UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2021

or

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

For the transition period from ___________ to ___________

Commission File Number: 0-15386

CERNER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**43-1196944**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2800 Rock Creek Parkway North Kansas City, MO	**64117**
(Address of principal executive offices)	(Zip Code)

(816) 221-1024
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	CERN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2021
Common Stock, $0.01 par value per share	301,317,068 shares

CERNER CORPORATION

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Part I. Financial Information

Item 1. Financial Statements

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 31, 2021 (unaudited) and December 31, 2020

(In thousands, except share data)	**2021**	**2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 997,861	$ 615,615
Short-term investments	476,362	442,473
Receivables, net	1,175,139	1,168,712
Inventory	30,442	23,027
Prepaid expenses and other	375,376	401,160
Total current assets	3,055,180	2,650,987
Property and equipment, net	1,803,027	1,804,083
Right-of-use assets	102,871	104,536
Software development costs, net	1,028,513	1,009,349
Goodwill	912,043	914,520
Intangible assets, net	316,368	329,249
Long-term investments	492,704	510,220
Other assets	197,704	198,152
Total assets	$ 7,908,410	$ 7,521,096
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 279,256	$ 235,755
Current installments of long-term debt	225,000	—
Deferred revenue	407,736	393,293
Accrued payroll and tax withholdings	313,184	309,814
Other current liabilities	237,964	229,764
Total current liabilities	1,463,140	1,168,626
Long-term debt	1,611,102	1,336,069
Deferred income taxes	372,037	376,035
Other liabilities	149,694	157,799
Total liabilities	3,595,973	3,038,529
Shareholders' Equity:		
Common stock, $0.01 par value, 500,000,000 shares authorized, 374,048,596 shares issued at March 31, 2021 and 373,224,832 shares issued at December 31, 2020	3,740	3,732
Additional paid-in capital	2,368,227	2,288,806
Retained earnings	6,580,612	6,475,551
Treasury stock, 72,276,054 shares at March 31, 2021 and 67,371,686 shares at December 31, 2020	(4,514,718)	(4,164,718)
Accumulated other comprehensive loss, net	(125,424)	(120,804)
Total shareholders' equity	4,312,437	4,482,567
Total liabilities and shareholders' equity	$ 7,908,410	$ 7,521,096

See notes to condensed consolidated financial statements (unaudited).

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2021 and March 31, 2020
(unaudited)

(In thousands, except per share data)	Three Months Ended 2021	Three Months Ended 2020
Revenues	$ 1,387,778	$ 1,411,741
Costs and expenses:		
Costs of revenue	230,656	254,416
Sales and client service	622,176	636,649
Software development (Includes amortization of $64,850 and $61,011, respectively)	192,327	185,320
General and administrative	112,365	139,852
Amortization of acquisition-related intangibles	12,196	17,128
Total costs and expenses	1,169,720	1,233,365
Operating earnings	218,058	178,376
Other income, net	1,206	5,595
Earnings before income taxes	219,264	183,971
Income taxes	(47,012)	(36,812)
Net earnings	$ 172,252	$ 147,159
Basic earnings per share	$ 0.57	$ 0.48
Diluted earnings per share	$ 0.56	$ 0.47
Basic weighted average shares outstanding	304,731	309,657
Diluted weighted average shares outstanding	308,031	312,240

See notes to condensed consolidated financial statements (unaudited).

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2021 and March 31, 2020
(unaudited)

(In thousands)	Three Months Ended 2021	Three Months Ended 2020
Net earnings	$ 172,252	$ 147,159
Foreign currency translation adjustment and other (net of taxes (benefit) of $(679) and $425, respectively)	(8,991)	(20,546)
Unrealized gain (loss) on cash flow hedge (net of taxes (benefit) of $1,509 and $(6,350), respectively)	4,588	(19,308)
Unrealized holding gain (loss) on available-for-sale investments (net of tax benefit of $71 and $279, respectively)	(217)	(849)
Comprehensive income	$ 167,632	$ 106,456

See notes to condensed consolidated financial statements (unaudited).

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2021 and March 31, 2020
(unaudited)

(In thousands)	Three Months Ended 2021	Three Months Ended 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 172,252	$ 147,159
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	175,313	172,646
Share-based compensation expense	47,950	35,031
Provision for deferred income taxes	(2,829)	10,449
Investment gains	—	(477)
Changes in assets and liabilities (net of businesses acquired):		
Receivables, net	(12,301)	(22,774)
Inventory	(7,411)	(296)
Prepaid expenses and other	24,173	(13,681)
Accounts payable	30,118	8,539
Accrued income taxes	21,378	1,105
Deferred revenue	14,768	(42,310)
Other accrued liabilities	(12,977)	(11,885)
Net cash provided by operating activities	450,434	283,506
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital purchases	(75,925)	(49,248)
Capitalized software development costs	(83,550)	(73,855)
Purchases of investments	(321,670)	(39,194)
Sales and maturities of investments	306,935	36,112
Purchase of other intangibles	(7,975)	(9,682)
Acquisition of businesses, net of cash acquired	—	(744)
Net cash used in investing activities	(182,185)	(136,611)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt issuance	500,000	300,000
Proceeds from exercise of stock options	36,514	118,203
Payments to taxing authorities in connection with shares directly withheld from associates	(4,897)	(4,517)
Treasury stock purchases	(341,715)	(650,000)
Dividends paid	(67,477)	(56,047)
Other	(5,310)	(3,600)
Net cash provided by (used in) financing activities	117,115	(295,961)
Effect of exchange rate changes on cash and cash equivalents	(3,118)	(7,365)
Net increase (decrease) in cash and cash equivalents	382,246	(156,431)
Cash and cash equivalents at beginning of period	615,615	441,843
Cash and cash equivalents at end of period	$ 997,861	$ 285,412

See notes to condensed consolidated financial statements (unaudited).

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2021 and March 31, 2020
(unaudited)

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss, Net
Balance at December 28, 2019	**367,635**	**$ 3,676**	**$ 1,905,171**	**$ 5,934,909**	**$ (3,407,768)**	**$ (118,660)**
Exercise of stock options and vests of restricted shares and share units	2,543	26	114,050	—	—	—
Employee share-based compensation expense	—	—	35,031	—	—	—
Cumulative effect of accounting change (ASU 2016-13)	—	—	—	(4,606)	—	—
Other comprehensive income (loss)	—	—	—	—	—	(40,703)
Treasury stock purchases	—	—	—	—	(650,000)	—
Cash dividends declared ($0.18 per share)	—	—	—	(55,206)	—	—
Net earnings	—	—	—	147,159	—	—
Balance at March 31, 2020	**370,178**	**3,702**	**2,054,252**	**6,022,256**	**(4,057,768)**	**(159,363)**
Balance at December 31, 2020	**373,225**	**$ 3,732**	**$ 2,288,806**	**$ 6,475,551**	**$ (4,164,718)**	**$ (120,804)**
Exercise of stock options and vests of restricted shares and share units	824	8	31,471	—	—	—
Employee share-based compensation expense	—	—	47,950	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	(4,620)
Treasury stock purchases	—	—	—	—	(350,000)	—
Cash dividends declared ($0.22 per share)	—	—	—	(67,191)	—	—
Net earnings	—	—	—	172,252	—	—
Balance at March 31, 2021	**374,049**	**$ 3,740**	**$ 2,368,227**	**$ 6,580,612**	**$ (4,514,718)**	**$ (125,424)**

See notes to condensed consolidated financial statements (unaudited).

CERNER CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Interim Statement Presentation

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Cerner Corporation ("Cerner," the "Company," "we," "us" or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our latest annual report on Form 10-K.
In management's opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows for the periods presented. Our interim results as presented in this quarterly report on Form 10-Q are not necessarily indicative of the operating results for the entire year.

The condensed consolidated financial statements were prepared using GAAP. These principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

All references to quarters or three month periods ended 2021 and 2020 in these notes to condensed consolidated financial statements refer to the respective three month periods ended March 31, 2021 and March 31, 2020, unless otherwise noted.

Supplemental Disclosures of Cash Flow Information

	Three Months Ended	
(In thousands)	**2021**	**2020**
Cash paid during the period for:		
Interest (including amounts capitalized of $2,692 and $4,633, respectively)	$ 15,549	$ 11,811
Income taxes, net of refunds	19,216	2,869
Non-cash items:		
Lease liabilities recorded upon the commencement of operating leases	7,745	17,762
Financed capital purchases	1,361	—

Recently Issued Accounting Pronouncements

Reference Rate Reform. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* in March 2020 and ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* in January 2021. Such guidance provides optional financial reporting alternatives to reduce the cost and complexity associated with the accounting for contracts and hedging relationships affected by reference rate reform, such as the upcoming discontinuance of the London Interbank Offered Rate ("LIBOR"). The accommodations within this guidance may be applied prospectively from the beginning of our 2020 first quarter through December 31, 2022. We are currently evaluating the effect that this guidance may have on our contracts that reference LIBOR, specifically, our Third Amended and Restated Credit Agreement (as amended, the "Credit Agreement") and related interest rate swap. As of the date of this filing, we have not elected to apply any of the provisions of this guidance.

(2) Revenue Recognition

Disaggregation of Revenue

The following table presents revenues disaggregated by our business models:

	Three Months Ended					
	2021			2020		
(In thousands)	Domestic Segment	International Segment	Total	Domestic Segment	International Segment	Total
Licensed software	$ 148,833	$ 12,828	$ 161,661	$ 146,497	$ 11,535	$ 158,032
Technology resale	37,891	7,781	45,672	44,449	7,038	51,487
Subscriptions	95,383	4,429	99,812	86,936	7,449	94,385
Professional services	434,162	60,260	494,422	452,784	58,562	511,346
Managed services	282,076	35,300	317,376	279,736	29,618	309,354
Support and maintenance	217,499	45,825	263,324	223,416	50,265	273,681
Reimbursed travel	6,148	(637)	5,511	12,597	859	13,456
Total revenues	$ 1,221,992	$ 165,786	$ 1,387,778	$ 1,246,415	$ 165,326	$ 1,411,741

The following table presents our revenues disaggregated by timing of revenue recognition:

	Three Months Ended					
	2021			2020		
(In thousands)	Domestic Segment	International Segment	Total	Domestic Segment	International Segment	Total
Revenue recognized over time	$ 1,152,849	$ 153,868	$ 1,306,717	$ 1,165,515	$ 153,444	$ 1,318,959
Revenue recognized at a point in time	69,143	11,918	81,061	80,900	11,882	92,782
Total revenues	$ 1,221,992	$ 165,786	$ 1,387,778	$ 1,246,415	$ 165,326	$ 1,411,741

Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2021, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts approximates $13.07 billion of which we expect to recognize approximately 30% of the revenue over the next 12 months and the remainder thereafter.

