Cerner Corporation
Second Quarter 2020
Earnings Conference Call
July 29, 2020

Moderator

Welcome to Cerner Corporation's second quarter 2020 conference call. Today's date is July 29, 2020, and this call is being recorded.

The Company has asked me to remind you that various remarks made here today constitute forward-looking statements, including without limitation, those regarding projections of future revenues or earnings, operating margins, operating and capital expenses, bookings, new solution, services and offering development, and capital allocation plans; cost optimization and operational improvement initiatives; future business outlook, including new markets or prospects for the Company's solutions and services; the expected benefits of our acquisitions, divestitures or other collaborations; and the expected impact of the COVID-19 pandemic. Actual results may differ materially from those indicated by the forward-looking statements. Please see Cerner's earnings release, which was furnished to the SEC today and posted to the investor section of cerner.com, and other filings with the SEC for additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements. A reconciliation of non-GAAP financial measures discussed in this earnings call can also be found in the Company's earnings release. Cerner assumes no obligation to update any forward-looking statements or information except as required by law.

At this time, I'd like to turn the call over to Brent Shafer, Chairman and CEO of Cerner Corporation.

Brent Shafer

Good afternoon everyone. Thanks for joining the call. Like most of you, we're doing this call from remote locations, so please bear with us through any technical challenges.

I'll spend a few minutes providing my thoughts on the business and current environment, before handing the call over to CFO Marc Naughton, Chief Client and Services Officer John Peterzalek and President Don Trigg for more on the numbers and marketplace commentary.

While COVID has hurt our clients financially by significantly reducing elective procedures and other margin contributors, Cerner's intense focus on supporting them through the pandemic has enabled us to strengthen and extend client relationships and help plan for their post-COVID recovery. As an example, we recently announced the expansion of our Banner Health relationship to include Cerner's Revenue Cycle Management solution. With 28 hospitals in six states, Banner is one of the country's largest health systems, and we're proud to grow our relationship with them.

In addition to clarity, alignment and focus, COVID also produced a **burst of innovation** as Cerner teams delivered critical, quick-turn projects. Our *Lights On Network®* analytics solution released more than 15 reports and dashboards in 45 days; we stood up a new version of our cloud-based *CareAware®* solution to support the Center for Disease Control on a national scale in just 72 hours; and, we developed and deployed new syndromic and surveillance reporting to support clients in a matter of hours.

The flexibility and commitment we've shown our clients has been inspiring, and *Cerner®* solutions are helping caregivers respond to the crisis and plan for recovery from its impacts. In many cases, COVID is helping our clients re-imagine new, post-COVID business models that reflect the increasing importance of comprehensive data and network strategies. You'll hear more from Don about the forces of change impacting health care.

Cerner's flexibility is largely the result of our ability to execute and deliver on our transformation efforts. We have made meaningful progress on cost-optimization and business simplification initiatives that will drive efficiencies and make it easier to do business with Cerner.

Tomorrow marks an important milestone – the one-year anniversary of our agreement with Amazon/AWS. The pandemic has underscored the value and relevancy of this relationship. Cerner recently deployed the innovative, AWS cloud-based Cerner Command Center, a tool that provides real-time data and predictive analytics that enable health systems to monitor and more efficiently manage critical resources such as bed utilization, ICU occupancy, and staffing levels. Launched in January, Cerner Command Center is already helping health systems like Northern Light Health, Cook County Health and Hospital System and Christiana Care Health Services, and I'm pleased with the considerable interest from other clients in this tool.

Cerner's COVID Task Force continues to inform our clinical, business and operational decision-making. The taskforce regularly interacts with the CDC, the World Health Organization and other global health agencies to guide their recommendations. The health and well-being of our associates is of paramount concern as our workforce provides critical support to Cerner's global client base. As I mentioned last quarter, I want to again thank Cerner associates for adapting so well to a virtual work environment.

Since we last spoke, we have also welcomed new Chief Technology Officer, Jerome Labat. Jerome brings more than 30 years of technology experience, including more than 10 years in cloud-based environments. Jerome will define and implement Cerner's technology vision and strategies to deliver next-generation innovations for clients across all platforms. He will also provide leadership over all development resources and work collaboratively with our Sales, Marketing and Consulting teams. Jerome is passionate about health care and has a proven track record of transformation leadership. I'm thrilled to have Jerome on the Cerner team.

