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CERN.OQ - Q3 2020 Cerner Corp Earnings Call

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OVERVIEW:

Co. reported 3Q20 revenue of $1.37b and GAAP net earnings of $357m or $1.16 per diluted share. Expects 4Q20 revenue to be $1.365-1.415b and adjusted diluted EPS to be $0.76-0.80.

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PRESENTATION

Operator

Welcome to Cerner Corporation's Third Quarter 2020 Conference Call. Today's date is October 28, 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 solutions, services and offering development and capital allocation plans, cost optimization and operational improvement initiatives, future business outlook, 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 Investors section of cerner.com and other filings with the SEC for 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. Please proceed.

David Brent Shafer - *Cerner Corporation - Chairman & CEO*

Thank you. Well, good afternoon, everyone, and thank you very much for joining the call.

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

Well, as COVID continues to disrupt global health care, it's also underscoring the value of health care interoperability, interconnected information systems and access to timely population level data and analysis. And for all the damage that it has caused, the global pandemic has actually sharpened Cerner's intense focus on supporting our clients.

Managing through COVID with our clients has enabled Cerner to strengthen and extend relationships and to help our partners manage their response, plan their recovery, and in many cases, reimagine new business models that leverage emerging and comprehensive data and network strategies.

Earlier this month, we hosted our 35th Annual Cerner Health Conference, which was also our first virtual CHC, and it succeeded, really, way beyond our expectations. More than 22,000 registered for the event, and client attendance was up 125%, with participation from non-U.S. clients up over 300%.

A key topic at the conference was how Cerner clients are using data-driven insights to improve care quality and also the experiences of clinicians and patients. Other themes included Cerner's commitment to supporting the clinical, operational and financial successes of our clients; improving our core products and platforms; and eliminating health care inequities around the world.

An additional topic was the importance of interoperable health records and health information exchanges that seamlessly connect patients and their health care providers across geographies and the entire continuum of health care. Such connectivity enables patients and all their providers to be aligned in the support of a consistent health plan.

As John will discuss in more detail, we've made meaningful progress in our work with the federal government, including expanding interoperability and those capabilities that are foundational to the success of the VA and DoD programs. Using interoperability to close gaps in health care is the goal of providers around the world. And in partnership with One-London, another of the world's largest health information exchanges, we've built a digital infrastructure that covers 7 million Londoners. And combined with Cerner's other British exchanges, we now cover 20 million people across England. That's about 35% of the country's entire population.

Also underscoring the importance of interoperability and data analytics was the announcement of 2 new brands: Cerner Unite and Cerner Discover. Cerner Unite is our portfolio of interoperability products. Cerner Discover is our portfolio of intelligence-integrated products. Together, Unite and Discover deliver the elements crucial to effective value-based care strategies, including: improving data quality; simplifying data reconciliation; and seamlessly integrating data-driven insights into workflows on any health platform.

Before CHC, I was also pleased to announce the hiring of Will Mintz as our Chief Strategy Officer. Will brings a strong entrepreneurial background and deep health care experience to the role. His responsibilities include identifying and developing new business opportunities and coordinating strategic planning processes across our entire business.

Now I'd like to recognize one of our longest tenured associates, who as announced this afternoon, will be leaving the company in 2021. As Chief Financial Officer, Marc Naughton has worked with many of you through the years. He joined Cerner in 1992 and soon assumed leadership of Cerner's mergers, acquisitions and finance activities.

He served as the Director of Finance for 2 years, just 2 years, before being promoted to CFO in 1995. Marc has been one of the key players in Cerner's legacy of success, supporting more than a 50-fold increase in revenue and earnings during his career.

Now we are conducting a global search and Marc plans to stay very engaged to ensure a smooth transition through this process. And I'm very proud to call him a colleague, a friend and a wonderful business partner, and happy to turn the call over to Marc now to review our results. Thank you, Marc.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Thanks, Brent. Now let me dry the tears in my eyes for a second. But I do want to say good afternoon, everyone. I'm going to cover our Q3 results and future guidance. But first, I have a brief housekeeping item.

You may have noticed that our release went out a little early today, as the advisory release was inadvertently posted to our website prior to the scheduled time. I do promise to figure out which button to push next time. So with that, let me go on to our results.

This quarter, we've delivered all key metrics in line with our expectations. I'll start with bookings, which were $1.47 billion, above the midpoint of our guidance range. We ended the quarter with a revenue backlog of $13.01 billion, which is down 2% from a year ago due primarily to the impact of divestitures. 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 our expected revenue over the next 12 months.

Revenue in the quarter of $1.37 billion was in our guidance range and reflects impacts from closing the divestitures of non-core assets in Germany and Spain, as well as the remainder of our commercial RevWorks services business. Revenue in Q3 related to the sale of the commercial RevWorks business was impacted more than expected as we closed the sale earlier in the quarter than anticipated and also had some revenue impacts as we transitioned client contracts to R1.

As a result of these 2 items, the RevWorks transaction had $10 million more impact on revenue in Q3 than we factored into our guidance, making the total impact on Q3 revenue about $20 million instead of $10 million.

Now I'll go through the business model detail and year-over-year growth compared to Q3 of '19. Licensed software revenue in Q3 was $172 million, up 11% year-over-year, driven by strong growth in our SaaS offerings. Technology resale in Q3 was down 33% year-over-year to $47 million, slightly lower than anticipated, primarily driven by a tough overall environment for tech resale, and a few anticipated deals pushing out of the quarter.

Subscriptions revenue grew 2% in Q3 to $93 million with growth in domestic subscriptions being partially offset by the portion of our global divestiture that was subscriptions. Professional services revenue was down 5% in Q3 to $480 million, due primarily to the impact of divestitures in Q3, the termination of our large RevWorks agreement in 2019 and lower third-party services. The declines driven by these factors were partially offset by continued strength in federal professional services.

Managed services was up 3% in Q3 to $312 million. Support and maintenance of $260 million was down 6% year-over-year due to the impact of divestitures, attrition and reduced hardware and maintenance revenue. And finally, reimbursed travel of $5 million was down 82% in Q3 due to continued pandemic-driven travel restrictions.