Contract Liabilities

Customer payments received in advance of satisfaction of the related performance obligations are deferred as contract liabilities. Such amounts are classified in our condensed consolidated balance sheets as "Deferred revenue". During the three months ended March 31, 2021, we recognized $138 million of revenues that were included in our contract liability balance at the beginning of such period.

Significant Customers

Revenues attributable to our relationships (as the prime contractor or a subcontractor) with U.S. government agencies, within our Domestic segment, comprised 20% and 17% of our consolidated revenues for the first three months of 2021 and 2020, respectively. Amounts due in connection with these relationships comprised 16% and 13% of client receivables as of March 31, 2021 and December 31, 2020, respectively.

(3) Receivables

A summary of net receivables is as follows:

(In thousands)	March 31, 2021	December 31, 2020
Client receivables	$ 1,351,234	$ 1,322,278
Less: Provision for expected credit losses	176,095	153,566
Total receivables, net	$ 1,175,139	$ 1,168,712

In addition to the client receivables presented above, at both March 31, 2021 and December 31, 2020, we had $17 million of non-current net client receivables, which are presented in "Other assets" in our condensed consolidated balance sheets.

A reconciliation of the beginning and ending amount of our provision for expected credit losses is as follows:

(In thousands)	Current	Non-current	Total
Provision for expected credit losses - balance at December 31, 2020	$ 153,566	$ 38,564	$ 192,130
Additions charged to costs and expenses	20,251	—	20,251
Deductions, foreign currency and other	2,278	—	2,278
Provision for expected credit losses - balance at March 31, 2021	$ 176,095	$ 38,564	$ 214,659

Our estimates of expected credit losses for client receivables at both March 31, 2021 and December 31, 2020, were primarily based on historical credit loss experience and adjustments for certain asset-specific risk characteristics (i.e. known client financial hardship or bankruptcy). Exposure to credit losses may increase if our clients are adversely affected by changes in healthcare laws; changes in reimbursement or payor models; economic pressures or uncertainty associated with local or global economic recessions; disruption associated with the COVID-19 pandemic; or other client-specific factors. Although we have historically not experienced significant credit losses, it is possible that there could be an adverse impact from potential adjustments to the carrying amount of client receivables as clients' cash flows are impacted by the COVID-19 pandemic and related economic uncertainty, which may be material.

During the first three months of 2021 and 2020, we received total client cash collections of $1.44 billion and $1.37 billion, respectively.

(4) Investments

Available-for-sale investments at March 31, 2021 were as follows:

(In thousands)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 165,667	$ —	$ —	$ 165,667
Time deposits	31,588	—	—	31,588
Commercial Paper	131,000	—	—	131,000
Government and corporate bonds	9,709	—	—	9,709
Total cash equivalents	337,964	—	—	337,964
Short-term investments:				
Time deposits	31,192	—	—	31,192
Commercial paper	252,500	9	(70)	252,439
Government and corporate bonds	192,606	226	(101)	192,731
Total short-term investments	476,298	235	(171)	476,362
Long-term investments:				
Government and corporate bonds	105,645	10	(72)	105,583
Total available-for-sale investments	$ 919,907	$ 245	$ (243)	$ 919,909

Available-for-sale investments at December 31, 2020 were as follows:

(In thousands)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	$ 40,027	$ —	$ —	$ 40,027
Time deposits	36,756	—	—	36,756
Commercial Paper	61,000	—	—	61,000
Total cash equivalents	137,783	—	—	137,783
Short-term investments:				
Time deposits	28,302	—	—	28,302
Commercial Paper	264,000	12	(19)	263,993
Government and corporate bonds	149,975	247	(44)	150,178
Total short-term investments	442,277	259	(63)	442,473
Long-term investments:				
Government and corporate bonds	136,983	152	(57)	137,078
Total available-for-sale investments	$ 717,043	$ 411	$ (120)	$ 717,334

We sold available-for-sale investments for proceeds of $5 million during the three months ended March 31, 2020, resulting in insignificant losses in the period.

Other Investments

At March 31, 2021 and December 31, 2020, we had investments in equity securities that do not have readily determinable fair values of $369 million and $361 million, respectively, accounted for in accordance with Accounting Standards Codification Topic ("ASC") 321, *Investments-Equity Securities*. Such investments are included in "Long-term investments" in our condensed consolidated balance sheets. We did not record any changes in the measurement of such investments during the three months ended March 31, 2021 and March 31, 2020, respectively.

At March 31, 2021 and December 31, 2020, we had investments in equity securities reported under the equity method of accounting of $18 million and $12 million, respectively. Such investments are included in "Long-term investments" in our condensed consolidated balance sheets.

(5) Long-term Debt

The following is a summary of indebtedness outstanding:

(In thousands)	March 31, 2021	December 31, 2020
Credit agreement loans due May 5, 2024	$ 600,000	$ 600,000
Senior notes:		
Series 2021-A due March 24, 2026	100,000	—
Series 2021-B due March 24, 2031	400,000	—
Series 2020-A due March 11, 2030	300,000	300,000
Series 2015-A due February 15, 2022	225,000	225,000
Series 2015-B due February 14, 2025	200,000	200,000
Other	11,662	11,662
Total indebtedness	1,836,662	1,336,662
Less: debt issuance costs	(560)	(593)
Indebtedness, net	1,836,102	1,336,069
Less: current installments of long-term debt	(225,000)	—
Long-term debt	$ 1,611,102	$ 1,336,069

Credit Agreement

As of March 31, 2021, the interest rate on revolving credit loans outstanding under our Credit Agreement was 0.91% based on LIBOR plus the applicable spread.

We are exposed to market risk from fluctuations in the variable interest rates on outstanding indebtedness under our Credit Agreement. In order to manage this exposure, we have entered into an interest rate swap agreement to hedge the variability of cash flows associated with such interest obligations. The interest rate swap is designated as a cash flow hedge, which effectively fixes the interest rate on the hedged indebtedness under our Credit Agreement at 3.06%. At March 31, 2021 and December 31, 2020, this swap was in a net liability position with an aggregate fair value of $31 million and $37 million, respectively; which is presented in our condensed consolidated balance sheets in "Other current liabilities".

Series 2021 Senior Notes

We entered into a Master Note Agreement on November 11, 2019, and subsequently amended on October 8, 2020 (collectively and as amended, the "2019 Shelf Agreement"), pursuant to which we may issue and sell up to an aggregate principal amount of $1.80 billion of unsecured senior promissory notes. In March 2021, we issued $500 million aggregate principal amount of unsecured senior notes (the "Series 2021 Senior Notes"), pursuant to the 2019 Shelf Agreement. The issuance consisted of $100 million of 2.00% Series 2021-A Notes due March 24, 2026 and $400 million of 2.59% Series 2021-B Notes due March 24, 2031. Interest on the Series 2021 Senior Notes is payable semiannually on each March 24 and September 24, commencing September 24, 2021, and the principal balance is due at maturity. The Company may prepay at any time all, or any part of, the outstanding principal amount of the Series 2021 Senior Notes, subject to the payment of a make-whole amount. The Series 2021 Senior Notes are subject to the terms of the 2019 Shelf Agreement, which contains customary events of default and covenants related to limitations on indebtedness and transactions with affiliates and the maintenance of certain financial ratios. As of the date of this filing, $1.00 billion remains available for sale under the 2019 Shelf Agreement, which is uncommitted and subject to participation by the purchasers.

(6) Fair Value Measurements

We determine fair value measurements used in our consolidated financial statements based upon the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table details our investments in available-for-sale debt securities measured and recorded at fair value on a recurring basis at March 31, 2021:

(In thousands)		Fair Value Measurements Using		
Description	**Balance Sheet Classification**	**Level 1**	**Level 2**	**Level 3**
Money market funds	Cash equivalents	$ 165,667	$ —	$ —
Time deposits	Cash equivalents	—	31,588	—
Commercial paper	Cash equivalents	—	131,000	—
Government and corporate bonds	Cash equivalents	—	9,709	—
Time deposits	Short-term investments	—	31,192	—
Commercial paper	Short-term investments	—	252,439	—
Government and corporate bonds	Short-term investments	—	192,731	—
Government and corporate bonds	Long-term investments	—	105,583	—

The following table details our investments in available-for-sale debt securities measured and recorded at fair value on a recurring basis at December 31, 2020:

(In thousands)		Fair Value Measurements Using		
Description	**Balance Sheet Classification**	**Level 1**	**Level 2**	**Level 3**
Money market funds	Cash equivalents	$ 40,027	$ —	$ —
Time deposits	Cash equivalents	—	36,756	—
Commercial paper	Cash equivalents	—	61,000	—
Time deposits	Short-term investments	—	28,302	—
Commercial paper	Short-term investments	—	263,993	—
Government and corporate bonds	Short-term investments	—	150,178	—
Government and corporate bonds	Long-term investments	—	137,078	—

Our interest rate swap agreement is measured and recorded at fair value on a recurring basis using a Level 2 valuation. The fair value of such agreement is based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. Since these inputs are observable in active markets over the terms that the instrument is held, the derivative is classified as Level 2 in the hierarchy.