Finally, I'd like to recognize the work we are doing to build a more **diverse and inclusive** culture at Cerner. While our diversity and inclusion efforts have been underway for many years, recent events have challenged organizations to re-examine their strategies.

As I mentioned in a recent all-associate Town Hall, the Cerner leadership team is committed to making even more progress in our diversity and inclusion programs and policies. For two consecutive years, we have been named a leading Diversity Employer by Forbes and will continue a series of actions that will further advance our culture and improve the communities where we live and work. Also, this week, Cerner was named a technology partner in an initiative led by non-profit, Testing for America. TFA is driving an effort to safely reopen Historically Black Colleges and Universities by developing comprehensive COVID testing and safety plans for students, faculty and administrators. Cerner will play a key role in safely routing test results from partner labs to the HBCUs and health agencies.

As for our financial results, I'm pleased that we have delivered a very solid second quarter, given unique and unexpected circumstances. Our quarterly bookings reflect strength in our client relationships and our strong focus on cost-control drove a favorable earnings result.

We're fortunate to have a resilient business model, highly relevant health care technology, and a solid transformation plan that positions us to manage through the pandemic with less impact than many other companies.

With that context, I'll turn the call over to Marc.

Marc Naughton

Thanks, Brent. Good afternoon everyone. I am going to cover our Q2 results and share our updated views on the remainder of the year.

This quarter we delivered strong bookings, but revenue came in slightly below our expectations, primarily driven by some low margin items being impacted by the pandemic more than we expected. This was offset by expense control and we delivered earnings at the high-end of our guidance range. We have adjusted our revenue guidance to reflect the lower Q2, a more current view of the COVID impact going forward, and the anticipated sale of our remaining *RevWorks*SM services business. We also tightened our full-year earnings outlook while maintaining the same midpoint. Overall, we are pleased with our results and outlook given our prior guidance was provided in the early stages of an unprecedented environment.

Bookings, Backlog and Revenue

Now I'll go through our Q2 results, starting with bookings, which were $1.34 billion, down 6 percent from second quarter 2019 but above the high end of our guidance range primarily due to strong levels of managed services bookings in the quarter.

We ended the quarter with a revenue backlog of $13.66 billion, which is down 9% from a year ago primarily due to the termination of a *RevWorks*SM outsourcing agreement that we discussed last year, as well as the lower level of bookings in the first half of this year. Our backlog revenue, combined with other contracted revenue that is excluded from the ASC 606 backlog definition, still provides visibility to more than 85% of expected revenue over the next 12 months.

Revenue in the quarter was $1.33 billion, down 7% from Q219, driven primarily by the Q419 exit of the *RevWorks* outsourcing contract and the impact of the pandemic. Revenue was $10 million below our guidance range, with the impact of COVID contributing to lower levels of technology resale and reimbursed travel. We also had less third-party services, licensed software, and transaction processing revenue during the quarter. As I mentioned, these are primarily lower margin revenue streams, so the impact on earnings was limited and we were able to offset it with expense control.

I'll now go through the business model detail and year-over-year growth compared to Q219.

- **Licensed Software** revenue in Q2 was $152 million, down 23% from a record high $197 million in Q219. While we expected licensed software would be down this quarter, it did come in a bit lower than anticipated as strong growth in our SaaS offerings was offset by a decline in traditional license software.
- **Technology Resale** of $42 million in Q2 was down 31% year-over-year, primarily driven by a few anticipated new business deals pushing out of the quarter amidst the pandemic.
- **Subscriptions** revenue grew 3% in Q2 to $92 million. This was slightly below our expectations due to lower transaction processing revenue, which is volume based and was impacted by the significantly lower level of ambulatory visits.
- **Professional Services** revenue was down 5% in Q2 to $461 million, largely in-line with our expectations, with the decline driven by the impact the pandemic had on project activity, lower third-party services, and the termination of the large *RevWorks* agreement. Note that while we expect implementation activity to grow in the second half of the year, total services are expected to decline due to the termination of the large *RevWorks* agreement, the sale of non-core assets in Germany and Spain, which closed at the beginning of Q3, and the sale of the rest of our *RevWorks* services business, which is expected to close during Q3. All of this activity has been factored into our guidance.
- **Managed Services** was up 3% in Q2 to $307 million, in-line with our expectations.
- **Support & Maintenance** of $274 million was down 1% year-over-year and essentially flat to last quarter, which remains in our expectation range and continues to reflect the impact of attrition and reduced hardware maintenance revenue.
- And finally, **Reimbursed Travel** of just $2 million was down 93% in Q2 due to travel restrictions that went into place toward the end of Q1. We had anticipated travel would be down in Q2, but the ongoing restrictions related to COVID-19 impacted our ability to travel even more than anticipated.