Looking at revenue by geographic segment. Domestic revenue was down 3% from the year-ago quarter at $1.23 billion, and non-U.S. revenue of $138 million was down 16% from the year ago quarter, primarily due to the divestiture of assets in Germany and Spain.

Moving to gross margin. Our gross margin for Q3 was 83.1%. This is up about 200 basis points from a year ago, reflecting improved revenue mix due to less outsourcing deals, technology resale and reimbursed travel.

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 expenses, gains on the sale of businesses and other adjustments that are detailed and reconciled to GAAP in our earnings release.

Looking at our operating spending, our third quarter GAAP operating expenses of $942 million were down 12% compared to $1.07 billion in the year ago period. Our adjusted operating expenses were down 5% compared to Q3 of '19, primarily due to our continued cost optimization efforts, divestitures and lower travel expense.

Looking at the line items for Q3. Sales and client service expense decreased 5% year-over-year, driven by lower non-personnel expense and divestitures. Software development expenses decreased 1% from Q3 of '19, with basically flat gross R&D and a slight increase in net capitalized software. G&A expense in Q3 was down 11%, driven by decline in both personnel and non-personnel expenses.

Moving to operating margins. Our GAAP operating margin in Q3 was 30.1% compared to 6.2% in the year ago period, as GAAP operating earnings included $217 million in gains on our divestitures, which you'll see we broke out on a separate line on our income statement.

Our adjusted operating margin for the quarter was 20.4%, up from 18.1% in Q3 of '19 and 18.4% last quarter, reflecting the impact of our cost optimization efforts and improved revenue mix. Our results and outlook keep us on track for our full year adjusted operating margin to be around 20%. This will 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 within 50 to 100 basis points of our original 22.5% target. This would reflect strong margin expansion of more than 100 basis points compared to Q4 of '19. 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 benefit from platform modernization.

Moving to net earnings and EPS. Our GAAP net earnings in Q3 were $357 million, or $1.16 per diluted share, which is up from $0.26 in Q3 '19 and reflects the impact of gains from our divestitures in the quarter. Adjusted net earnings in Q3 were $222 million and adjusted diluted EPS was $0.72, up 9% compared to $0.66 in Q3 of '19. Our GAAP tax rate for the quarter was 22% and our non-GAAP tax rate was 20%, with a higher GAAP tax rate reflecting the impact of higher taxes on the gains on our divestitures.

Moving to our balance sheet, we remain in a solid position. We ended Q3 with $892 million of cash and short-term investments, driven by strong free cash flow, proceeds from our divestitures and the sale of an equity stake in a partner. Our receivables ended the quarter at $1.22 billion, up $35 million from last quarter. Our Q3 DSO was 81 days, which is flat to Q2 of '20 and up from 74 days in the year ago period. Looking forward, we expect DSO to return to the 70s in Q4 and beyond.

Operating cash flow in Q3 was strong at $382 million. Capital expenditures were $72 million and capitalized software was $73 million. Free cash flow was $237 million for the quarter. Our debt remained at $1.34 billion at the end of Q3. Note that we recently increased the amount available under our shelf agreement by $750 million, bringing the total agreement from $1.1 billion to $1.8 billion, of which only $300 million has been drawn. This, coupled with our strengthening free cash flow, positions us to execute our capital allocation strategy, including continuing our dividend, share repurchases and M&A.

Moving to guidance. As we've previously discussed, the uncertain progression of the pandemic makes it challenging to quantify the exact impact on our business, but we continue to feel it is important to provide investors with our current outlook for the business. Given the current environment, especially the uncertainty around how large of an impact colder weather and the flu season will have on the pandemic, we continue to caution that our guidance remains subject to a higher than normal amount of risk.

Now I'll walk through the guidance for the fourth quarter. For Q4, we expect revenue to be between $1.365 billion and $1.415 billion. As a reminder, Q4 '19 included about $60 million of revenue from our commercial RevWorks and global-divested businesses, which is not included in the Q4 '20 revenue. The $1.39 billion midpoint of this range represents roughly 1% growth from Q4 of '19 after adjusting for divestitures, and will bring full year 2020 revenue to $5.501 billion, which is consistent with prior guidance and also reflects approximately 1% growth from 2019 after adjusting for divestitures.

We continue to believe these portfolio management actions position us for solid growth when the pandemic impact subsides and the divested revenue is out of our comparable periods. The remaining headwind from the divestitures is approximately $40 million per quarter in Q1 and Q2 of '21 and about $10 million in Q3 of '21.

Moving to EPS. We expect Q4 adjusted diluted EPS to be $0.76 to $0.80 per share. The midpoint of this range represents 4% growth over Q4 of '19 and would bring full year 2020 adjusted diluted EPS to $2.84, which is consistent with our prior guidance and reflects a 6% growth over 2019. The expected EPS growth in Q4 and for the full year continues to reflect 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 booking guidance, we expect bookings revenue in Q4 of $1.55 billion to $1.75 billion. The $1.65 billion midpoint of this range represents a nice sequential increase over Q3 and is consistent with our prior statements that we expect activity will continue to ramp as we move through the year. The Q4 midpoint would bring full year 2020 bookings to $5.551 billion, down 7% from 2019, driven by the impact of pandemic and divestitures.

We expect to provide our outlook for 2021 on our Q4 call. While there is some uncertainty about the duration of the pandemic's impact, we believe the framework we shared at our Investor Day for mid-single-digit revenue growth and an average of 100 basis points of margin expansion remains reasonable. Our outlook for next year will be dependent on how we finish this year and what our updated pipeline and backlog look like. But we think there is potential for us to drive more than 100 basis points of margin expansion in 2021.

In summary, we are pleased with our solid results in the third quarter. Given the circumstances, and we are focused on executing to finish 2020 on a strong note and building on that in 2021.

Before turning the call over to John, I'd like to comment on the news about my departure. After 28 years at Cerner, I'll be leaving next year. As Brent indicated, we are seeking a successor and considering internal and external candidates. Once we've named a successor, I plan to serve as an advisor to ensure a smooth transition.

It's been an incredible honor to be a part of Cerner during this time when we grew revenue from $100 million to over $5 billion, all while pursuing a noble mission that is personal to every Cerner associate. During this time, we've had countless reasons to celebrate along with facing several challenges. This has definitely made for an exciting and fulfilling career.