We estimate the fair value of our long-term, fixed rate debt using a Level 3 discounted cash flow analysis based on current borrowing rates for debt with similar maturities. We estimate the fair value of our long-term, variable rate debt using a Level 3 discounted cash flow analysis based on LIBOR rate forward curves. The fair value of our long-term debt at March 31, 2021 and December 31, 2020 was approximately $1.85 billion and $1.36 billion, respectively. The carrying amount of such debt at March 31, 2021 and December 31, 2020 was $1.83 billion and $1.33 billion, respectively.

(7) Income Taxes

We determine the tax provision for interim periods using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment. Our effective tax rate was 21.4% and 20.0% for the first three months of 2021 and 2020, respectively. The increase in the effective tax rate in the first quarter of 2021 is primarily due to a decrease in net excess tax benefits recognized as a component of income tax expense in connection with the exercise of stock options and the vesting of restricted share and share unit awards.

(8) Earnings Per Share

A reconciliation of the numerators and the denominators of the basic and diluted per share computations are as follows:

	Three Months Ended					
	2021			2020		
(In thousands, except per share data)	Earnings (Numerator)	Shares (Denominator)	Per-Share Amount	Earnings (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per share:						
Income available to common shareholders	$ 172,252	304,731	$ 0.57	$ 147,159	309,657	$ 0.48
Effect of dilutive securities:						
Stock options, non-vested shares and share units	—	3,300		—	2,583	
Diluted earnings per share:						
Income available to common shareholders including assumed conversions	$ 172,252	308,031	$ 0.56	$ 147,159	312,240	$ 0.47

For the three months ended March 31, 2021 and March 31, 2020, options to purchase 1.1 million and 4.1 million shares of common stock at per share prices ranging from $52.32 to $76.49 and $56.76 to $76.49, respectively, were outstanding but were not included in the computation of diluted earnings per share because they were anti-dilutive.

(9) Share-Based Compensation and Equity

Stock Options

Stock option activity for the three months ended March 31, 2021 was as follows:

(In thousands, except per share and term data)	Number of Shares	Weighted-Average Exercise Price (Per Share)	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Yrs)
Outstanding at beginning of year	10,204	$ 58.59		
Exercised	(705)	51.57		
Forfeited and expired	(41)	58.83		
Outstanding as of March 31, 2021	9,458	$ 59.11	$ 120,781	5.36
Exercisable as of March 31, 2021	5,997	$ 57.99	$ 83,349	4.53

As of March 31, 2021, there was $39 million of total unrecognized compensation cost related to stock options granted under all plans. That cost is expected to be recognized over a weighted-average period of 1.77 years.

Non-vested Shares and Share Units

Non-vested share and share unit activity for the three months ended March 31, 2021 was as follows:

(In thousands, except per share data)	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at beginning of year	4,131	$ 68.05
Granted	71	73.95
Vested	(188)	65.89
Forfeited	(64)	69.07
Outstanding as of March 31, 2021	3,950	$ 68.24

As of March 31, 2021, there was $158 million of total unrecognized compensation cost related to non-vested share and share unit awards granted under all plans. That cost is expected to be recognized over a weighted-average period of 1.68 years.

Share-Based Compensation Cost

The following table presents total compensation expense recognized with respect to stock options, non-vested shares and share units, and our associate stock purchase plan:

	Three Months Ended	
(In thousands)	2021	2020
Stock option and non-vested share and share unit compensation expense	$ 47,950	$ 35,031
Associate stock purchase plan expense	1,548	1,101
Amounts capitalized in software development costs, net of amortization	(1,663)	(745)
Amounts charged against earnings, before income tax benefit	$ 47,835	$ 35,387
Amount of related income tax benefit recognized in earnings	$ 10,256	$ 6,443

Treasury Stock

Under our current share repurchase program, which was initially approved by our Board of Directors in May 2017 and most recently amended in December 2019, the Company is authorized to repurchase up to $3.70 billion of shares of our common stock, excluding transaction costs. The repurchases are to be effectuated in the open market, by block purchase, in privately negotiated transactions, or through other transactions managed by broker-dealers. No time limit was set for the completion of the program. During the three months ended March 31, 2021, we repurchased 4.9 million shares for total consideration of $350 million under the program. The shares were recorded as treasury stock and accounted for under the cost method. No repurchased shares have been retired. As of March 31, 2021, $577 million remained available for repurchase under the program.

Dividends

On March 25, 2021, our Board of Directors declared a cash dividend of $0.22 per share on our issued and outstanding common stock, which was paid on April 20, 2021 to shareholders of record as of April 6, 2021. In connection with the declaration of such dividend, our non-vested shares and share units are entitled to dividend equivalents, which will be payable to the holder subject to, and upon vesting of, the underlying awards. Our outstanding stock options are not entitled to dividend or dividend equivalents. At both March 31, 2021 and December 31, 2020, our condensed consolidated balance sheets included liabilities for dividends payable of $69 million, which are included in "Other current liabilities".

Accumulated Other Comprehensive Loss, Net (AOCI)

The components of AOCI, net of tax, were as follows:

(In thousands)	Foreign currency translation adjustment and other	Unrealized loss on cash flow hedge	Unrealized holding gain (loss) on available-for-sale investments	Total
Balance at December 31, 2020	$ (93,450)	$ (27,788)	$ 434	$ (120,804)
Other comprehensive income (loss) before reclassifications	(8,991)	2,061	(217)	(7,147)
Amounts reclassified from AOCI	—	2,527	—	2,527
Balance at March 31, 2021	$ (102,441)	$ (23,200)	$ 217	$ (125,424)

(In thousands)	Foreign currency translation adjustment and other	Unrealized loss on cash flow hedge	Unrealized holding gain (loss) on available-for-sale investments	Total
Balance at December 28, 2019	$ (106,347)	$ (12,578)	$ 265	$ (118,660)
Other comprehensive income (loss) before reclassifications	(20,546)	(20,430)	(849)	(41,825)
Amounts reclassified from AOCI	—	1,122	—	1,122
Balance at March 31, 2020	$ (126,893)	$ (31,886)	$ (584)	$ (159,363)

The effects on net earnings of amounts reclassified from AOCI were as follows:

(In thousands)		Three Months Ended	
AOCI Component	**Location**	**2021**	**2020**
Unrealized loss on cash flow hedge	Other income, net	$ (3,217)	$ (1,372)
	Income taxes	690	250
Total amount reclassified, net of tax		$ (2,527)	$ (1,122)

(10) Contingencies

We accrue estimates for resolution of any legal and other contingencies when losses are probable and reasonably estimable in accordance with ASC 450, *Contingencies* ("ASC 450"). No less than quarterly, and as facts and circumstances change, we review the status of each significant matter underlying a legal proceeding or claim and assess our potential financial exposure. We accrue a liability for an estimated loss if the potential loss from any legal proceeding or claim is considered probable and the amount can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable, and accruals are based only on the information available to our management at the time the judgment is made, which may prove to be incomplete or inaccurate or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Furthermore, the outcome of legal proceedings is inherently uncertain, and we may incur substantial defense costs and expenses defending any of these matters. Should any one or a combination of more than one of these proceedings be successful, or should we determine to settle any one or a combination of these matters, we may be required to pay substantial sums, become subject to the entry of an injunction or be forced to change the manner in which we operate our business, which could have a material adverse impact on our business, results of operations, cash flows or financial condition.
Cerner Health Services, Inc. ("Cerner HS"), a wholly owned subsidiary of Cerner Corporation, filed a lawsuit in the Chester County, Pennsylvania, Court of Common Pleas against NextGen Healthcare Information Systems, LLC ("NextGen") relating to a dispute arising out of a supplier relationship initially established between Siemens Health Services, Inc. and NextGen prior to the acquisition of the assets of Siemens Health Services, Inc. by Cerner HS in 2015. In September 2017, the court issued a preliminary injunction to prevent NextGen from refusing to honor certain contractual obligations to support Cerner HS's clients who use NextGen ambulatory EHR solutions. In September 2018, NextGen filed a counterclaim alleging breach of contract and tortious interference. NextGen’s expert testified at trial that NextGen should be entitled to collect profit disgorgement damages of $122 million or, at least $18 million of ambulatory-related disgorgement damages. Alternatively, he claimed NextGen should recover $26 million in lost profit damages. A remote trial commenced on January 25, 2021 and trial continues. We believe NextGen's claims are without merit and are vigorously defending against them; however, there can be no assurances as to the outcome of the dispute. We have not concluded that a loss related to the claims raised by NextGen in its counterclaim is probable, nor have we accrued a liability related to these claims. Although a loss may be reasonably possible (as defined in ASC 450), we do not have sufficient information to determine the amount or range of reasonably possible loss in light of the inherent difficulty of predicting the outcome of litigation generally, the wide range of damages presented by NextGen's expert, and the continued lack of clarity on the causal connection between Cerner Corporation's and Cerner HS's actions and any alleged damages.

The terms of our agreements with our clients generally provide for limited indemnification of such clients against losses, expenses and liabilities arising from third party or other claims based on, among other things, alleged infringement by our solutions of an intellectual property right of third parties or damages caused by data privacy breaches or system interruptions. The terms of such indemnification often limit the scope of and remedies for such indemnification obligations and generally include, as applicable, a right to replace or modify an infringing solution. For several reasons, including the lack of a sufficient number of prior indemnification claims relating to IP infringement, data privacy breaches or system interruptions, the inherent uncertainty stemming from such claims, and the lack of a monetary liability limit for such claims under the terms of the corresponding agreements with our clients, we cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

In addition to commitments and obligations in the ordinary course of business, we are involved in various other legal proceedings and claims that arise in the ordinary course of business, including for example, employment and client disputes and litigation alleging solution and implementation defects, personal injury, intellectual property infringement, violations of law, breaches of contract and warranties, and compliance audits by various government agencies. Many of these proceedings are at preliminary stages and many seek an indeterminate amount of damages. At this time, we do not believe the range of potential losses under any claims to be material to our consolidated financial statements.