Looking at revenue by geographic segment, domestic revenue was down 8% from the year-ago quarter at $1.17 billion, and non-U.S. revenue of $162 million was down 2% from the year-ago quarter.

Moving to gross margin. Our gross margin for Q2 was 84.1%, up more than 200 basis points from 82.0% last quarter and up nearly 300 basis points from 81.2% year-over-year. This is a reflection of the overall mix of revenue in the quarter, with the largest revenue declines primarily coming from low-margin technology resale, 3rd party services and reimbursed travel.

Earnings

Now I will discuss spending, operating margin and net earnings. For these items, we provide both GAAP and "Adjusted," or Non-GAAP, results. The Adjusted results exclude share-based compensation expense, acquisition-related adjustments, organizational restructuring and other expenses, COVID-19 related expense, and other adjustments that are detailed and reconciled to GAAP in our earnings release.

Operating Expense

Looking at our operating spending, our second quarter GAAP operating expenses of $971 million were down 6% compared to $1.03 billion in the year-ago period.

Our adjusted operating expenses were down 4% compared to Q219, primarily resulting from our continued cost optimization efforts. We also had some areas where COVID drove lower expenses, such as unreimbursed travel, entertainment, and associate medical expenses. Looking at the line items for Q2, Sales & Client Service expense decreased 3% year-over-year, driven by lower personnel and non-personnel expense. Software development expense decreased 2% from Q219, with essentially flat gross R&D and a 9% increase in amortization that was offset by increased capitalized software. G&A expense in Q2 was down 7%, driven by a decline in both personnel and non-personnel expenses.

Operating Margins

Moving to operating margins. Our GAAP operating margin in Q2 was 11.0% compared to 9.2% in the year-ago period. Our Adjusted Operating Margin for the quarter was 18.4%, up from 18.0% in Q219 reflecting improved revenue mix and the impact of our cost optimization efforts.

We remain on track with our planned cost optimization efforts and additional measures we implemented to mitigate the impact of the crisis. As a result, we continue to expect our full-year Adjusted Operating Margin to be around 20%. This would be approximately 150 basis points of full-year margin expansion, which we view as impressive given the circumstances. For Q4, we still expect our operating margin to be 50 to 100 basis points below our original 22.5% target, reflecting the reality that even with going beyond our original optimization targets, we won't fully offset the impact of COVID-19 by the end of the year. This would still reflect strong margin expansion of approximately 150 basis points compared to Q419.

We also believe the framework for ongoing margin expansion we shared at our investor day remains valid, and we expect to continue improving margins beyond this year as we implement additional optimization efforts and aim to realize a longer-term opportunity to benefit from platform modernization.

Net Earnings / EPS

Moving to net earnings and EPS, our GAAP net earnings in Q2 were $135 million, or $0.44 per diluted share, which is up from $0.39 in Q219. Adjusted Net Earnings in Q2 were $193 million and Adjusted Diluted EPS was $0.63, compared to $0.66 in Q219.

Both our GAAP and non-GAAP tax rates were 21% for the quarter. For the remainder of 2020, we continue to expect our GAAP and non-GAAP tax rates to be between 20% and 22%.

Balance Sheet / Cash Flow

Moving to our balance sheet, we remain in a solid position. We ended Q2 with $441 million of cash and short-term investments while our debt remained at $1.34 billion. Given our relatively low leverage, we believe we remain well positioned to access additional capital as needed to support our growth and capital allocation strategy.

Moving to receivables, recall that last quarter we previewed that we anticipated some impact on collections from COVID in the near- to intermediate-term. We did experience some of that impact in Q2 as total receivables ended the quarter at $1.18 billion, up $33 million from last quarter. Our Q2 DSO was 81 days, which is up from 74 days in Q120 and 78 days in the year-ago period. Looking forward, we expect some continued impact on collections, but we view it as more of a timing issue than a collectability issue and do not currently expect it to materially impact our operations.

Operating cash flow in Q2 was $259 million and capital expenditures were seasonally higher at $117 million, while capitalized software was $78 million. Free cash flow was $64 million for the quarter.

For the second half of the year, we expect higher operating cash flow and lower capex to drive stronger free cash flow.