The past few years have included important transformational work to position Cerner for our next wave of profitable growth. This has been both challenging and gratifying. We are delivering on margin expansion despite facing a 100-year pandemic. We have organized around creating client value and delivering on commitments, and we've created a more focused growth strategy to deliver on the opportunities we see in health care technology.

It is important for me to stay at Cerner while we advance this transformational work and allow new members of our leadership team to get acclimated. I believe Brent and the team are now well positioned to begin an era during which Cerner's impact on health care can be greater than ever.

Finally, I'd like to thank each of you in the investment community for your part in making my time as CFO a great experience. I've always appreciated your perspective and that you acknowledged our successes, but also challenge us when we needed to do better. I look forward to catching up with many of you before I leave.

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

John T. Peterzalek - *Cerner Corporation - Executive VP and Chief Client & Services Officer*

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

I'll start with bookings. We had another solid quarter in what remains a challenging environment, delivering bookings above the midpoint of our guidance range. The mix of bookings this quarter included 25% from long-term bookings compared to 29% a year ago.

Consistent with our plans and guidance, our federal business had a very good quarter, with strong contributions to bookings and substantial operational progress, which I'll discuss in a moment.

Beyond federal, our ability to continue delivering solid bookings despite the challenges created by the pandemic is made possible by the strategic nature of our client relationships. Our clients remained focused on executing their strategic plans and Cerner solutions and services are important elements of these plans. Cerner's ability to align strategically with our clients will allow us to expand our strategic growth offerings as well as other large addressable opportunities such as revenue cycle.

The strong relationship alignment creates a receptive environment for advancing business through mostly virtual interactions for contracting activities, demos, open houses and road mapping sessions. Their willingness to engage virtually was also evident at our Cerner Health Conference, which had record client attendance as the virtual format enabled broader participation across our clients' teams.

Operationally, we made good progress in Q3. Our professional services organization delivered strong sequential growth and implementation revenue as they continued advancing projects with a hybrid model that uses limited on-site presence, combined with a larger virtual workforce. Our clients remain open to this approach, and we believe elements of it will become standard beyond the pandemic, which should benefit both Cerner and our clients.

While shifting to a hybrid implementation model, we have also made progress on new implementation and training framework designed to deliver more predictable and higher quality activations. This framework applies to clinical and revenue cycle implementations and is an important part of our efforts to drive client success and improve satisfaction. Early indications are very positive as we've seen 20% higher client satisfaction when comparing the new approach to our prior approach.

Moving to a federal update. Despite the challenges presented by the pandemic, we continue to make significant progress on both the VA and the DoD. On August 24, the VA announced the successful go-live of their new centralized scheduling solution at the VA Central Ohio Healthcare System in Columbus, replacing Epic's scheduling system.

In September, the DoD and the Leidos Partnership for Defense Health, of which Cerner is a core partner, deployed MHS GENESIS to 10 additional sites as part of Wave Dallas, bring the total number of DoD sites to 18. The U.S. Coast Guard had a successful go-live of MHS GENESIS to 4 sites. Wave Pendleton, which includes an additional 4 sites in Alaska and California, is scheduled to begin on October 31.

On October 13, the Federal Electronic Health Record Modernization Office announced that DoD, VA and the U.S. Coast Guard have joined CommonWell Health Alliance, adding an additional 15,000+ private sector providers into the joint health information exchange that was launched in April.

In preparation for our first VA EHR go live at Mann-Grandstaff, we successfully migrated clinical and demographic health information data for approximately 88,000 veterans and tested the 73 interfaces required for system integration for our first set of capabilities.

Finally, the VA recently announced the historic and successful deployment of the new EHR at Mann-Grandstaff VA Medical Center and its 4 community-based outpatient clinics across Montana, Idaho and Washington as well as the West Consolidated Patient Account Center, a VA business operations facility in Las Vegas. This is a significant milestone, and it positions us to proceed with the broader deployment plans as we head into the next year.

In summary, I'm pleased with our execution in the third quarter, and I believe we are well positioned for a solid finish to the year. With that, I'll turn the call over to Don.

Donald D. Trigg - *Cerner Corporation - President*

Thanks, John. There is no better leading indicator of where provider health care is headed than our annual Cerner Health Conference. It is the coming together, I would contend, of the most entrepreneurial and innovative provider client base in the world.

As our leaders engaged in virtual education sessions and online client dialogue, 3 macro trends of our times were clear: first, within the hospital, clients are looking for technology-enabled strategies to tackle unit costs and drive down total cost of care. Our real-time health system capabilities have been essential to COVID surge response, U.S. provider revenue recovery, and now the strategic rethink around what it looks like to make money at government rates.

Second, outside the hospital, the pandemic is driving providers to think beyond the scope of their traditional brick-and-mortar enterprise. Clients are striving to deliver clinical, operational, financial results at the health network level. The business models of these health networks center on managing outcomes. They necessitate core capabilities and data competencies that can span physical and digital venues, diverse payer types and heterogeneous IT systems.

As the shift to value-based payment advances, we expect these health network strategies to take on heightened strategic urgency. The American Hospital Association's Rick Pollack noted in a 2020 election panel that I moderated, value-based payment will be a meaningful piece of provider economics in the decade ahead. And I believe from my part that the shift away from fee-for-service is set to accelerate in the coming 117th Congress and next presidential term.

Finally, perhaps no area of emphasis received more positive client reaction than our data strategies. When you digitize the content of an industry, it has big second and third order impacts. And while we're at the end of the beginning of this early market bell curve, Cerner is clear-eyed about the organic and inorganic strategies needed for us to meaningfully disrupt and innovate in the quarters to come.

In the opening keynote, Dr. Eric Peterson from Duke challenged the Cerner client base to be part of a collective strategy to fundamentally accelerate the pace and reduce the cost of drug discovery. His comments were followed over the next 2 days with a collection of educational sessions, featuring a set of almost 50 Cerner clients working to rethink clinical trial candidate identification and participation. The entrepreneurial opportunity is a massive one.