(11) Segment Reporting

We have two operating segments, Domestic and International. Revenues are derived primarily from the sale of clinical, financial and administrative information solutions and services. The cost of revenues includes the cost of third-party consulting services, computer hardware, devices and sublicensed software purchased from manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. Operating expenses incurred by the geographic business segments consist of sales and client service expenses including salaries of sales and client service personnel, expenses associated with our managed services business, marketing expenses, communications expenses and unreimbursed travel expenses. "Other" includes expenses that have not been allocated to the operating segments, such as software development, general and administrative expenses, certain organizational restructuring and other expense, share-based compensation expense, and certain amortization and depreciation. Performance of the segments is assessed at the operating earnings level by our chief operating decision maker, who is our Chief Executive Officer. Items such as interest, income taxes, capital expenditures and total assets are managed at the consolidated level and thus are not included in our operating segment disclosures. Accounting policies for each of the reportable segments are the same as those used on a consolidated basis.

The following table presents a summary of our operating segments and other expense for the three months ended March 31, 2021 and March 31, 2020:

(In thousands)	Domestic	International	Other	Total
Three Months Ended 2021				
Revenues	$ 1,221,992	$ 165,786	$ —	$ 1,387,778
Costs of revenue	205,694	24,962	—	230,656
Operating expenses	560,562	61,614	316,888	939,064
Total costs and expenses	766,256	86,576	316,888	1,169,720
Operating earnings (loss)	$ 455,736	$ 79,210	$ (316,888)	$ 218,058

(In thousands)	Domestic	International	Other	Total
Three Months Ended 2020				
Revenues	$ 1,246,415	$ 165,326	$ —	$ 1,411,741
Costs of revenue	228,567	25,849	—	254,416
Operating expenses	570,094	66,555	342,300	978,949
Total costs and expenses	798,661	92,404	342,300	1,233,365
Operating earnings (loss)	$ 447,754	$ 72,922	$ (342,300)	$ 178,376

(12) Subsequent Events

Kantar Health

On April 1, 2021, we acquired Kantar Health, a division of Kantar Group, for a base cash purchase price of $375 million. Kantar Health provides data, analytics, commercial research, and consulting services to the life sciences industry. The base purchase price is subject to post-closing adjustments for working capital and certain other adjustments, as specified in the Securities Purchase Agreement dated December 16, 2020, as amended.

Our acquisition of Kantar Health will be treated as a purchase in accordance with ASC 805, *Business Combinations*, which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction. Due to the timing of the acquisition subsequent to our first quarter 2021 period-end, certain disclosures, including the preliminary allocation of purchase price, have been omitted from this quarterly report on Form 10-Q because the initial accounting for the business combination is incomplete as of the filing date. We will include necessary disclosures in our quarterly report on Form 10-Q for our second quarter of 2021.

2021 Share Repurchase Program

On April 23, 2021, our Board of Directors approved a new share repurchase program (the "2021 Share Repurchase Program"), which authorizes the Company to repurchase up to $3.75 billion in the aggregate of shares of our common stock, excluding transaction costs. The 2021 Share Repurchase Program is incremental to our current program originally approved in May 2017. The repurchases are to be effectuated in the open market, by block purchase, in privately negotiated transactions, or through other transactions managed by broker-dealers, or any combination thereof. The 2021 Share Repurchase Program will expire on December 31, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of Cerner Corporation ("Cerner," the "Company," "we," "us" or "our"). This MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes to condensed consolidated financial statements ("Notes") found above. Certain statements in this quarterly report on Form 10-Q contain forward-looking statements within the meanings of the Private Securities Litigation Reform Act of 1995, as amended, regarding our future plans, objectives, beliefs, expectations, representations and projections. See the end of this MD&A for more information on our forward-looking statements, including a discussion of the most significant factors that could cause actual results to differ materially from those in the forward-looking statements.

All references to quarters or the three month periods ended 2021 and 2020 in this MD&A represent the respective three month periods ended March 31, 2021 and March 31, 2020, unless otherwise noted.

Management Overview

Our revenues are primarily derived by selling, implementing, operating and supporting software solutions, clinical content, hardware, devices and services that give healthcare providers and other stakeholders secure access to clinical, administrative and financial data in real or near-real time, helping them to improve quality, safety and efficiency in the delivery of healthcare.

Our core strategy is to create organic growth by investing in research and development to create solutions and tech-enabled services for the healthcare industry. We expect to also supplement organic growth with acquisitions or strategic investments and collaborations.

Cerner's long history of growth has created an important strategic footprint in healthcare, with Cerner holding more than 25 percent market share in the U.S. acute care electronic health record ("EHR") market and a leading market share in several non-U.S. regions. Foundational to our growth going forward is delivering value to this core client base, including executing effectively on our large U.S. federal contracts and cross-selling key solutions and services in areas such as revenue cycle. We are also investing in platform modernization, with a focus on delivering a software as a service platform that we expect to lower total cost of ownership, improve clinician experience and patient outcomes, and enable clients to accelerate adoption of new functionality and better leverage third-party innovations.

We also expect to continue driving growth by leveraging our *HealtheIntent®* platform, which is the foundation for established and new offerings for both provider and non-provider markets. The EHR-agnostic *HealtheIntent* platform enables Cerner to become a strategic partner with healthcare stakeholders and help them improve performance under value-based contracting. The platform, along with our *CareAware®* platform, also supports offerings in areas such as long-term care, home care and hospice, rehabilitation, behavioral health, community care, care team communications, health systems operations, consumer and employer, and data-as-a-service.

Beyond our strategy for driving revenue growth, we are also focused on earnings growth. After several years of margin compression related to slowing revenue growth, increased mix of low-margin services, and lower software demand due to the end of direct government incentives for EHR adoption, Cerner implemented a new operating structure and introduced other initiatives focused on cost optimization and process improvement in 2019. To assist in these efforts, we engaged an outside consulting firm to conduct a review of our operations and cost structure. We have made good progress since we kicked off our transformation in 2019 and expect this progress to be reflected in improved profitability going forward. We are focused on ongoing identification of opportunities to operate more efficiently and on achieving the efficiencies without impacting the quality of our solutions and services and commitments to our clients.

We are also focused on delivering strong levels of cash flow which we expect to accomplish by continuing to grow earnings and prudently managing capital expenditures. We expect to use future cash flow and debt, as appropriate, to meet our capital allocation objectives, which include investing in our business, entering into acquisitions or other strategic investments to drive profitable growth, and returning capital to shareholders through share repurchases and dividends.

COVID-19

Our business and results of operations in the first three months of both 2021 and 2020 were impacted by the ongoing COVID-19 pandemic. It has caused us to modify certain of our business practices, including requiring most of our associates to work remotely; restricting associate travel; developing social distancing plans for our associates; and canceling or postponing in person participation in certain meetings, events and conferences. It is not possible to quantify the full financial impact that the COVID-19 pandemic has had on our results of operations, cash flows, or financial condition, due to the uncertainty surrounding the pandemic, the difficulty inherent in identifying and measuring the various impacts that have or may stem from such an event and the fact that there are no comparable recent events that provide guidance as to how to measure or predict the effect the COVID-19 pandemic may have on our business. However, we believe COVID-19 has impacted, and could continue in the near-term to impact, our business results, primarily, but not limited to, in the following areas:

- Bookings, backlog and revenues – A decline in new business bookings as certain client purchasing decisions and projects are delayed to focus on treating patients, procuring necessary medical supplies, administering vaccines, and managing their own organizations through this crisis. This decline in bookings flows through to reduced backlog and lower subsequent revenues.

- Associate productivity – A decline in associate productivity, primarily for our services personnel, as a large amount of work is typically done at client sites, which is being impacted by travel restrictions and our clients' focus on the pandemic. Our clients' focus on the pandemic has also led to pauses on existing projects and postponed start dates for others, which translates into lower professional services revenues and a lower operating margin percentage. We are mitigating this by doing more work remotely than we have in the past, but we cannot fully offset the negative impact.

- Travel – Associate travel restrictions reduce client-related travel, which reduces reimbursed travel revenues and lowers our costs of revenue as a percent of revenues. Such restrictions also reduce non-reimbursable travel, which lowers operating expenses.

- Cash collections – A delay in client cash collections due to COVID-19's impact on national reimbursement processes, and client focus on managing their own organizations' liquidity during this time. This translates to lower cash flows from operating activities, and a higher days sales outstanding metric. Lower cash flows from operating activities may impact how we execute under our capital allocation strategy.

- Capital expenditures – A decline in capital spending as certain capital projects are delayed.

We believe the impact of COVID-19 on our results of operations for the first quarter of 2020 was limited, with the largest impact in the areas of reduced bookings and lower technology resale revenue, due to the mid-March 2020 timing of when we implemented changes to our business practices in response to COVID-19, and the nature of the industry in which we operate. We believe the most significant impact of COVID-19 on our business was in the second quarter of 2020, with the impact beginning to moderate in subsequent periods but still persisting into 2021 due to some ongoing restrictive measures and certain regions dealing with resurgences of cases. As a result, we believe the impact of COVID-19 on our results of operations for the first quarter of 2021 was greater than in the first quarter of 2020 as the pandemic and practices we implemented in mid-March 2020 were ongoing for the full period, with the largest impact in the areas of lower technology resale, professional services, and reimbursed travel revenues.

While we expect a negative financial impact to continue in 2021, we do not expect it to be as significant as 2020. The impact will continue to be difficult to quantify as there are many factors that continue to be outside of our control, so any forward looking statements that we make regarding our projections of future financial performance; new solutions and services; capital allocation plans; cost optimization and operational improvement initiatives; and the expected benefits of our acquisitions, divestitures or other collaborations are all subject to increased risks.

Operational Improvement Initiatives

The Company has continued to focus on leveraging the impact of our new operating structure and identifying additional efficiencies in our business. We continue to be focused on reducing operating expenses and generating other efficiencies that are expected to provide longer-term operating margin expansion. We are continuing our portfolio management, which includes ongoing evaluation of our offerings, exiting certain low-margin businesses, and being more selective as we consider new business opportunities. To assist in these efforts, we engaged an outside consulting firm to conduct a review of our operations and cost structure. As part of our portfolio management, we closed on the sale of certain of our business operations, primarily conducted in Germany and Spain, in July 2020, and the sale of certain of our revenue cycle outsourcing business operations in August 2020. We expect to continue to evaluate and complete divestiture transactions that are strategic to our operational improvement initiatives. We continue to be focused on ongoing identification of opportunities to operate more efficiently and on achieving the efficiencies without impacting the quality of our solutions and services and commitments to our clients.

