J.P. Morgan Healthcare Conference

Brent Shafer
Chairman & CEO

Don Trigg
EVP, Strategic Growth

Marc Naughton
EVP & Chief Financial Officer

January 14, 2020
Cautionary Statement Regarding Forward-Looking Statements

This presentation may contain forward-looking statements, including without limitation, those regarding projections of future revenues or earnings, operating margins, operating and capital expenses, bookings, taxes, solution development and future business outlook, including new markets or prospects for Cerner’s solutions or services. These forward-looking statements are based on management’s current beliefs, expectations and assumptions and are subject to significant risks and uncertainties. Cerner’s performance, and actual results, financial condition or business could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:

(a) the possibility of significant costs and reputational harm related to product-related liabilities; (b) potential claims for system errors and warranties; (c) the possibility of interruption at our data centers or client support facilities that could expose us to significant costs and reputational harm; (d) the possibility of increased expenses, exposure to legal claims and regulatory actions and reputational harm associated with a cyberattack or other breach in our IT security; (e) 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; (f) potential claims or other risks associated with relying on open source software in our proprietary software, solutions or services; (g) material adverse resolution of legal proceedings; (h) risks associated with our global operations, including without limitation greater difficulty in collecting accounts receivable; (i) risks associated with fluctuations in foreign currency exchange rates; (j) changes in tax laws, regulations or guidance that could adversely affect our tax position and/or challenges to our tax positions in the U.S. and non-U.S. countries; (k) the uncertainty surrounding the impact of the United Kingdom’s vote to leave the European Union (commonly referred to as Brexit) on our global business; (l) risks associated with the unexpected loss or recruitment and retention of key personnel or the failure to successfully develop and execute succession planning to assure transitions of key associates and their knowledge, relationships and expertise; (m) risks related to our dependence on strategic relationships and third party suppliers; (n) risks inherent with business acquisitions and combinations and the integration thereof into our business; (o) risks associated with volatility and disruption resulting from global economic or market conditions; (p) significant competition and our ability to quickly respond to market changes and changing technologies and to bring competitive new solutions, devices, features and services to market in a timely fashion; (q) managing growth in the new markets in which we offer solutions, health care devices or services; (r) long sales cycles for our solutions and services; (s) risks inherent in contracting with government clients, including without limitation, complying with strict compliance and disclosure obligations, navigating complex procurement rules and processes and defending against bid protests; (t) risks associated with our outstanding and future indebtedness, such as compliance with restrictive covenants, which may limit our flexibility to operate our business; (u) changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements; (v) the potential for losses resulting from asset impairment charges; (w) changing political, economic, regulatory and judicial influences, which could impact the purchasing practices and operations of our clients and increase costs to deliver compliant solutions and services; (x) non-compliance with laws, government regulations or certain industry initiatives; (y) variations in our quarterly operating results; (z) potential variations in our sales forecasts compared to actual sales; (aa) volatility in the trading price of our common stock and the timing and volume of market activity; and (bb) our directors’ authority to issue preferred stock and the anti-takeover provisions in our corporate governance documents.

Additional discussion of these and other risks, uncertainties and factors affecting Cerner’s business is contained in Cerner’s filings with the Securities and Exchange Commission. The reader should not place undue reliance on forward-looking statements, since the statements speak only as of the date that they are made. Except as required by law, Cerner undertakes no obligation to update forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in our business, results of operations or financial condition over time. A reconciliation of non-GAAP financial measures discussed in this presentation can be found in the Appendix to this presentation and Cerner’s most recent earnings release that was furnished to the SEC and posted on the investor section of www.cerner.com.
Cerner is a global health care technology company, managing the data of nearly 250 million people around the world.

Nearly 3 million health care professionals access Cerner’s secure, trusted systems every day.

- 26% acute care hospital EHR market share in U.S. (KLAS)
- #1 or #2 market share in 11 countries (HIMSS Analytics)
We believe health care is too important to stay the same.™

Today’s discussion:

• Transformation Update
• Federal Business Progress
• Cerner’s Cognitive EHR Leadership
• Horizons of Growth
• Financial Update
Transformation at Cerner

Operating model

• Structural realignment around client experience, innovation at scale & profitable growth
• Process improvements
• More disciplined portfolio management

Transformative actions

• Operating efficiencies through automation
• Business simplification
• Platform modernization and migration, improved R&D efficiency

Refined strategic focus

• Extend the core business
• Adjacent business growth
• Seed future opportunities
Department of Defense and Department of Veterans Affairs