In addition to allowing our clients to learn about best practices and understand emerging trends, Cerner Health Conference also is an opportunity for our clients to hear from us. The event has a rich history as a launch point for new products and partnerships. 2020 was no exception. At Cerner, our products and our larger platform vision always begin with the person. The pandemic has accelerated the shift towards whole person capabilities and they're always changing role as patient, member, caregiver or consumer. Our consumer business has benefited with book revenue expected to double on a full year basis.

At the center of our digital front door strategy is our consumer framework. It allows providers to seamlessly combine natively-developed functionality and third-party partners within the patient portal. A good example is our new collaboration with Tonic, which enables virtual intake and check-in, and signed its first client in the third quarter.

A unified communications strategy also is an essential building block to consumer engagement. We announced our new unified communications offering at our Cerner Consumer Forum earlier today. The pre-release client feedback has been exceptional as providers look to reduce delayed e-mails, hold queues and missed calls. It gives the consumer team confidence that their 2020 business momentum will accelerate in 2021.

At the enterprise level, our real-time health system strategy also was a significant area of client excitement. The market trend towards near real-time data insights that can trigger caregiver actions for high-quality, low-cost care is clear. It can be seen in RTHS booked revenue growth of almost 40% year-over-year and compelling stories such as Adventist Health and Sacramento.

Amid COVID, wildfires and rolling blackouts, Adventist deployed our capacity management solution enterprise-wide in just 2 weeks, to better direct intra-health system patient management and importantly, to accelerate their strategies around hospital at home.

Our clients also heard about advancements in our ongoing push to deliver a unified inpatient and outpatient provider experience. Our latest functional capabilities are designed to make the provider workflow more natural and predictable. We're pushing to make documentation easier and also simpler to absorb by other care members to include the patient. Momentum of our Chartis' solution tells a piece of that story, leveraging Cerner's natural language processing to facilitate administrative requirements and delivered a potential of millions of dollars of annualized savings to our large IDN clients.

In addition, we also updated clients on important progress on revenue cycle management. Clients detailed their improved experience with our hardened implementation methodologies, and existing clients talked about solid financial returns from the adoption of best practice optimization in areas ranging from denial reduction and AR improvement.

Clients also heard from partners such as Baptist Health South Florida about our new registration and scheduling offer, "Engage and Access". It includes advancements such as our enhanced financial clearance workflows with auto-planned assignment. Importantly, it also reflects our view that there's massive strategic leverage in the revenue cycle front end as clients look to decrease downstream cost to collect.

Finally, at the health network level, our EMR-agnostic HealtheIntent continues to be at the center of our push for the active health network work strategies in every MSA. Geisinger Health told the story of HealtheIntent as their foundational first mile data platform across their owned and affiliated assets, and they also framed our efforts to push contextual insights back into the last mile workflow at the right time and the right place to drive the right outcome.

HealtheIntent's data aggregation and normalization strength also were powering CRM campaigns across our client base. The tool set allows for a data-driven approach to connect health systems with their customers in areas ranging from elective surgery rescheduling to gaps in care closure. We announced new healthy CRM scope at Cerner Health Conference. These enhancements give users both a complete network level consumer profile and essential last mile integration in areas such as scheduling, provider messaging and prescription refill.

In the coming quarters, we believe the solutions with the greatest market traction will deliver financial and operational returns under fee-for-service and fee-for-value. Our just launched HealtheReferrals solution perfectly reflects that value proposition. HealtheReferrals allows providers to manage their referrals at the health network level as they seek to better align consumer demand with provider supply.

At the Cerner Health Conference Executive Summit, I framed the idea that the last decade saw 3 major forces of change: An ongoing demographic shift as the first boomers turned 65; the passage of democratic reform as the Affordable Care Act set the policy foundation for the decade ahead; and most importantly, the first-time digitization of health care.

As the COVID pandemic plays forward, the 2020s are setting up to be equally dynamic. And as our clients deal with these accelerating forces of change, their collective voice to us in recent days was clear, we're counting on Cerner to help us navigate the business model shifts ahead across person, enterprise and health network. We're counting on Cerner to define and lead in the decade ahead.

With that, I'll turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Robert Jones with Goldman Sachs.

Robert Patrick Jones - *Goldman Sachs Group, Inc., Research Division - VP*

Great. I guess I'll be the first to start off what I imagine will be a parade of congratulations and nice to work with you, Marc. Good luck in the next steps, it's been a lot of fun.

I guess, just to get into the questions. Looking at the bookings guidance for next quarter, clearly, calling for the biggest bookings range of the year, ranges from down a little to up 5% year-over-year. I was hoping maybe you could just talk a little bit about the factors that are driving that improvement. Specifically, what areas are you seeing or categories are you seeing momentum in as we exit 3Q into 4Q and thinking about even 4Q into 2021?

John T. Peterzalek - *Cerner Corporation - Executive VP and Chief Client & Services Officer*

Yes. This is John. And what we're seeing from a bookings perspective is -- aligns with what we said in the comments, which is we are very aligned with the strategic priorities of our clients. And in many cases -- in all cases, those haven't changed. In many cases, they've accelerated.

So what we're seeing on the bookings front is that desire to keep things moving forward strategically and in some cases, accelerating them. You see a lot of expansion of capability throughout our client base of our existing solutions. You see the growth of our strategic growth opportunities out there and growing. You see the impact of revenue cycle efforts that we have come through it. So it's a broad mix of things that's driving that bookings.

And while there's always -- there are always wild cards, particularly in today's world with the pandemic, we continue to show a very robust pipeline. We continue to see a visible and solid forecast. And we've been converting those into real opportunity and real business for Cerner in helping our clients drive their strategies forward.

So that's all very, very positive from my point of view and what's driving our favorable booking outlook as we look at Q4.

Operator

Our next question comes from the line of Dave Windley with Jefferies.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

So in keeping with thinking about where clients are going, some discussion and debate in market about the COVID experience, pushing providers to look at capitated or risk-bearing agreements, because if for no other reason there their stability or reliability of cash flow for the provider. And I think things like that were -- have been positioned as drivers for demand for your population health solutions.

Are you seeing providers move in that direction more rapidly? And is that driving more discussion and interest around HealtheIntent?