In the near term, we expect to incur expenses in connection with these efforts. Such expenses may include, but are not limited to, consultant and other professional services fees, employee separation costs, contract termination costs, and other such related expenses. Expenses recognized in the first quarter of 2021 and 2020 primarily related to professional services fees and employee separation costs, which are included in operating expenses in our condensed consolidated statements of operations. We expect to incur additional expenses in connection with these initiatives in future periods, which may be material.

Results Overview

Bookings, which reflect the value of executed contracts for software, hardware, professional services and managed services, was $1.23 billion in the first quarter of 2021, which is an increase of 13% compared to $1.09 billion in the first quarter of 2020.

Revenues for the first quarter of 2021 decreased 2% to $1.39 billion, compared to $1.41 billion in the first quarter of 2020.

Net earnings for the first quarter of 2021 increased 17% to $172 million, compared to $147 million in the first quarter of 2020. Diluted earnings per share increased 19% to $0.56, compared to $0.47 in the first quarter of 2020.

We had cash collections of receivables of $1.44 billion in the first quarter of 2021, compared to $1.37 billion in the first quarter of 2020. Days sales outstanding was 77 days in the first quarter of 2021, compared to 76 days for the 2020 fourth quarter and 74 days for the first quarter of 2020. Operating cash flows for the first quarter of 2021 were $450 million, compared to $284 million in the first quarter of 2020.

Results of Operations

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

The following table presents a summary of our operating information for the first quarters of 2021 and 2020:

(In thousands)	2021	*% of Revenue*	2020	*% of Revenue*	% Change
Revenues	$ 1,387,778	100 %	$ 1,411,741	100 %	(2)%
Costs of revenue	230,656	17 %	254,416	18 %	(9)%
Margin	1,157,122	83 %	1,157,325	82 %	— %
Operating expenses					
Sales and client service	622,176	45 %	636,649	45 %	(2)%
Software development	192,327	14 %	185,320	13 %	4 %
General and administrative	112,365	8 %	139,852	10 %	(20)%
Amortization of acquisition-related intangibles	12,196	1 %	17,128	1 %	(29)%
Total operating expenses	939,064	68 %	978,949	69 %	(4)%
Total costs and expenses	1,169,720	84 %	1,233,365	87 %	(5)%
Operating earnings	218,058	16 %	178,376	13 %	22 %
Other income, net	1,206		5,595		
Income taxes	(47,012)		(36,812)		
Net earnings	$ 172,252		$ 147,159		17 %

Revenues & Backlog

Revenues decreased 2% to $1.39 billion in the first quarter of 2021, as compared to $1.41 billion in the same period of 2020. The decline in revenues is primarily attributable to the following:

- The first quarter of 2021 includes a $23 million reduction in revenues due to the sale of certain of our revenue cycle outsourcing business operations to affiliates of R1 RCM Inc., on August 3, 2020.
- The first quarter of 2021 includes a $21 million reduction in revenues due to the sale of certain of our business operations primarily conducted in Germany and Spain to affiliates of CompuGroup Medical SE & Co. KGaA on July 1, 2020.
- The impact of the ongoing COVID-19 pandemic on our first quarter 2021 operations, with the largest impact in the areas of technology resale, professional services, and reimbursed travel revenues, as further discussed above.

These declines are partially offset by increased implementation activity within our federal business, inclusive of ongoing projects with the U.S. Department of Defense and the U.S. Department of Veterans Affairs. In the first quarter of 2021, 20% of our total revenues were attributable to our relationships (as the prime contractor or a subcontractor) with U.S. government agencies, compared to 17% in the same period of 2020. Refer to Note (2) of the Notes for further information regarding revenues disaggregated by our business models.

Backlog, which reflects contracted revenue that has not yet been recognized as revenue, was relatively flat at $13.07 billion at March 31, 2021, compared to $13.04 billion at December 31, 2020. We expect to recognize 30% of our backlog as revenue over the next 12 months.

We believe that backlog may not necessarily be a comprehensive indicator of future revenue as certain of our arrangements may be canceled (or conversely renewed) at our clients' option; thus contract consideration related to such cancellable periods has been excluded from our calculation of backlog. However, historically our experience has been that such cancellation provisions are rarely exercised. We expect to recognize approximately $967 million of revenue over the next 12 months under currently executed contracts related to such cancellable periods, which is not included in our calculation of backlog.

Additionally, on April 1, 2021, we completed our acquisition of Kantar Health, as further discussed in Note (12) of the Notes. We expect the acquired business to contribute approximately $125 million of revenues over the remainder of 2021.

Costs of Revenue

Costs of revenue as a percent of revenues were 17% in the first quarter of 2021, compared to 18% in the same period of 2020. The lower costs of revenue as a percent of revenues was primarily driven by lower reimbursed travel revenue, which carries a 100% cost of revenue; and reduced utilization of third-party resources associated with professional services and support and maintenance revenue, inclusive of the impact from the divestiture transactions discussed above.

Costs of revenue include the cost of reimbursed travel expense, sales commissions, third-party consulting services and subscription content and computer hardware, devices and sublicensed software purchased from manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, devices, maintenance, support, and services) carrying different margin rates changes from period to period. Costs of revenue does not include the costs of our client service personnel who are responsible for delivering our service offerings. Such costs are included in sales and client service expense.

Operating Expenses

Total operating expenses decreased 4% to $939 million in the first quarter of 2021, compared to $979 million in the same period of 2020.

- Sales and client service expenses as a percent of revenues were 45% in the first quarter of both 2021 and 2020. These expenses decreased 2% to $622 million in the first quarter of 2021, from $637 million in the same period of 2020. Sales and client service expenses include salaries and benefits of sales, marketing, support, and services personnel, depreciation and other expenses associated with our managed services business, communications expenses, unreimbursed travel expenses, expense for share-based payments, and trade show and advertising costs. The decrease in sales and client service expenses was primarily driven by reductions in non-personnel costs, inclusive of the impact from our operational improvement initiatives, as discussed above.

- Software development expenses as a percent of revenues were 14% in the first quarter of 2021, compared to 13% in the same period of 2020. Expenditures for software development include ongoing development and enhancement of the *Cerner Millennium®* and *HealtheIntent* platforms, as well as other key initiatives such as platform modernization, with a focus on development of a software as a service platform. A summary of our total software development expense in the first quarters of 2021 and 2020 is as follows:

	Three Months Ended	
(In thousands)	**2021**	**2020**
Software development costs	$ 211,027	$ 198,164
Capitalized software costs	(81,155)	(72,504)
Capitalized costs related to share-based payments	(2,395)	(1,351)
Amortization of capitalized software costs	64,850	61,011
Total software development expense	$ 192,327	$ 185,320

- General and administrative expenses as a percent of revenues were 8% in the first quarter of 2021, compared to 10% in the same period of 2020. These expenses decreased 20% to $112 million in the first quarter of 2021, from $140 million in the same period of 2020. General and administrative expenses include salaries and benefits for corporate, financial and administrative staffs, utilities, communications expenses, professional fees, depreciation and amortization, transaction gains or losses on foreign currency, expense for share-based payments, certain organizational restructuring and other expense. In the first quarter of 2021, general and administrative expenses include $20 million of expenses incurred in connection with our operational improvement initiatives, discussed above, compared to $40 million in the same period of 2020. We expect to incur additional expenses in connection with these efforts in future periods, which may be material.

- Amortization of acquisition-related intangibles as a percent of revenues was 1% in the first quarter of both 2021 and 2020. These expenses decreased 29% to $12 million in the first quarter of 2021, from $17 million in the same period in 2020. Amortization of acquisition-related intangibles includes the amortization of customer relationships, acquired technology, trade names, and non-compete agreements recorded in connection with our business acquisitions. The decrease in amortization of acquisition-related intangibles is primarily due to the impact of certain intangible assets from the Health Services acquisition in February 2015 becoming fully amortized in the first quarter of 2020.

Non-Operating Items

- Other income, net was $1 million in the first quarter of 2021, compared to $6 million in the same period of 2020. The decrease is primarily attributable to a reduction in capitalized interest, inclusive of the impact from the completion of construction on the most recent phases of our Innovations Campus in 2020.

- Our effective tax rate was 21.4% for the first quarter of 2021, compared to 20.0% for the same period of 2020. The increase in the effective tax rate in the first quarter of 2021 is primarily due to a decrease in net excess tax benefits recognized as a component of income tax expense in connection with the exercise of stock options and the vesting of restricted share and share unit awards. Refer to Note (7) of the Notes for further discussion regarding our effective tax rate.

Operations by Segment

We have two operating segments: Domestic and International. The Domestic segment includes revenue contributions and expenditures associated with business activity in the United States. The International segment includes revenue contributions and expenditures linked to business activity outside the United States, primarily from Australia, Canada, Europe, and the Middle East. Refer to Note (11) of the Notes for further information regarding our reportable segments.

The following table presents a summary of our operating segment information for the first quarters of 2021 and 2020:

(In thousands)	2021	*% of Revenue*	2020	*% of Revenue*	% Change
Domestic Segment					
Revenues	$ 1,221,992	100%	$ 1,246,415	100%	(2)%
Costs of revenue	205,694	17%	228,567	18%	(10)%
Operating expenses	560,562	46%	570,094	46%	(2)%
Total costs and expenses	766,256	63%	798,661	64%	(4)%
Domestic operating earnings	455,736	37%	447,754	36%	2%
International Segment					
Revenues	165,786	100%	165,326	100%	—%
Costs of revenue	24,962	15%	25,849	16%	(3)%
Operating expenses	61,614	37%	66,555	40%	(7)%
Total costs and expenses	86,576	52%	92,404	56%	(6)%
International operating earnings	79,210	48%	72,922	44%	9%
Other costs and expenses, net	(316,888)		(342,300)		(7)%
Consolidated operating earnings	$ 218,058		$ 178,376		22%

Domestic Segment

- Revenues decreased 2% to $1.22 billion in the first quarter of 2021, from $1.25 billion in the same period of 2020. The decline in revenues is primarily due to a $23 million reduction from the sale of certain of our revenue cycle outsourcing business operations to affiliates of R1 RCM Inc., on August 3, 2020. Additionally, we believe the ongoing COVID-19 pandemic has negatively impacted our operations in the first quarter of 2021, as further discussed above. These declines are partially offset by increased implementation activity within our federal business, inclusive of ongoing projects with the U.S. Department of Defense and the U.S. Department of Veterans Affairs. Refer to Note (2) of the Notes for further information regarding revenues disaggregated by our business models.