Opportunity to impact more than 18 million lives

Executing the plan and on-track

- Migrated historical records of 23.5 million Veterans in July
- Deployed 8 DoD sites in Washington state, California and Idaho
- Major March VA go-live in Pacific Northwest

AbleVets acquisition

- Adds technical scale & expertise in federal sector
- Specializes in cybersecurity, agile engineering, analytics and technology enablement
Cerner Leading Cognitive Era

AWS collaboration

- *Migrate* privately hosted platforms to AWS
- *Enable* Software-as-a-Service and Data science-at-scale
- *Innovate* by leveraging AI & ML services to deliver new solutions

Benefits of cognitive health care

- Return the joy of practicing medicine
- Improve patient outcomes
- Reduce administrative and operational complexity
- Predict and prevent health issues as early as possible
Innovating to improve

Disrupting the future of health care

In Summary

• Changes to Operating Model
• Enhanced Efficiencies
• Refined Strategic Focus

Will drive another era of growth for Cerner.
Strategic Growth

Don Trigg
EVP, Strategic Growth
**HealthIntent®**: Beyond the Millennium® EMR, Beyond the Hospital, Beyond Fee-For-Service

- **HealthIntent** is a native cloud, Big Data platform designed to manage the strategic assets of a Provider Health Network.

- 3rd Party analysts such as Gartner, Chilmark have described its aggregation and processing capabilities as industry-leading.

- **HealthIntent** has more than 175 clients worldwide.

- 1,025+ total data connections
- 140+ connected claims and payer vendors
- 60+ connected EHR systems

© Cerner Corporation. All rights reserved.
# HealtheIntent Supports 6 Strategic Growth End-Market Strategies

## HealtheIntent Capabilities

<table>
<thead>
<tr>
<th>Data Foundation</th>
<th>Network Management and Engagement</th>
<th>Reporting, Dashboard &amp; Analytics</th>
<th>Care Coordination Management</th>
<th>Value Based Care</th>
<th>Consumer Engagement</th>
</tr>
</thead>
</table>

## Provider

<table>
<thead>
<tr>
<th>LTPAC</th>
<th>$3B</th>
<th>Long Term Care, Home Care &amp; Hospice, Rehabilitation, Behavioral Health, Community Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real-time Health System</td>
<td>$6B</td>
<td>Care Team Communications, Health Systems Operations, Smart &amp; Virtual Health System</td>
</tr>
<tr>
<td>Health Networks</td>
<td>$12B</td>
<td>Data Foundation, Network Mgmt., Care Coordination</td>
</tr>
</tbody>
</table>

## Non-provider

<table>
<thead>
<tr>
<th>Consumer</th>
<th>$3B</th>
<th>Provider Portal, Wellness, Consumer Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>$8B</td>
<td>Health Centers, Care Coordination, Workforce Consulting, Digital &amp; Virtual, Workforce Analytics</td>
</tr>
<tr>
<td>Data-as-a-Service</td>
<td>$45B</td>
<td>Life sciences, Real-world Evidence, Analytics</td>
</tr>
</tbody>
</table>

Source: Signify Research, 2018 and Cerner Internal Analysis.

© Cerner Corporation. All rights reserved. This document contains Cerner confidential and/or proprietary information belonging to Cerner Corporation and/or its related affiliates which may not be reproduced or transmitted in any form or by any means without the express written consent of Cerner.
HealthIntent-Enabled Networks Span Provider, Non-Provider Market Segments

Provider Network Management

Advocate Physician Partners (APP)

- 12 hospitals
- 14,670+ unique users with HealthIntent access
- 39 data connections from claims, labs, and disparate EHRs
- 5,000+ providers
- 865,000 at-risk covered lives within HealthIntent

Inpatient Rehabilitation and Home-Based Care

Encompass Health

Employer High-Performance Network

Hewlett Packard Enterprise and Memorial Hermann

Health Network Geo-Assessment:
~80% of HPE EE’s within 10 miles of a Memorial Hermann facility
HealtheIntent Is Driving Network Strategies With Key Partners

- Medicare Advantage for Provider-Sponsored Plans
- Managed Medicaid and Quality Reporting
- Focused on Home Health and Out-of-Hospital Network Enablement
Cerner 2025: Establish *HealthIntent*-enabled Health Networks in Majority of Metropolitan Service Areas (MSAs), All 5 Major Global Regions

- The trend to build out Health Networks at the “zip code” or MSA level is accelerating.
- Strategies center on both Fee-For-Service and Fee-For-Value.
- The TAM for data foundation, network management, and care coordination conservatively sits at $12B.
- *HealthIntent’s* data integration and person-centric architecture are purpose-built to drive these strategic efforts in every MSA and key global regions.
Financial Overview