Donald D. Trigg - *Cerner Corporation - President*

Yes, David, this is Don. That's a great question. I think your reflection on market sentiment is exactly right. And I think as we've kind of progressed through the 20 -- over the year, over the course of 2020, a lot of focus on surge capacity and response, been a lot of focus on elective surgery recovery. I think as those strategies played through into Q3, both John and I started having significant and higher levels of conversation in the marketplace around rethink of business model and the role of value-based care and first dollar risk strategies and providers of 5-year plan.

And so there's no question that we've seen increasing intensity of conversation, meaningful increase and the weighted bookings pipeline. And as we look out on a 5-year basis, we think the market is now readying for capabilities that we're quite well suited to provide, inclusive of the investments we've made on a multi-quarter basis around Medicare Advantage and the provider-sponsored plan space.

So as I said, I think this is going to be a big area of focus. I think providers recognize that they want to take control of their top line revenue and make that part of their strategy going forward. And they're thinking through people, process and technology strategies required to do it.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

So we've also seen -- for the follow-up, we're also seeing a couple of high-level hires, particularly around federal programs and chief strategy. And wondering if that -- they happen to -- it appears to us that they happen to come from Leidos. And wondered if that was an indicator of some blossoming opportunities to take more business in the federal? I mean, you've obviously kind of alluded to this, but I'm wondering if you could be more specific about potential opportunities in the federal market.

Donald D. Trigg - *Cerner Corporation - President*

David, this is Don. I'll just talk -- you're alluding to the hiring decision around Will Mintz, in particular. I think back to my comments I just made, Will has a really interesting skill set mix inclusive of significant experience in the payer space. So as we started to think about macro business trends, not only within the provider market segment, but also opportunity sets beyond it, that was a big piece of his CV and his profile that we reacted very favorably to.

David Howard Windley - *Jefferies LLC, Research Division - MD & Equity Analyst*

Got it. Marc, I hope you have a tee time every day. Congratulations.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Thank you.

Operator

Our next question comes from the line of Michael Cherny with Bank of America.

Michael Aaron Cherny - *BofA Merrill Lynch, Research Division - Director*

Marc, best of luck in what comes next. Brent and team, best of luck in finding a new CFO with as many corny jokes as Marc likes to lay out. I'm sure it will be a key part of the interview process.

So one point of clarification. Marc, I know you weren't attempting to guide for '21. But just to make sure I understand the delta you said, you talked about the long-term framework still being in place. Is that inclusive or exclusive of the divestitures in terms of what you see right now?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes, Michael, as we've talked, 2020 is kind of a reset year for us, right? We still have some impact, as I indicated in my comments, that through Q3 of next year, we'll still get a little bit of impact from the divestitures in a year-over-year comparison. But for the most part, we should be on -- kind of back to our -- what we perceive as a growth opportunities for the company.

As we've laid them out at our last Investor Day, that's mid-single-digit growth. Certainly, part of it -- that's organic. It can be increased by some of the -- some opportunities in the inorganic space, and that is something we are absolutely pursuing and continue to look at. We're going to leverage the strength of our balance sheet in that space. We are being very selective and doing our diligence extremely well, in my opinion. And so we're going to make really good decisions in that space.

So it's not -- it may not be progressing as fast externally as people might have expected, but it is a pace within the company. I think from a leverage standpoint, we continue to see opportunities from optimization and the continuation of those efforts. And that's why there's been conversations and -- hey, in '21, you're going to have a big catch up. But as we've talked to most people that you're not going to see a big catch-up of '20 revenue that's going to all of a sudden flow into '21, in addition to all the '21 revenue. And that's why the top line is pretty consistent with our longer-term view.

I do think when you look at the operating margin line that we've looked at, being able to drive consistent 100 basis point improvements in operating margins, '21 probably is a year that we can do it better than that. As you said, we're not providing guidance, so I can't really give more detail than that. But I do see the opportunity for us to be better than that as we work -- go through our work.

We still have to do our plan work. We still have to do -- finish out the year and all that. But the early returns would be that there's more leverage opportunity than just what we would see from a normalized view that we presented to investors a year ago.

Michael Aaron Cherny - *BofA Merrill Lynch, Research Division - Director*

No, that's helpful, Marc. And then just, I guess, to build on that a bit and maybe turning to your relationship with Amazon. Can you talk a little bit about the mile posts over the next 12, 18, 24 months we should be looking to, both in terms of some of the platform redevelopment that you're working on, and/or some of the consumer applications. I know there are some announcements intra-quarter. But what should we be looking for? What should we be expecting? And how should we be judging you on your success?

Donald D. Trigg - *Cerner Corporation - President*

This is Don. I think first and foremost, we feel very good about the progress we've made around migration of HealtheIntent to AWS public cloud and happy with that. But in terms of the market positioning around it, receptivity of clients and the performance benefits associated with doing so. Our next platform focus is our CareAware platform, also EHR-agnostic and introduces some really interesting opportunities for us around that RTHS portfolio that I think has traction and trends associated with COVID.

And then as we've been very clear, the time frames around Millennium are more elongated and playing forward. So that's a way to think about the staging process that we've put forward and how we're thinking about the migration path for the platforms.

On the pan-Amazon and sort of non-AWS side of the relationship, you're correct. We've done some things around the Halo device and integration, had some interesting conversations with them around their strategies in the employer space, inclusive of the work with their own associates. As well as, we think, some interesting assets like the PillPack asset that play into larger trends and strategies around the pharmacy space.

So we're going to continue to have those conversations. It absolutely was a dimensional aspect of how we thought about the overall partnership. And that's why David Bradshaw, who runs our consumer team, is running point on big dimensions of how we thought about that dialogue with our friends in Seattle.

Operator

Our next question comes from the line of Eric Percher with Nephron Research.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

And Marc, we'll add our congrats to the long list. A question -- a financial question, to begin. Can you help me understand the impact on maintenance and support? How much of that is divestitures versus business that's moving away versus COVID?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. We've had a trend over a little bit of time where we've seen maintenance on equipment reducing. And a lot of that has been -- some of that has been because we've continued to add more and more of our clients to our hosting environment, and that means they don't need to go buy a bunch of equipment. And so they don't buy the maintenance contracts that go with it.

But I think once you kind of factor that in, most of the recent that you're seeing relative to support is related to the divestitures. There's not a lot of other elements, it's primarily the divestiture impact.