- Costs of revenue as a percent of revenues were 17% in the first quarter of 2021, compared to 18% in the same period of 2020. The lower costs of revenue as a percent of revenues was primarily driven by lower reimbursed travel revenue, which carries a 100% cost of revenue; and reduced utilization of third-party resources associated with professional services revenue, inclusive of the impact from the divestiture transaction discussed above.

- Operating expenses as a percent of revenues were 46% in the first quarter of both 2021 and 2020. These expenses decreased 2% to $561 million in the first quarter of 2021, from $570 million in the same period of 2020. The decrease in operating expenses was primarily driven by reductions in non-personnel costs, inclusive of the impact from our operational improvement initiatives, as discussed above.

International Segment

- Revenues remained relatively flat at $166 million in the first quarter of 2021, and $165 million in the same period of 2020. The first quarter of 2021 includes a $21 million reduction in revenues from the sale of certain of our business operations primarily conducted in Germany and Spain to affiliates of CompuGroup Medical SE & Co. KGaA on July 1, 2020. This decline was offset by 2021 revenue growth across the majority of our remaining International Segment operations. Refer to Note (2) of the Notes for further information regarding revenues disaggregated by our business models.

- Costs of revenue remained relatively flat at $25 million in the first quarter of 2021, and $26 million in the same period of 2020.

- Operating expenses as a percent of revenues were 37% in the first quarter of 2021, compared to 40% in the same period of 2020. These expenses decreased 7% to $62 million in the first quarter of 2021, from $67 million in the same period of 2020. The decrease in operating expenses is primarily due to the sale of certain of our business operations in Germany and Spain, as further discussed above.

Other Costs and Expenses, Net

Operating costs and expenses not attributed to an operating segment include expenses such as software development, general and administrative expenses, share-based compensation expense, certain amortization and depreciation, certain organizational restructuring and other expense. These expenses decreased 7% to $317 million in the first quarter of 2021, from $342 million in the same period of 2020. The decrease is primarily due to a reduction in expenses incurred in connection with our operational improvement initiatives, discussed above.

Liquidity and Capital Resources

Our liquidity is influenced by many factors, including the amount and timing of our revenues, our cash collections from our clients and the amount we invest in software development, acquisitions, capital expenditures, and our share repurchase and dividend programs.

Our principal sources of liquidity are our cash, cash equivalents, which primarily consist of money market funds, time deposits and commercial paper with original maturities of less than 90 days, short-term investments, borrowings under our Credit Agreement and other sources of debt financing. At March 31, 2021, we had cash and cash equivalents of $998 million and short-term investments of $476 million, as compared to cash and cash equivalents of $616 million and short-term investments of $442 million at December 31, 2020.

We have entered into a Credit Agreement with a syndicate of lenders that provides for an unsecured $1.00 billion revolving credit loan facility, along with a letter of credit facility up to $100 million (which is a sub-facility of the $1.00 billion revolving credit loan facility). We have the ability to increase the maximum capacity to $1.20 billion at any time during the Credit Agreement's term, subject to lender participation and the satisfaction of specified conditions. The Credit Agreement expires in May 2024. As of March 31, 2021, we had outstanding revolving credit loans and letters of credit of $600 million and $33 million, respectively; which reduced our available borrowing capacity to $367 million under the Credit Agreement.

We have also entered into note purchase agreements pursuant to which we may issue and sell unsecured senior promissory notes to those purchasers electing to purchase. See Note (5) of the Notes for further information.

We believe that our present cash position, together with cash generated from operations, short-term investments and, as appropriate, remaining availability under our Credit Agreement and other sources of debt financing, will be sufficient to meet anticipated cash requirements for the next 12 months.

The following table summarizes our cash flows in the first three months of 2021 and 2020:

	Three Months Ended	
(In thousands)	**2021**	**2020**
Cash flows from operating activities	$ 450,434	$ 283,506
Cash flows from investing activities	(182,185)	(136,611)
Cash flows from financing activities	117,115	(295,961)
Effect of exchange rate changes on cash	(3,118)	(7,365)
Total change in cash and cash equivalents	382,246	(156,431)
Cash and cash equivalents at beginning of period	615,615	441,843
Cash and cash equivalents at end of period	$ 997,861	$ 285,412
Free cash flow (non-GAAP)	$ 290,959	$ 160,403

Cash from Operating Activities

	Three Months Ended	
(In thousands)	**2021**	**2020**
Cash collections from clients	$ 1,439,319	$ 1,366,709
Cash paid to employees and suppliers and other	(954,120)	(1,068,523)
Cash paid for interest	(15,549)	(11,811)
Cash paid for taxes, net of refunds	(19,216)	(2,869)
Total cash from operations	$ 450,434	$ 283,506

Cash flows from operations increased $167 million in the first three months of 2021 when compared to the same period of 2020, due primarily to a reduction in cash used to fund working capital requirements. Days sales outstanding was 77 days in the first quarter of 2021, compared to 76 for the 2020 fourth quarter and 74 days for the first quarter of 2020.

Cash from Investing Activities

(In thousands)	Three Months Ended 2021	2020
Capital purchases	$ (75,925)	$ (49,248)
Capitalized software development costs	(83,550)	(73,855)
Purchases of investments, net of sales and maturities	(14,735)	(3,082)
Purchases of other intangibles	(7,975)	(9,682)
Acquisition of businesses, net of cash acquired	—	(744)
Total cash flows from investing activities	$ (182,185)	$ (136,611)

Cash flows from investing activities consist primarily of capital spending, investment, acquisition, and divestiture activities.

Our capital spending in the first three months of 2021 was driven by capitalized equipment purchases primarily to support growth in our managed services business and capitalized spending to support our ongoing software development initiatives. Capital purchases for the remainder of 2021 are expected to be below 2020 levels, primarily driven by reduced purchases to support our facilities requirements, reflective of the completion of construction on the most recent phases of our Innovations Campus in the third quarter of 2020.

Short-term investment activity historically consists of the investment of cash generated by our business in excess of what is necessary to fund operations. Both the 2021 and 2020 activity is impacted by excess cash primarily being used to execute on our capital allocation strategy, including the share repurchases and cash dividends discussed below.

On April 1, 2021, we paid $365 million of purchase price consideration in connection with our acquisition of Kantar Health, as further discussed in Note (12) of the Notes. We expect to continue seeking and completing strategic business acquisitions, investments, and relationships that are complementary to our business.

Cash from Financing Activities

(In thousands)	Three Months Ended 2021	2020
Long-term debt issuance	$ 500,000	$ 300,000
Cash from option exercises (net of taxes paid in connection with shares surrendered by associates)	31,617	113,686
Treasury stock purchases	(341,715)	(650,000)
Dividends paid	(67,477)	(56,047)
Other	(5,310)	(3,600)
Total cash flows from financing activities	$ 117,115	$ (295,961)

In March 2021, we issued $500 million aggregate principal amount of Series 2021 Senior Notes. In March 2020, we issued $300 million aggregate principal amount of Series 2020-A notes. Refer to Note (5) of the Notes for further information regarding these, as well as our other debt obligations.

We may incur additional indebtedness in the next 12 months, which will primarily be dependent on cash flows from operations, market interest rates, and the timing of business acquisition and capital allocation activity. The proceeds from such indebtedness would be deployed in accordance with our capital allocation strategy, which may include share repurchases and dividend payments (as discussed further below), as well as for general corporate purposes, including acquisitions and investments. The terms and availability of any such debt financing may be impacted by economic and financial market conditions, as well as our financial condition and results of operations at the time we seek such financing, and there can be no assurances that we would be able to obtain such financing on terms that will be acceptable or advantageous to us.

Cash inflows from stock option exercises are dependent on a number of factors, including the price of our common stock, grant activity under our stock option and equity plans, and overall market volatility. We expect net cash inflows from stock option exercises to continue throughout 2021 based on the number of exercisable options as of March 31, 2021 and our current stock price.

During the first three months of 2021 and 2020, we repurchased 4.9 million shares of our common stock for total consideration of $350 million and 9.2 million shares of our common stock for total consideration of $650 million, respectively. As of March 31, 2021, $577 million remained available for repurchase under our share repurchase program. On April 23, 2021, our Board of Directors approved a new share repurchase program, which authorizes the Company to repurchase up to $3.75 billion in the aggregate of shares of our common stock, excluding transaction costs, and which is incremental to our existing share repurchase program. We will continue to repurchase shares under our share repurchase programs, but the amount and timing of such repurchases will be dependent on a number of factors, including the price of our common stock and other cash flow needs. There is no assurance that we will repurchase up to the full amount remaining under our programs. Refer to Notes (9) and (12) of the Notes for further information regarding our share repurchase programs.

During the first three months of both 2021 and 2020, we declared and paid quarterly cash dividends. Subject to declaration by our Board of Directors, we expect to continue paying quarterly cash dividends as a part of our current capital allocation strategy. Future dividends will be subject to the determination, declaration and discretion of our Board of Directors and compliance with covenants under our outstanding debt agreements. Refer to Note (9) of the Notes for further information regarding our cash dividend activity.

The source of funds for such repurchases and dividends may include cash generated from operations, liquidation of investment holdings and other dispositions of assets, and the incurrence of indebtedness.