Capital Allocation

Moving to capital allocation. As we mentioned last quarter, due to the uncertain nature of the current environment and significant level of repurchases in Q1, we paused repurchase activity in Q2. We still have $1.03 billion remaining on our current authorization and will continue to evaluate our program, which may also be impacted by the amount of funding used for other purposes, such as acquisitions or investments.

Moving to our dividend program, we paid a dividend in Q2 of $0.18 per share, or $55 million, and our sustained strong financial position should enable us to continue our dividend program, subject to Board approval.

Before moving to guidance, I'd like to comment on the announcement from early June that R1 RCM, Inc. will acquire our *RevWorks* services business. This divestiture is consistent with the portfolio management activities we have discussed and, as part of the transaction, Cerner will extend R1's revenue cycle capabilities to our clients and new prospects as part of an integrated offering. The *RevWorks* services business represents approximately $80 million of annual revenue. This is a profitable revenue stream, but we do not expect the transaction to have a material impact on Cerner's earnings. The transaction is expected to close in Q3, and we have factored in approximately $30 million less revenue into our full-year guidance to reflect this timing.

Guidance

Moving to guidance. While the pandemic continues to progress, it remains difficult to precisely quantify the extent to which it will affect our business operations and financial results for the rest of the year. As we were able to demonstrate in Q2, our business is generally resilient with significant recurring elements. We believe that the largest impact from the pandemic occurred in the second quarter and that project and sales activity will improve in the second half of the year assuming the impact of the pandemic begins to subside during this period. The following guidance essentially reflects minor tweaks to our prior expectations based on what we have learned during the early stages of the pandemic. While we continue to believe it is helpful to investors to provide our current view of expected results for the future, I would caution that our guidance remains subject to a higher than normal amount of risk given we are still operating in unfamiliar territory, especially with the recent surges in COVID cases.

Now I'll walk through the guidance for the third quarter and full year:

- For Q3, we expect revenue to be between $1.35 and $1.40 billion. As a reminder, Q319 included a little more than $80 million of revenue from our RevWorks and global divested businesses, of which approximately $70 million is not in Q320 revenue. The $1.375 billion midpoint of this range represents roughly flat growth from Q319 after adjusting for divestitures. The Q3 range reflects a slightly larger pandemic impact than we originally anticipated and factors in the pending sale of the remainder of our *RevWorks* services business that is expected to close in Q3, which we expect to reduce revenue by about $10 million in the third quarter and $20 million in Q4.

- For the full year, we expect revenue between $5.45 and $5.55 billion. Once again, I would note that 2019 included approximately $330 million of revenue from our divested *RevWorks* and global businesses, of which approximately $220 million is not in 2020 revenue. The $5.5 billion midpoint reflects roughly flat growth from 2019 after adjusting for divestitures. This new range is down from our prior range as we have factored in the sale of the remainder of our *RevWorks* business, the impact of the lower revenue in the second quarter, and an updated outlook for the second half of 2020 to reflect our current view of the impact of the pandemic.
    - Recall that our full-year guidance already reflected the exit of our large *RevWorks* outsourcing contract in Q4 2019 and our global divestiture. As I indicated, adjusting for all of the portfolio management activities now captured in our guidance would result in roughly flat organic growth. We recognize there are a lot of moving parts but do believe the actions we are taking position us for solid growth when the pandemic impact subsides and the divested revenue is out of our comparable periods.
- Moving to EPS, we expect Q3 Adjusted Diluted EPS to be 70 to 74 cents per share. The midpoint of this range represents 9% growth over Q319.
- For the full year, we expect Adjusted Diluted EPS to be $2.80 to $2.88, reflecting a narrowing from the prior range of $2.78 to $2.90 while maintaining a midpoint of $2.84 and expected growth of 6% over 2019. The expected EPS growth in Q3 and for the full year, reflects our ability to offset the impact of lower revenues from COVID and the lost earnings from divested businesses through our cost optimization initiatives.
- Moving to bookings guidance, we expect bookings revenue in Q3 of $1.35 billion to $1.55 billion. The midpoint of this range represents a nice sequential increase over Q2, reflecting our expectation that activity will ramp as we move through the year.

Overall, we view this guidance as solid with the lower expected revenue being offset by additional expense control, leading to our expectations for solid earnings growth in a very challenging environment.

In conclusion, we are pleased with our solid results given the circumstances, and we are focused on continuing to execute throughout the second half of the year.

With that, I will turn the call over to John.