Eric R. Percher - *Nephron Research LLC - Research Analyst*

Okay. That's helpful. And then relative to the conference now that you're virtual, do you have a read on what areas were most subscribed? And I'm curious if you've spent much time on virtual health and the strategy there?

Donald D. Trigg - *Cerner Corporation - President*

Great question. I think one of the virtues of being in a more virtual posture is you can have a very data-driven view of how attendees are spending time and energy and thinking about topical focus. And I think one of the things that felt very good to us and very validating is highly correlated into areas of significant focus and investment, particularly on the strategic growth side, of our business portfolio.

So a lot of interest in what we're doing from a real-time hospital, real-time health system perspective, thinking about workforce management, thinking about hospital operations, thinking about communications, a lot of focus in the consumer space. And to John's point, not just consumer on a stand-alone basis, but critical integration points at the enterprise and at the network level, particularly around things like front-end reg sched.

And then, finally, to the earlier question in my comment, a big focus on business model and business model innovation strategies, some of that can be reflected in heavy attendance and participation in 2020 election dialogues and implications. Some of that can be reflected in drill down session content around things that we're doing like our Lumeris partnership around MA, strategies around bundled payments and other pieces of health care finance that they're anticipating are going to be significant pieces of business model go forward.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. And I would add a couple that were, I think, incredibly positive as well. We had a lot of interaction in our solutions gallery, which of those of you who have attended before was the ability to walk through and do essentially see demos of our solutions. It worked really well from a virtual standpoint, and we had the ability to meet -- to address large groups of people in that solutions gallery, virtually. So that, I think, worked really well. A lot of interest in the data-as-a-service component that we have out there and the interest in that from our clients.

And then, finally, I would add, there was a great deal of interest in our progress at VA. Our VA's -- the progress there in terms of the implementation, the go-live, the health information exchange, the scheduling, all of those lift all boats within our client base. So there was a lot of interest in the progress and success we had with the VA as well.

Operator

Our next question comes from the line of Charles Rhyee with Cowen.

James Auh - *Cowen and Company, LLC, Research Division - Associate*

It's actually James on for Charles. Based on your comments this quarter and last, it seems like the data business is doing particularly well. Can you speak to maybe what's driving the strong performance and how it's performing relative to internal expectations?

And then perhaps as COVID maybe accelerating? Maybe the growth and interest in this segment?

Donald D. Trigg - *Cerner Corporation - President*

Yes. It's a great question, James. Let's talk about the kind of component part of the data business. So first and foremost, we've talked to you a lot about what we're doing in the release of information. So consent-based use cases for legal, life insurance and workmen's comp, and there's no question that as those businesses have moved into a virtual posture their propensity to want to leverage things like our ROI toolkit has been strengthened by that. There's been a little bit of a disruption in the MDL and legal space as some of the court dockets have moved around. But at the trend level, this is a business that is being accelerated by COVID.

And then, secondly, we've had a big focus and emphasis on the Learning Health Network, and it was a really exciting piece of Cerner Health Conference. We have 47 clients who have signed up to participate in the Learning Health Network year-to-date. That's on a full year goal of 40. So this business is way ahead of where we anticipated it would be. And really what it's doing is it's introducing the opportunity for nontraditional, particularly non-AMC-based participants in clinical trial identification and participation. So it creates opportunities for regional IDNs and for community hospitals to be a part of that strategy and that space, in a way that hasn't historically been the case.

And then, finally, in our traditional provider around absolutely data assets, particularly this movement of data from the enterprise to the health network space has got a lot of traction and trend associated with it. How can I begin to think about the strategies required for a more effective supply and demand strategies within my market? And partly to the earlier question on virtual health across a combination of physical and digital environments to include the home.

So there's no question that COVID, we said back in April that one of our kind of theories of the case was that the first order of impact of a crisis as it accelerates things that were already playing out, the bets on data and the positioning that we've done and the investments we've made there are super relevant, and we absolutely saw that reflected in discussions with clients at Cerner Health Conference.

Operator

Our next question comes from the line of Steven Valiquette with Barclays.

Steven James Valiquette - *Barclays Bank PLC, Research Division - Research Analyst*

Great. Marc, also just wanted to say I also enjoyed our interactions over the years.

Question I have is around subscription revenue. Last quarter, you guys talked about 3% growth and that being slightly below expectations due to lower transaction processing revenue, which is volume-based, impacted by lower ambulatory business.

In this quarter, you had 2% subscription revenue growth, but it was skewed by divestitures. So I'm just curious if you have a little more color just on the underlying improvement on the growth on some of your volume-based revenue streams. And also just from your market intelligence, are you seeing in the market that ambulatory patient volumes are now back to pre-COVID baselines? Or do you think we're not quite there yet?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. I'll let -- the others comment on what they're seeing in the ambulatory space. I mean, that's -- it's still hard to measure. I think for most of our clients, they are adapting to the new normal, to some extent, so there is some increase in their ambulatory. But I think most of -- a lot of the new normal is relative to elective surgeries and having figured out how you can have both COVID cases and elective surgeries and basically allow them both to go on.

So I think that's at least, probably, a larger impact, at least in my mind. I don't know if you -- that's similar to what you guys are seeing.

John T. Peterzalek - *Cerner Corporation - Executive VP and Chief Client & Services Officer*

Yes. I'll add a couple of things. This is John. So if you look at the ambulatory side, there's been a little bit of a rationalization between virtual and traditional in-person ambulatory, where the numbers of virtual visits have come back a little bit.

But still, exponentially higher than they were before. So we may be seeing a new normal there as both consumers and caregivers get much more comfortable in a virtual world, and it seems to be working very well. Still a little not quite at, I would say, pre-COVID levels with the results to -- with the aspects to elected surgeries. But getting closer to that as the population is getting better suited towards how you deal with these things in a COVID world.

We know a lot more about how to interact. Caregivers know a lot more about how to interact and consumers know a lot more about how to interact. So you're seeing those volumes start to tick up.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

The one question you had. Relative to subscriptions, more tactically, most of the -- there is an impact on divestitures that decreased it. We still are seeing a little bit of an impact on EDI. It's still not up to the levels. So from our transaction engines, it would tell you that the ambulatory balances have not completely -- have not recovered to previous levels, and we do see that in the subscription. But having slightly improved growth in that space, given the impact of divestitures was a good result for the quarter.