Free Cash Flow (Non-GAAP)

	Three Months Ended	
(In thousands)	**2021**	**2020**
Cash flows from operating activities (GAAP)	$ 450,434	$ 283,506
Capital purchases	(75,925)	(49,248)
Capitalized software development costs	(83,550)	(73,855)
Free cash flow (non-GAAP)	$ 290,959	$ 160,403

Free cash flow increased $131 million in the first three months of 2021 compared to the same period in 2020, primarily due to increased cash from operations, partially offset by an increase in capital spending. Free cash flow is a non-GAAP financial measure used by management, along with GAAP results, to analyze our earnings quality and overall cash generation of the business, and for management compensation purposes. We define free cash flow as cash flows from operating activities reduced by capital purchases and capitalized software development costs. The table above sets forth a reconciliation of free cash flow to cash flows from operating activities, which we believe is the GAAP financial measure most directly comparable to free cash flow. The presentation of free cash flow is not meant to be considered in isolation, nor as a substitute for, or superior to, GAAP results, and investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Free cash flow may also be different from similar non-GAAP financial measures used by other companies and may not be comparable to similarly titled captions of other companies due to potential inconsistencies in the method of calculation. We believe free cash flow is important to enable investors to better understand and evaluate our ongoing operating results and allows for greater transparency in the review and understanding of our overall financial, operational and economic performance, because free cash flow takes into account certain capital expenditures necessary to operate our business.

Forward Looking Statements

All statements contained in this quarterly report on Form 10-Q that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are based on the current beliefs, expectations and assumptions of Cerner's management with respect to future events and are subject to a number of significant risks and uncertainties. It is important to note that Cerner's performance, and actual results, financial condition or business could differ materially from those expressed in such forward-looking statements. The words "will," "believe," "plans," "may," "expect," "expected," "anticipated," "strategy," "opportunities," "future," "estimate" "objectives", or "predict" or the negative of these words, variations thereof or similar expressions are intended to identify such forward-looking statements. For example, our forward-looking statements include statements regarding our expectations, opportunities or plans for growth; our operational improvement initiatives and the results expected to be realized from those initiatives; our expectations with respect to realizing revenue from backlog; our anticipated expenses, cash requirements and sources of liquidity; the expected impact of the COVID-19 pandemic on our results of operations, financial condition, business and operations; the expected revenue contributions of acquired businesses; and our capital allocation strategies and plans. These statements involve a number of risks, uncertainties and other factors that could cause or contribute to actual results differing materially, including without limitation: the extent to which the COVID-19 pandemic and measures taken in response thereto could adversely affect our financial condition, future bookings and results of operations; the possibility of interruption at our data centers or client support facilities, or those of third parties with whom we have contracted (such as public cloud providers), that could expose us to significant costs and reputational harm; the possibility of increased expenses, exposure to legal claims and regulatory actions and reputational harm associated with a cyberattack or other breach in our IT security or the IT security of third parties on which we rely; potential claims for system errors and warranties or significant costs and reputational harm related to product and service-related liabilities; our proprietary technology may be subject to claims for infringement or misappropriation of intellectual property rights of others, or may be infringed or misappropriated by others, or subject to claims related to open source licenses; material adverse resolution of legal proceedings or other claims or reputational harm stemming from negative publicity related to such claims or legal proceedings; risks associated with our global operations, including without limitation greater difficulty in collecting accounts receivable; significant competition and our ability to anticipate or respond quickly to market changes, changing technologies and evolving pricing and deployment methods and to bring competitive new solutions, devices, features and services to market in a timely fashion; risks inherent with business acquisitions, strategic investments, collaborations and the failure to achieve projected synergies, or divestitures; managing growth in the new markets in which we offer solutions, healthcare devices or services; long sales cycles for our solutions and services; risks related to our dependence on strategic relationships and third party suppliers, including any impact to such supplier's business resulting from the COVID-19 pandemic; risks associated with the loss or recruitment and retention of key personnel or the failure to successfully develop and execute succession planning to assure transitions of key associates and their knowledge, relationships and expertise; inability to achieve expected operating efficiencies and sustain or improve operating expense reductions or business disruptions or adverse tax consequences associated with restructuring, realignment and costs reduction activities; changing political, economic and regulatory influences, which could impact the purchasing practices and operations of our clients and increase costs to deliver compliant solutions and services; non-compliance with laws, regulations or certain industry initiatives or failure to deliver solutions or services that enable our clients to comply with laws or regulations applicable to their businesses; risks inherent in contracting with government clients, including without limitation, complying with strict compliance and disclosure obligations, navigating complex procurement rules and processes, and defending against bid protests; volatility and disruption resulting from global economic or market conditions, including the impact from the COVID-19 pandemic; risks associated with our outstanding and future indebtedness, such as compliance with restrictive covenants, which may limit our flexibility to operate our business; risk that our capital allocation strategy will not be fully implemented or enhance long-term shareholder value; changes in tax laws, regulations or guidance that could adversely affect our tax position and/or challenges to our tax positions in the U.S. and non-U.S. countries; the potential for losses resulting from asset impairment charges; potential variations in our sales forecasts compared to actual sales; risks that our revenue growth may be lower than anticipated and/or that the mix of revenue shifts to low margin revenue; variations in our quarterly operating results; volatility in the trading price of our common stock and the timing and volume of market activity; risks associated with fluctuations in foreign currency exchange rates; and our directors' authority to issue preferred stock and the anti-takeover provisions in our corporate governance documents. Additional discussion of these and other risks, uncertainties and factors affecting Cerner's business is contained in our filings with the Securities and Exchange Commission, including those under the caption "Risk Factors" in our latest annual report on Form 10-K, or in materials incorporated herein or therein by reference. Forward-looking statements are not guarantees of future performance or results. The reader should not place undue reliance on forward-looking statements since the statements speak only as of the date that they are made. Except as required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in our business, results of operations or financial condition over time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

No material changes.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report on Form 10-Q (the "Evaluation Date"). Based upon that evaluation, our CEO and CFO have concluded that, as of the Evaluation Date, our disclosure controls and procedures were designed, and were effective, to provide reasonable assurance that the information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in SEC rules and forms and is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

c) Limitations on Controls.

Our management can provide no assurance that our disclosure controls and procedures or our internal control over financial reporting can prevent all errors and all fraud under all circumstances. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we are involved in litigation which is incidental to our business. There have been no material developments to the legal proceedings previously reported in our 2020 annual report on Form 10-K. In our opinion, no litigation to which we are currently a party is likely to have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The table below provides information with respect to Common Stock purchases by the Company during the first fiscal quarter of 2021.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (b)
January 1, 2021 - January 31, 2021	59	$ 83.30	—	$ 926,812,469
February 1, 2021 - February 28, 2021	2,801,451	71.37	2,801,451	726,868,561
March 1, 2021 - March 31, 2021	2,102,917	71.31	2,102,917	576,910,663
Total	4,904,427	$ 71.35	4,904,368	

(a) Of the 4,904,427 shares of common stock, par value $0.01 per share, presented in the table above, 59 shares were originally granted to employees as restricted stock pursuant to our 2011 Omnibus Equity Incentive Plan (the "Omnibus Plan"). The Omnibus Plan allows for the withholding of shares to satisfy tax obligations due upon the vesting of restricted stock. Pursuant to the Omnibus Plan, the 59 shares reflected above were relinquished by employees in exchange for our agreement to pay U.S. federal and state withholding obligations resulting from the vesting of the Company's restricted stock.

(b) Under our share repurchase program, which was initially approved by our Board of Directors on May 23, 2017 (and announced May 25, 2017) and most recently amended on December 12, 2019 (as announced on December 13, 2019), the Company is authorized to repurchase up to $3.70 billion of shares of our common stock, excluding transaction costs. The repurchases are to be effectuated in the open market, by block purchase, in privately negotiated transactions, or through other transactions managed by broker-dealers. No time limit was set for the completion of the program. During the three months ended March 31, 2021, we repurchased 4.9 million shares for total consideration of $350 million under the program pursuant to Rule 10b5-1 plans. As of March 31, 2021, $577 million remained available for repurchase under the program. On April 23, 2021, our Board of Directors approved a new share repurchase program, which authorizes the Company to repurchase up to $3.75 billion in the aggregate of shares of our common stock, excluding transaction costs, and which is incremental to our existing share repurchase program. Refer to Notes (9) and (12) of the Notes for further information regarding our share repurchase programs.

Item 6. Exhibits

(a)	Exhibits
10.1*	Form 2021 Executive Performance Agreement - Section 16 Officer
10.2*	Offer Letter - Mark Erceg
10.3*	Amended Employment Agreement between Cerner Corporation and Mark Erceg
31.1	Certification of Brent Shafer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Mark J. Erceg pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Brent Shafer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of Mark J. Erceg pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101.

*Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

CERNER CORPORATION
Registrant

Date: May 5, 2021

By: /s/ Mark J. Erceg
Mark J. Erceg
Executive Vice President and Chief Financial Officer (duly authorized officer and principal financial officer)

Form 2021 Executive Performance Agreement - Section 16 Officer

Pursuant to the Cerner Corporation 2018 Performance Compensation Plan, effective as of January 1, 2018 (the "Plan")

Plan Metrics

Your annual Target Bonus Level (TBL) is $«Total_TBL».

Your Performance Metric Payout will be based on attainment of the following Performance Metrics:

Weighting	Performance Metric
40%	**Adjusted Earnings per Share (Adjusted EPS)**
20%	**Adjusted Revenue**
20%	**Free Cash Flow**
10%	**Client Success**
10%	**Organizational Health**

Your Performance Metric Payout will be calculated based on the Attainment % of Performance Metric and Payout % targets established by the Compensation Committee. The applicable targets for each Performance Metric, and each applicable Attainment % of Performance Metric and Payout % for each Performance Metric, will be communicated to you under separate cover, in a manner substantially similar to the tables set forth below.