Marc Naughton
EVP & Chief Financial Officer
Financial Highlights

2018 Full-year Highlights
• Bookings grew 6% to $6.721 billion
• Revenue grew 4% to $5.366 billion
• GAAP Operating Earnings down 19%; Adj. Operating Earnings* down 12%
  • Allowance for Fujitsu (GAAP), lower software, Works business investments, VA and global projects work ahead of revenue

2019 YTD Q3 Highlights
• Bookings down 9% on tough comparable and more selective approach to low-margin, long-term contracts
• Revenue up 6%
• GAAP Operating Earnings and diluted EPS down 32% and 22%, largely due to restructuring charges
• Adj. Operating Earnings* up slightly YoY and Adj. Diluted EPS* up 6%
• Significant work done towards delivery of Q419 and Q420 adjusted operating margin targets

© Cerner Corporation. All rights reserved. This document contains Cerner confidential and/or proprietary information belonging to Cerner Corporation and/or its related affiliates which may not be reproduced or transmitted in any form or by any means without the express written consent of Cerner.
Operating Margins

Committed to achieving improved operating margins

• Focused on delivering efficiencies while protecting important growth investments and commitments to our clients

Good progress in 2019, work ongoing in 2020

• Portfolio management – creating focus
• Company facility rationalization
• Non-personnel expenses
• Process improvements / business simplification
• Underperforming businesses
• Management span and layers

Opportunity to continue expanding margins beyond 2020

Adjusted Operating Margin* targets:

**20%** in Q419

**22.5%** in Q420

Improving focus and efficiency to drive higher quality growth.

*Adjusted Operating Margin reflects adjustments compared to results reported on a GAAP basis in our 2018 Form 10-K. Non-GAAP results should not be substituted as a measure of our performance but instead should be used along with GAAP results as a supplemental measure of financial performance.
Free Cash Flow and Capital Allocation

Significantly Expanded Capital Return Program

- $1.4B returned to shareholders in 2019
  - $116M in dividends (represents two quarterly payments)
  - $1.3B of share repurchases
    - $300M in Q4 announced on 12/13
- Announced additional $1.5B repurchase authorization 12/13/19
  - Timing and amount will depend on funding used for other purposes, such as acquisitions
- Increased debt in 2019 to fund expanded capital return program
  - Still have capacity to fund ongoing return and potential acquisitions

Expect strong cash flow growth after 2019 as campus spend and restructuring charges wind down

- Operational review expected to drive improved operating cash flow and reduced capex, resulting in strong free cash flow

Capital Allocation Objectives

- Invest in business to drive future profitable growth
- Provide return to existing shareholders and make stock attractive to broader investor base through payment of a dividend and share repurchases
- Maintain flexibility to make other investments in strategic growth
- Evaluate program regularly to ensure capital allocation is aligned with highest return options
Q4 Earnings Call and HIMSS Investor Day Preview

2020 Guidance
• Clarity on revenue moving parts
• Update on path to operating margin target

Cost Optimization and Margin Expansion
• Update on cost optimization and efficiency initiatives
• Long-term margin expansion opportunity

Revenue Growth
• Updated long-term view
• Drill-down on key drivers within strategic growth organization

Free Cash Flow
• Opportunity for increased operating cash flow combined with reduced capital expenditures to drive strong free cash flow

Capital Allocation Program
• Framework for our capital allocation program
Focus on Shareholder Value and Alignment

Proactively enhancing shareholder value through thoughtful capital allocation and commitment to operational improvements

• Increased share repurchase and dividend, while maintaining ability to invest in strategic growth
• Significant margin expansion commitment

Better alignment of management compensation with shareholder value creation

• Variable compensation tied to revenue, EPS, and free cash flow instead of just EPS
• RSUs tied to operating margins

Strengthened governance and oversight with strong new independent directors and new Finance and Strategy Committee
Health care is too important to stay the same.™
Appendix – Reconciliation of GAAP to non-GAAP financial measures

We report our financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, we supplement our GAAP results with certain non-GAAP financial measures, which we believe enable investors to better understand and evaluate our ongoing operating results and allows for greater transparency in the review and understanding of our overall financial, operational and economic performance. These non-GAAP financial measures are not meant to be considered in isolation, as a substitute for, or superior to GAAP results and investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with Cerner's consolidated financial statements prepared in accordance with GAAP. These non-GAAP measures 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 calculations. We provide the measures of adjusted operating earnings, adjusted net earnings and adjusted diluted earnings per share as such measures are used by management, along with GAAP results, to analyze Cerner's business, make strategic decisions, assess long-term trends on a comparable basis, and for management compensation purposes. We provide the measure of free cash flow as such measure takes into account certain capital expenditures necessary to operate our business. Free cash flow is used by management, along with GAAP results, to analyze our earnings quality and overall cash generation of the business.