Operator

Our next question comes from the line of Stephanie Davis with SVB Leerink.

Stephanie July Davis - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

Marc, let me echo everyone else and say congratulations on a very well-deserved retirement.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Thanks.

Stephanie July Davis - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

So I have a quick one on, just like search for someone to fill your shoes, and then one about the federal opportunity. Beyond internal versus external candidates, are you going to solely look within the healthcare IT vertical? Or if you're going to look more out of the box into other industries, where could you be looking for a successor?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Well, since we announced this 1.5 hours ago, in my humble opinion, this is the best job in America. So you are in the health care field, you're in the technology field, you make a difference every day in the health of the populations that we serve. So I don't think we're going to limit ourselves relative to industry experience.

I think there's a lot of qualities that someone that would be good in this role could have and relative to experiences in SaaS and transformation and all sorts of things, including health care in some form or fashion.

So we're not going to limit ourselves to a small universe. We're going to believe -- cast a relatively broad net, look for the, obviously, the best and the brightest, and see if somebody can meet my -- the lofty standard that I have set.

Donald D. Trigg - *Cerner Corporation - President*

And your own comedic value.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. Obviously, there'll be a stand-up element to the interview that we'll have to pull in.

Stephanie July Davis - *SVB Leerink LLC, Research Division - MD & Senior Research Analyst*

Going to be tough shoes to fill. And then a quick one on the federal opportunity, looking beyond VA and DoD, could you talk a little bit about the opportunities in other areas such as IHS? What kind of time line and scale should we think of for these other federal pieces?

John T. Peterzalek - *Cerner Corporation - Executive VP and Chief Client & Services Officer*

Yes. This is John. I won't necessarily speak to the time line and scale. I will speak to a couple of things.

First of all, I just want to reiterate and make it clear that we are focused on delivering on our VA and DoD commits. We still have a lot of work to do there. And it was a 10-year endeavor when we started, and we've got a lot of work to do there. So our primary focus is going to be on completing what we started successfully in the VA, which, again, we're off to a great start. And we've gotten 4 ways behind us in the DoD and more to come. So that's going to be a focus.

As we look at other things within the federal government, absolutely, we're looking at adjacencies. We're looking at where we can leverage some of our capabilities. And whether it's Indian Health Services, which we're already quite active in anyway, prior to our engagement on the VA and DoD. We're looking at ways that we can use data proactively with different branches of the government.

So there is opportunity there that we're exploring, we're looking at. And I would expect us to do more business with the government as long as it meets our profile around margins, as long as it leverages what we've already done, as long as we can see adjacencies with our current capabilities.

Operator

Our next question comes from the line of Jeff Garro with William Blair.

Jeffrey Robert Garro - *William Blair & Company L.L.C., Research Division - Research Analyst*

And thank you, Marc, for all the interactions throughout the years and best of luck on your next steps.

So I wanted to ask about new products, and Don went through a great list. I guess I wanted to ask further on the 2 that Brent mentioned, Cerner Unite and Cerner Discover. So I guess there's 2 parts to it. Should we view them as related to the HealtheIntent platform, given that it sounds like they're cloud-based and EHR-agnostic?

And then, what's the revenue model associated with those products? And how should we think about the total addressable market?

Donald D. Trigg - *Cerner Corporation - President*

Yes. So I think Unite and Discover fit into concepts that we've talked to you guys a lot about, how do you start thinking about what we call the first mile strategy across Millennium, CareAware and HealtheIntent to really start to aggregate data, and for our provider clients, really be able to do that in a way that allows them to put together analytic insights around business strategies that they're advancing within their market.

Unite really then is that seamless exchange or seamless interoperability capability within the last mile provider workflow, where we really have to differentiate ourselves in terms of our ability, not only to push analytic insights back into power chart, but our ability to really do that in an EHR-agnostic way across the diversity of EMRs that make up a health network.

So this is really a way to think about that from a sub-brand and a packaging perspective, in a way that makes that more consumable for our clients. And so it really is multi-product, multi-platform. Although to your question, HealtheIntent certainly plays a starring role in those data aggregation capabilities and in the normalization strategies that we then use to push back insights into the workflow itself.

Jeffrey Robert Garro - *William Blair & Company L.L.C., Research Division - Research Analyst*

Great. And then again, just to follow-up. Anything that you could share on the revenue model and the total opportunity? Or maybe to put it another way, if you could -- any examples of early tractions outside of the Millennium base with these offerings?

I know they just launched, but maybe you have some beta or other forms of early customers?

Donald D. Trigg - *Cerner Corporation - President*

Yes. We're absolutely doing early solution testing activity around seamless exchange. Feedback has been favorable. I think we'll use it as a way to make sure that clients don't feel like they're being barraged with SKUs or part numbers in terms of what they feel like they need to do to actually put together enterprise and network level strategies.

And from a [soft] spend TAM perspective, these are the big swing opportunities that we frame up for you around health networks and around the data business. And these are enabling strategies around both of those things.

Operator

Our next question comes from the line of Sean Dodge with RBC Capital Markets.

Thomas Michael Kelliher - *RBC Capital Markets, Research Division - Associate*

This is Thomas Kelliher on for Sean. First off, congratulations, Marc. So you guys touched on margins a bit earlier. And if we kind of think about the 100 or so basis points of expansion you're talking about next year, can you give us a little more detail on some of the buckets that you're looking at for that?

Are there more facilities to close? Or is there replatforming? Where is that next wave of expansion going to come from?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. This is Marc. Certainly, there are elements that we have put in place that we've harvested some of the benefit during 2020 that will fully impact 2021. So there's just a natural increase in each of those actions that wasn't fully burdened in 2020, which was much of it. We continue to look at other opportunities. Certainly, we've significantly reduced our lease footprint, right? We've probably gone from 32 facilities to 12 facilities when we look around, certainly, the U.S. and global. And so there are other opportunities from a location perspective.

We think that from a margin perspective, that the learnings we're having relative to projects in the virtual world can be applied to potentially enhance the margins from some of our projects. It is conceivable that we can lower the cost to implement and increase the margins that we make from those implementations.

