based on the weighted average number of common shares and common share equivalents outstanding during those periods. Common share equivalents consist of shares issuable upon exercise of stock options using the treasury stock method.

Item 2. Management's Discussion and Analysis of Financial

Condition and Results of Operations

Results of Operations

Three Months Ended March 29, 1997 Compared to Three Months Ended
March 30, 1996

The Company's revenues decreased 3% from \$52,582,000 for the three-month period ended March 30, 1996 to \$51,129,000 for the three-month period ended March 29, 1997. Net earnings decreased 54% from \$4,222,000 in the 1996 period to \$1,936,000 for the 1997 period.

System sales revenues decreased 8% from \$37,168,000 for the three-month period ended March 30, 1996 to \$34,075,000 for the corresponding period in 1997. The decrease in system sales was due primarily to the decrease in revenue from the sale of additional hardware and software products to the installed client base. The revenue from the sale of additional hardware and software products to the installed client base decreased 27% in the first quarter of 1997 over the same period in 1996.

At March 29, 1997, the Company had \$132,405,000 in contract backlog and \$117,867,000 in support and maintenance backlog, compared to \$89,416,000 in contract backlog and \$98,638,000 in support and maintenance backlog at March 30, 1996.

Support and maintenance revenues increased 16% from \$13,579,000 during the first quarter of 1996 to \$15,724,000 during the same period in 1997. This increase was due primarily to the increase in the Company's installed and converted client base.

Other revenues decreased 28% from \$1,835,000 in the first quarter of 1996 to \$1,330,000 in the same period of 1997. This was due primarily to a decrease of real estate lease revenues from the rental to outside tenants, as the Company utilizes more office space.

The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to manufacturers. The cost of revenue was 30% of total revenues in the first quarter of 1997 and 33% of total revenues in the comparable period in 1996. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, maintenance, and support) components carrying different margin rates changes from period to period.

Sales and client service expenses include salaries of client service personnel, communications expenses and unreimbursed travel expenses. Also included are sales and marketing salaries, trade show costs and advertising costs. These expenses as a percent of total revenues were 36% and 30% in the first quarter of 1997 and 1996, respectively. The increase in total sales and client service expenses from \$15,623,000 in 1996 to \$18,620,000 in 1997 was attributable to the cost of a larger field sales and services organization and marketing of new products.

Software development expenses include salaries, documentation and other direct expenses incurred in product development, as well as amortization of software development costs previously capitalized. Total expenditures for software development, including both capitalized and noncapitalized portions, for the first quarter of 1997 and 1996 were \$11,709,000 and \$10,049,000, respectively. These amounts exclude amortization of previously capitalized expenditures. Capitalized software costs were \$4,034,000 and \$2,981,000 for the first quarter of 1997 and 1996, respectively. The increase in aggregate expenditures for

software development in 1997 was due to development of HNA Millennium products and development of community care products.

General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 10% and 9% in the first quarter of 1997 and 1996, respectively. Total general and administrative expenses for the first quarter of 1997 and 1996 were \$5,207,000 and \$4,850,000, respectively.

Net interest income decreased 13% in the first quarter of 1997 than in the same period in 1996. This decrease is primarily due to a decrease in cash and cash equivalents and a decrease in interest rates.

The Company's effective tax rates were 38% and 39% for the first quarter of 1997 and 1996, respectively.

The Company's quarterly revenues and net earnings have historically been variable and cyclical. The variability is attributable primarily to the number and size of project milestone events in any fiscal quarter. The Company expects fluctuations in quarterly results to continue.

Capital Resources and Liquidity

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The Company's liquidity position remains strong with total cash and cash equivalents of \$6,557,000 and short term investments of \$100,926,000 at March 29, 1997 and working capital of \$168,243,000. The Company generated net cash from operations of \$5,425,000 and \$10,214,000 during the three month periods ended March 29, 1997 and March 30, 1996, respectively. The decrease in net cash from operations is due primarily to lower net earnings and a lower provision for income taxes. During the first quarter of 1997, the Company purchased 150,000 shares of the Company's common stock with a total cost of \$2,276,000. The Company has \$18,000,000 of long-term, revolving credit from banks, all of which was available as of March 29, 1997.

Revenues provided under the Company's support and maintenance agreements represent recurring cash flows. The Company's support and maintenance backlog at March 29, 1997 was \$117,867,000, representing twelve months of equipment maintenance and software support associated with signed contracts.

The Company believes its present cash, cash equivalents and short-term investment position, together with cash generated from operations and available under its current bank borrowing facility, will be sufficient to meet anticipated cash requirements during the next twelve months.

Recent Accounting Pronouncement

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In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (Statement 128) which revises the calculation and presentation provisions of Accounting Principles Board Opinion 15 and related interpretations. Statement No. 128 is effective for the Company's fiscal year ending January 3, 1998 and retroactive application will be required. The Company believes the adoption of Statement 128 will not have a significant effect on its reported earnings per share.

Part II. Other Information

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 11 Computation of Earnings Per Share

Exhibit 27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 29, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CERNER CORPORATION

Registrant

May 12, 1997

Date

By: /s/Marc G. Naughton

Marc G. Naughton

Chief Financial Officer

CERNER CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended March 29, -----	Three Months Ended March 30, -----
	1997 -----	1996 -----
Net earnings:	\$ 1,936,000 =====	\$ 4,222,000 =====
Weighted average number of common and common stock equivalent shares:		
Weighted average number of outstanding common shares	32,915,727	32,538,127
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds of exercised options based on the average market price during the period)	564,083 ----- 33,479,810	1,162,807 ----- 33,700,934
Earnings per common and common stock equivalent shares:	\$.06 =====	\$.13 =====
Weighted average number of common and common stock equivalent shares, assuming full dilution:		
Additional dilutive effect (reduction in number of shares assumed to be repurchased with the proceeds of exercised stock options and converted warrants based on the end of the period market price of the stock, if higher than the average price)	0 ----- 33,479,810 =====	214 ----- 33,701,147 =====
Earnings per common and common stock equivalent shares assuming full dilution:	\$.06 =====	\$.13 =====

3-MOS

JAN-03-1998

MAR-29-1997

6,557,000

100,926,000

100,211,000

1,121,000

1,476,000

210,348,000

92,120,000

31,320,000

315,502,000

42,105,000

0

0

0

335,000

0

315,502,000

51,129,000

51,129,000

15,147,000

33,443,000

0

0

(584,000)

3,123,000

1,187,000

1,936,000

0

0

0

1,936,000

.06

.06