John Peterzalek

Thanks Marc. Good afternoon everyone. Today, I will provide results highlights and an update on our Federal business.

Results Summary

I'll start with our bookings. We delivered very solid bookings given the circumstances, exceeding the high-end of our guidance range. While this did not translate to revenue upside given the mix of bookings, it does feed our backlog and create visibility going forward. This mix is evident in the higher level of long-term bookings at 32% of total compared to 22% a year ago, reflecting strength in managed services.

While the pandemic did impact the volume of new footprints, we were very competitive where decisions were made, winning several new *CommunityWorks*[SM] clients. We continue to see activity with larger systems, including a noteworthy win against our primary competitor at Wisconsin-based Marshfield Clinic.

We had solid bookings across our Strategic Growth businesses, reflecting the relevance of these solutions as hospitals cope with the pandemic and continue with their long-term strategies.

Additionally, we continue advancing our revenue cycle footprints with another strong bookings quarter. This was highlighted earlier this month as we announced a continued expansion of our strategic relationship with Banner Health adding our revenue cycle solutions.

Another positive related to revenue cycle is the relationship we recently announced with R1 as part of the expected divestiture of our *RevWorks* services business. This puts our clients in good hands from a revenue cycle services standpoint while allowing Cerner to focus on the continued advancement of our solutions. Additionally, we are working with R1 to bring an integrated offering combining R1's tools and services capabilities with our solutions, which we believe will further strengthen our revenue cycle value proposition.

Federal

Moving to a federal update. Like a vast majority of our clients and healthcare in general, DOD and VA have been on the frontlines of combatting COVID-19. While this has required us to adapt to virtual interactions, less intrusive user engagements and limited on-site activities, we continue to make significant progress on both programs

On April 18, the Federal Electronic Health Record Modernization program office, DOD, and VA launched a joint health information exchange, enabling a seamless, secure exchange of health information among each department and their expanded network of community partners. Since the launch, more than 2,000 hospitals, 8000 pharmacies, 33,000 clinics, 1000 labs, 800 federally qualified health centers and 300 nursing homes across the country have access to VA and DOD patient information. Later this year, DOD and VA expect to connect to the CommonWell Health Alliance, which will add an additional 15,000 providers to their network.

We continue work with the VA and DoD to update the go-live schedules for the impact of the pandemic. While revised go-live dates have not been announced for the VA, we continue to move forward with the VA Centralized Scheduling Solution go-live and our first VA program go-live.

On the DOD side, as part of the Leidos Partnership for Defense Health, we are making significant progress working virtually to advance the program and have activations scheduled in coming months, including a U.S. Coast Guard pilot site.

Marketplace Observations

Now I'll discuss the broader marketplace and how we are executing in this environment. As discussed last quarter, while the pandemic has created some disruption to business activity in the near-term, I've been pleased that a clear message we are hearing from our clients is they want to continue, and in many cases, accelerate their strategic plans and Cerner is an essential part of their strategies. We continue working very closely with our clients as they manage the challenges of response and recovery.

To date the impact of the pandemic is playing out close to how we anticipated it would when we talked last quarter. Q2 had very little activity early in the quarter, then activity increased towards the end of the quarter. We are closely monitoring the financial and operational impact of the pandemic, including the recent surge in cases; and at this point we believe our outlook is achievable.

Overall, both Cerner and our clients have adapted to different ways of doing business. We have modified our sales and service delivery approach, and our clients have been receptive. We have shifted to virtual interactions for most contracting activity, demos, open houses, and road-mapping sessions.

On the project side, our professional services organization performed well in mitigating the impact of the pandemic. As mentioned on our last call, we shifted to doing as much work as possible remotely in the early stages of the pandemic. Our clients were supportive and quickly adapted to this approach, as traditionally onsite events, inclusive of go-lives were done completely virtual.

As re-opening occurred, we have shifted, where possible and feasible, to a hybrid model combining limited onsite presence with the virtual capability. This approach is proving to be effective, and given the ongoing travel restrictions, we plan to continue this approach for the foreseeable future. Over time, I expect our onsite presence will increase from current levels, however, I believe the hybrid model will continue, resulting in overall less travel than before the pandemic. This will be more efficient and cost effective for Cerner and our clients.

In summary, I am pleased with our execution in the second quarter, and I believe we are well positioned to deliver against our forecast in the second half of the year.

With that, I'll turn the call over to Don.

Don Trigg

Thanks John.