So all of those are elements. I don't think that I -- I mean, obviously, at this point, we haven't given guidance. So being too much more detailed and giving you line items where I think that's going to come from is probably for our next call.

But at this point, there are certainly -- our line of sight to the improvements that give me a level of confidence that, for 2021, that I think we can do better than the 100 basis point target that we would normally put over time.

Thomas Michael Kelliher - *RBC Capital Markets, Research Division - Associate*

Okay. Great. And then on M&A, you all said you're kind of actively looking at companies, and we've seen a couple of deals here and there. Are you guys also considering things a little bit more, call it, transformative? And kind of if so, any idea, sort of thematically, which end market or part of the business that would most likely be centered on?

Donald D. Trigg - *Cerner Corporation - President*

Yes. This is Don. I think, thematically, we've been very clear what our areas of focus are. We're very focused on enabling strategies in the health network space. So that would include things like value-based care strategies, capabilities around care coordination and care management associated with taking first dollar risk and associated, I'll call them, consumer-related capabilities specific to member use cases.

So network is a big area of focus. And then to the earlier frame and discussion around traction and trend from the data space, in particular, some of the things that we're doing around our Learning Health Network and disruptive strategies around drug discovery, we think that's a huge addressable market opportunity as strategies around real-world evidence continue to gain traction and trends.

So I think we're highly -- we've been very defined in terms of what we want that to look like and what the areas of emphasis and focus are. And we'll continue to be smart in terms of how we deploy capital in a way that makes sure that those acquisitions are accelerating for larger strategy.

Operator

Our next question comes from the line of George Hill with Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Marc, I will add my congrats on the fine career, and I'm happy we get in this one more round before Sundown, so to speak.

A follow-up question on M&A. I know inorganic growth has been an important contributor to the medium-term growth plan. And I guess, can you guys talk about your ability to execute upon M&A in the current crisis? Do you feel like it's made assets more expensive, less expensive, harder to access, more excess?

Don, probably more a question for you as opposed to Marc, but happy to hear anybody's comments.

Donald D. Trigg - *Cerner Corporation - President*

Yes. It's a great question, and it's kind of the landscape that we're operating in, George, right? And so I think, one, valuations have been interesting to look at. We're going to be smart in terms of how we deploy capital. And valuations certainly haven't come down since COVID started. So we might have speculated on that or created a wildcard dynamic around it. People have been seeing a real premium per asset, and that factors into our thinking relative to approach.

Secondly, I was pretty clear in terms of what the thematic focus looks like. And obviously, post-acquisition integration will be a meaningful dimension of what success looks like in terms of some of the larger and impactful 5-year pro forma impacts we're looking to have.

So we're going to be opportunistic. I think we're having a lot of conversations in the marketplace. We see a lot of interesting assets. And again, we're unconfused about how they fit into the planned of organic and inorganic growth that we're going to try to build.

Operator

Our last question comes from the line of Steve Halper with Cantor Fitzgerald.

Steven Paul Halper - *Cantor Fitzgerald & Co., Research Division - Analyst*

Marc, congrats. I remember when you were named CFO. So it's been a long time.

So I wanted to ask about capital deployment priorities as we think about '21. We spent a lot of time talking about potential acquisitions. But how does the company feel about acquisitions versus share repurchase? And then also, in terms of capital spend for next year as well, should we take Q3 as sort of a run rate for next year? So that's sort of a multifaceted capital deployment question.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Yes. This is Marc. I think from a capital deployment perspective, we've always got to focus dividend funding, first thing. We're certain share repurchases is still part of our approach. Certainly in Q2 and Q3, given the dynamics we've shied away. It's my expectation. We still have $1 billion worth of authorization. And it's my expectation that in Q4, we will start reengaging that, particularly with the proceeds we received from the sale of an investment and the divestiture of our global assets. We're well positioned from a cash standpoint. So I think we have certainly the near-term liquidity to do that. At the same time, being prepared to invest in an M&A strategy that has been -- is core to our strategic growth initiatives.

As I talked relative to putting debt structures in place that we basically can access $1.5 billion more of debt when we need to. So given the cash position, given our balance sheet, I think we're going to continue executing our capital allocation approach as we have. But we are -- would look to reinvigorate the share repurchase component based on where we're at. And we'll look to '21 to be an opportunity to where we can start investing that capital in assets that is going to produce profitable growth as we continue to move forward.

So I think that's relative to the CapEx for any quarter. I think, if you look at kind of '19 over '20, clearly, we had a benefit on CapEx from finishing up the work we were doing relative to our campuses. I think as you kind of roll forward, we should see another sequential increase in free cash flow as you look to '21. Probably we'll be somewhere in the neighborhood of what we might expect to drive, which is going to be a solid growth likely in 2020. We should continue to be able to improve cash flow in 2021.

I know at one time, we probably talked pre-COVID about 2021 could be $1 billion of free cash flow. Obviously, COVID has taken that down relative to certainly our expectations prior to COVID. But could we -- can we be in the $850 million to $900 million range or some place in that with -- depending on the capital needs of the business, which we're still working on, that doesn't feel unreasonable for kind of the '21 view. And we might be able to exceed that just -- once again, that's a level of guidance and a level of accuracy I'll need to get through our planning process and identify the needs for the business for '21 before we can be more precise.

Steven Paul Halper - *Cantor Fitzgerald & Co., Research Division - Analyst*

That's great. And so just to go back to the M&A and share repurchase comment. So the takeaway is, you're going to do more acquisitions, but it doesn't take away your -- the company's desire or ability to do share repurchase, given the flexibility you have now on the balance sheet? Correct?

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

That is correct.

Donald D. Trigg - *Cerner Corporation - President*

Halper, this is Don. Let me just say quickly, this -- we've never been more excited about what's playing out in the intersection of health care IT. A lot of the big bets that we've made around value-based care and HealtheIntent, we think, play out on a go-forward multi-quarter basis, and we're super excited about second order and third order disruption around data.

So there's every reason to be excited about putting capital to work, and we're really well positioned to do it.

Marc G. Naughton - *Cerner Corporation - Executive VP & CFO*

Well, thank you all for your time today. Have a great one, and I look forward to speaking to each and every one of you. Bye.

David Brent Shafer - *Cerner Corporation - Chairman & CEO*

Thank you, all.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.