Any future period guidance in this presentation includes adjustments for items not indicative of our core operations, which may include without limitation share-based compensation expense and acquisition-related expenses, such as integration expenses, and may be affected by changes in ongoing assumptions and judgments relating to our acquired businesses, and may also be affected by nonrecurring, unusual or unanticipated charges, expenses or gains, all of which are excluded in the calculation of non-GAAP adjusted operating earnings, adjusted net earnings and adjusted diluted earnings per share. The exact amount of these adjustments are not currently determinable, but may be significant. It is therefore not practicable to reconcile this non-GAAP guidance to the most comparable GAAP measures. Please see the accompanying table for a reconciliation of GAAP results to non-GAAP financial measures.

<table>
<thead>
<tr>
<th>Adjusted Operating Earnings</th>
<th>2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating earnings (GAAP)</td>
<td>$ 775</td>
<td>$ 198</td>
<td>$ 212</td>
<td>$ 250</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>102</td>
<td>22</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>Health Services acquisition-related amortization</td>
<td>83</td>
<td>21</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Allowance on non-current asset</td>
<td>45</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Charge related to client dispute</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vendor settlement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational restructuring and other expense</td>
<td>5</td>
<td>2</td>
<td>55</td>
<td>117</td>
</tr>
<tr>
<td>Adjusted Operating (non-GAAP)</td>
<td>$ 1,111</td>
<td>$ 243</td>
<td>$ 258</td>
<td>$ 259</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted Net Earnings and Adjusted Diluted Earnings Per Share</th>
<th>2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions, except per share data)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (GAAP)</td>
<td>$ 630</td>
<td>$ 166</td>
<td>$ 127</td>
<td>$ 82</td>
</tr>
<tr>
<td>Pre-tax adjustments for Adjusted Net Earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>102</td>
<td>$ 22</td>
<td>$ 24</td>
<td>$ 32</td>
</tr>
<tr>
<td>Health Services acquisition-related amortization</td>
<td>83</td>
<td>$ 21</td>
<td>$ 21</td>
<td>$ 17</td>
</tr>
<tr>
<td>Allowance on non-current asset</td>
<td>45</td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>Charge related to client dispute</td>
<td></td>
<td></td>
<td>$ 20</td>
<td>$ -</td>
</tr>
<tr>
<td>Vendor settlement</td>
<td></td>
<td></td>
<td>$ 7</td>
<td>$ -</td>
</tr>
<tr>
<td>Organizational restructuring and other expense</td>
<td>5</td>
<td>$ 2</td>
<td>$ 55</td>
<td>$ 117</td>
</tr>
<tr>
<td>Gain on sale of investment</td>
<td></td>
<td></td>
<td>$ (16)</td>
<td>$ (9)</td>
</tr>
<tr>
<td>After-tax adjustments for Adjusted Net Earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation permanent tax items</td>
<td>(46)</td>
<td>$ (9)</td>
<td>$ (20)</td>
<td>$ (32)</td>
</tr>
<tr>
<td>Adjusted Net earnings (non-GAAP)</td>
<td>$ 819</td>
<td>$ 199</td>
<td>$ 215</td>
<td>$ 212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Free Cash Flow</th>
<th>2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities (GAAP)</td>
<td>$ 1,454</td>
<td>$ 317</td>
<td>$ 207</td>
<td>$ 351</td>
</tr>
<tr>
<td>Capital purchases</td>
<td>(447)</td>
<td>(119)</td>
<td>(159)</td>
<td>(111)</td>
</tr>
<tr>
<td>Capitalized software development costs</td>
<td>(183)</td>
<td>(70)</td>
<td>(70)</td>
<td>(66)</td>
</tr>
<tr>
<td>Free Cash Flow (non-GAAP)</td>
<td>$ 733</td>
<td>$ 123</td>
<td>$ (22)</td>
<td>$ 174</td>
</tr>
<tr>
<td>Cash flows from investing activities (GAAP)</td>
<td>$ (820)</td>
<td>$ (184)</td>
<td>$ (108)</td>
<td>$ (145)</td>
</tr>
<tr>
<td>Cash flows from financing activities (GAAP)</td>
<td>$ (630)</td>
<td>$ 5</td>
<td>$ 102</td>
<td>$ (408)</td>
</tr>
</tbody>
</table>

Reconciliation of GAAP Results to Non-GAAP Results*