I had chance to spend the afternoon yesterday with a Chief Executive and leadership team of one of our leading health system clients. We dove into COVID response. We dialogued on revenue recovery. We talked about what both tell us about the chance to rethink the future of care delivery in their region and across the U.S.

The current pandemic continues to showcase the very best in our frontline caregivers. At the same time, it also illuminates the lack of an integrated system of health and care focused on the person. We still lack a unified Health Network Architecture (HNA). These systems and data gaps decrease access to care, increase complexity of care and complicate delivery of what was described by the team yesterday as the essential need for 'One Patient Experience.'

As entrepreneurs, we see massive opportunities to solve these challenges. As our late founder Neal Patterson framed, healthcare is a 'system' in name only. Cerner's technology and data solutions hold the promise to change that.

Our product and larger platform vision operate at three levels: the Person, the Enterprise and the Health Network.

We always begin with the Person. Only one thing is common across any healthcare process: the individual. Our focus is on the Whole Person and their always shifting role as a patient, a member, caregiver for their extended family or consumer. Our solutions must supply a person-centric experience that have the potential to change behavior –and, over time, healthcare itself.

Our Consumer business delivered a solid second quarter. Booked revenue was a particular bright spot, nearly doubling in the first half of 2020 compared to the same period in 2019. This growth signals that our Digital Front door strategy is making progress. Key partnerships with industry leaders such as tele-health efforts with Am Well, provider matching with Kyruus and self-monitoring with GetWell Loop all have solid momentum within our unified Consumer Framework.

As we elevate from the person, our next systems-level focus is the Enterprise where our *Cerner Millennium®* EMR and *CareAware®* solutions are deployed in a 1/3 of U.S. healthcare and key global geographies worldwide. It is here we automate critical provider workflows. It also is where we differentiate with our ability to drive decision-making within the last-mile workflow of the provider.

In the second quarter, we made important progress unifying our access management solutions in the Revenue Cycle business with our Consumer solutions. These front-end patient engagement and access capabilities will move us closer to the touchless registration experience the current pandemic requires. And as we look beyond COVID, they also ensure the person, provider and payer have the right information to deliver a better experience at a lower total cost.

As Brent framed in his comments, our *CareAware* solution suite also continued to see solid demand in the second quarter. Providers are looking to our *CareAware Connect*™ communications capabilities and our Health System Operations (HSO) solutions as critical for both COVID surge response and durable revenue recovery. The business is on pace for over 30% growth for full year 2020.

As providers look to tackle the operational and financial challenges of COVID, it also is pushing them to think both at the Enterprise and the larger Health Network level within the markets where they operate. Success requires them to manage a patient, member or consumer across multiple organizations regardless of the core EMR. Our EMR-agnostic *HealtheIntent®* platform was architected to enable this work across multiple stakeholders and payment models.

In the second quarter, *HealtheIntent* saw new footprints at organizations ranging from the University of Southern California to the Marshfield Clinic to Western Health in Australia. It also delivered important displacements at organizations like Aultman Health as this market begins to define what a total solution offering must look like and recognize Cerner can deliver it.

Person. Enterprise. Health Network. They are the architectural building blocks that will drive Cerner forward in the decade ahead.

Finally, we believe our data business holds the potential to be the “next” Cerner. Our DAAS businesses made good second quarter progress.

Our Release of Information (ROI) business is on path to exceed an aggressive 2020 revenue target, growing at over 100% off a small base. The team also has meaningfully advanced our *Cerner Learning Health Network*™, hitting their full-year goal of 40 participating provider organizations by June 30. And in a strong demonstration of the real-world potential of this data, academic researchers have launched 42 active projects aimed at leveraging our free COVID de-identified data cohort to tackle challenges ranging from racial and ethnic determinants to advancement of new COVID therapeutics.

As we look beyond the COVID crisis, we see important secular forces of change playing out. We have always understood that today’s future is tomorrow’s present. “The best way to predict the future is to lead it.”

Some contend the solutions to the client needs amplified by COVID will come from Big Tech. Others argue Silicon Valley start-ups will bring the next wave of change. However, none of them have our depth of knowledge of healthcare and IT. None of them have the same ability to impact the last-mile provider workflow. None of them have our combination of Entrepreneurial Scale.

Cerner’s value proposition has never been more relevant or more needed than it is in 2020. The current crisis is mobilizing a new generation of Cerner leaders to advance it.

With that, I will turn the call over to the operator for questions.