Adjusted EPS

Attainment % of Performance Metric	Applicable Period Payout %
[XXX%]	[XXX%]
[XXX%]	[XXX%]
100% (target)	100%
[XX%]	[XX%]
[XX%]	0%

Adjusted Revenue

Attainment % of Performance Metric	Applicable Period Payout %
[XXX%]	[XXX%]
[XXX%]	[XXX%]
100% (target)	100%
[XX%]	[XX%]
[XX%]	0%

Free Cash Flow

Attainment % of Performance Metric	Applicable Period Payout %
[XXX%]	[XXX%]
[XXX%]	[XXX%]
100% (target)	100%
[XX%]	[XX%]
[XX%]	0%

Client Success

Change in NPS	Applicable Period Payout %
[X%-Y%]	[XXX%]
[X%-Y%]	[XXX%]
[X%-Y%] (target)	100%
[X%-Y%]	[XX%]
[X%-Y%]	[XX%]
[X%-Y%]	0%

Organizational Health

Change in Associate Survey Score	Applicable Period Payout %
[X%-Y%]	[XXX%]
[X%-Y%]	[XXX%]
[X%-Y%] (target)	100%
[X%-Y%]	[XX%]
[X%-Y%]	50%

At the discretion of the Compensation Committee or management, your Performance Metric Payout for the year may be decreased or, at the discretion of the Compensation Committee, increased.

Discretionary adjustments may be made based on consideration of your individual performance or other factors deemed relevant. In no event may your calculated Performance Metric Payout for the full year exceed 200% of your annual TBL.

Payment Terms, Schedule and Criteria

Terms

Payment based on each Performance Metric will be calculated annually based on approved full-year targets. If you are in an eligible role for less than a full calendar year, your annual TBL will be proportionately reduced for that year.

Any changes to your TBL during the year will be reflected in payment calculations on a pro-rata basis . As a Section 16 Officer, your annual performance-based compensation opportunity is based on (i) your approved TBL during the applicable performance year and (ii) the approved annual 2021 CPP metrics, both as established by the Compensation Committee. In its sole discretion, the Compensation Committee may elect to change your TBL or 2021 CPP metrics at any time during the year.

Corrections to prior period payments may be made and applied to current period payments earned to ensure accurate incentive payments.

Timing

Payment of earned TBL will be made approximately sixty (60) days after the end of the applicable performance period, subject to satisfaction of the eligibility criteria below.

Criteria

1. In order to be eligible for any payments under this Award, Cerner must have received your signed Cerner Associate Employment Agreement and Mutual Arbitration Agreement, which governs the terms and conditions of your employment with Cerner.
2. Payments under the Plan for the year will be forfeited if you fail to complete performance reviews/self-appraisals as required by Cerner's Human Resources group.
3. Exceptions to the above items will be considered and determined by the Plan Administrator(s), in its sole discretion.

Other Considerations

1. Termination of Eligibility: Your eligibility under the Plan will be terminated immediately in the event of termination of employment with Cerner Corporation or any of its subsidiaries (“Cerner”), for any reason (voluntarily or involuntarily), or transfer to a non-Cerner Performance Plan (CPP) eligible role. Payments are earned only for the completed period (i.e., if employment with Cerner is terminated or if participation in the Plan is otherwise terminated at any time before the completion of a period, no incentive will be earned or paid). You will be entitled to payment for the earned CPP incentive only if you are employed in your CPP-eligible role on the last day of the applicable period.
2. Leave of Absence: If you are not actively at work for more than twelve weeks of the performance plan period, your Performance Metric Payout will be reduced pro rata based on the amount of time you are not actively at work.
3. Repayments to Cerner: In the event your employment is terminated, for any reason (voluntarily or involuntarily), and you owe money to Cerner, for any reason, or you are required to return incentive payments, Cerner may deduct the amounts owed from all accounts due to you, such as salary, advances, vacation pay, expense reimbursements, incentive payments, and other Cerner monies owed to you. To the extent such amounts are not setoff, you will remain liable for any remaining balance. Cerner reserves the right to collect any outstanding balance through legal means if necessary.
4. Acceptance: Unless you revoke this CPP Award by notifying Cerner's HR Service Center at the following email address equityadmin@cerner.com within 30 days of the date of receipt of this CPP Award, you will be deemed to have accepted this CPP Award.

5. Incentive Payment Recovery; Clawback: This CPP Award, and any right to receive and retain any Performance Metric Payout hereunder, is subject to rescission, forfeiture, cancellation or recoupment, in whole or in part, if and to the extent so provided under the Cerner Corporation Incentive Awards and Severance Payment Clawback Policy for Executive Officers and Applicable Persons, as in effect from time to time, or any other applicable clawback, adjustment or similar policy in effect on or established after the date of this CPP Award (the "Clawback Policy"). By accepting this CPP Award, you agree that you are obligated to provide all assistance necessary to Cerner to recover or recoup any of the Performance Metric Payout or other value pursuant to this CPP Award which is subject to recovery or recoupment pursuant to the Clawback Policy. Such assistance shall include completing any documentation necessary to recover or recoup any portion of the Performance Metric Payout received pursuant to this CPP Award from any accounts you maintain or any pending or future compensation.

6. Modifications to this Award: The Plan Administrator reserves the right, in its sole discretion, to interpret and modify this Award agreement: (a) during the performance period to coincide with changing corporate objectives, and (b) during or after the performance period to: (i) avoid windfall payments unintentionally derived from the Plan design that may result from the highly variable nature of many Client Agreement(s) or market conditions and/or (ii) adjust payments or terminate this CPP Award when an Associate's performance has been documented by management to be unacceptable. Such modifications will occur only under the authority of the Plan Administrator(s), in its sole discretion. Any component of this Award may be adjusted to ensure that you receive adequate, yet reasonable, compensation.

Capitalized terms used but not otherwise defined in this Award have the meanings set forth in the Plan Glossary (updated effective January 1, 2021).

Exhibit 10.2

Cerner Corporation
World Headquarters
2800 Rockcreek Parkway
Kansas City, MO 64117
816.201.1024

January 15, 2021

Mark J. Erceg
VIA Email

Dear Mark:

On behalf of Cerner Corporation, I am pleased to offer you the position of Executive Vice President and Chief Financial Officer. In this position, you will report directly to Cerner's Chief Executive Officer.

The starting salary we are offering is $700,000 per year.

Your position at Cerner is a professional, exempt position that requires a significant level of responsibility, discretion, independent judgment or the performance of other exempt duties. As a result, it carries no additional compensation for overtime worked.

As Executive Vice President and Chief Financial Officer, you will be eligible to participate in the Cerner Corporation 2018 Performance Compensation Plan, as amended (CPP). CPP provides additional, performance-based, compensation opportunities tied to the attainment of group and/or individual performance goals. The amount of CPP compensation available is based on an associate's responsibility level and an associate's and/or Cerner's overall performance for the year. The specifics of your plan and metrics will be defined and approved by the Compensation Committee of the Cerner Board of Directors annually. Your initial annual Target Bonus Level will be $840,000. You will be eligible to participate in the plan effective the first full quarter following your start date or as determined by your Plan Document, as applicable.

Equity

You will receive an equity grant with an aggregate grant date value of $4,600,000 during the 2021 annual equity award cycle. This grant will be made 50% as time-based restricted stock units ("RSUs") that will vest ratably over three years and 50% as performance-based restricted stock units ("PSUs"), which vest 100% after three years, subject to achieving performance metrics that will be approved by the Committee prior to the grant date and continuous employment through the vesting date. The Committee has not yet set the grant date for the 2021 annual equity award cycle, but it is anticipated to be on or around May 3, 2021.

You will also receive a one-time hire grant in order to establish an immediate alignment with shareholders and as inducement to join Cerner given the very competitive talent market for Chief Financial Officers. This new hire equity grant will have a grant date value of $2,500,000 and will be made 50% as RSUs and 50% as PSUs. The RSUs will vest ratably over four years and will be granted on the later of your hire date and February 15, 2021. The PSUs will be granted during the 2021 annual equity award cycle and will vest 100% after three years, subject to achieving performance metrics that will be approved by the Committee prior to the grant date and continuous employment through the vesting date. The Committee has not yet set the grant date for the 2021 annual equity award cycles, but it is anticipated to be on or around May 3, 2021

All awards are subject to and governed by the terms and conditions outlined in their respective award agreements which will be provided to you as soon as practicable after the grant date.

Assuming you continue to successfully fulfill your role, you will be considered for additional equity grants on an annual basis to the same extent as other senior executives. These grants will be based on your individual and organization’s performance, as well as Cerner’s overall performance.

Relocation

Cerner will provide relocation assistance for your upcoming move to Kansas City in accordance with Cerner’s Platinum Relocation Guideline and Guaranteed Purchase Offer Program. Details will be provided to you under separate cover and acceptance of this offer affirms your consent and agreement to all terms and conditions of these programs.

Associate Benefits

Cerner offers a comprehensive set of benefits to address your physical, financial, and emotional health. At Cerner, we believe the foundation for a successful career starts with a variety of options that meet your needs while supporting a healthy lifestyle. Please reference the enclosed benefits brochure for additional details.

Cerner associates holding positions at your level within the organization do not accrue personal time off and instead are encouraged to take time off on an as-needed basis while meeting business responsibilities.

Authorization to Work

Under the Immigration Reform and Control Act of 1986 and regulations of the United States Citizenship and Immigration Services, Cerner is required to verify that each new associate is authorized to be employed in the United States. You will be asked to complete Form I-9 to verify your identity and employment eligibility. You must fully comply with all I-9 requirements and present the required documentation within three (3) business days from the date that employment begins in order to continue employment with Cerner. Failure to comply with these regulations will result in termination of your employment. Continued employment at Cerner is contingent upon obtaining, transferring, and/or maintaining valid U.S. work authorization. We will be happy to further explain the documentation requirements for compliance with these regulations.

Please note that Cerner participates in E-Verify and will provide the Social Security Administration (SSA) and, if necessary, the Department of Homeland Security (DHS), with information from each new associate's Form I-9 to confirm work authorization.

Employment Agreement and Mutual Arbitration Agreement

Cerner has established significant momentum in the development of client relationships, professional staff, systems development methodology, and proprietary software solutions. We regard these areas as the most important assets owned by Cerner. It is our intent to guard these assets closely. Therefore, every associate of Cerner is required to execute an Employment Agreement on or before the first day of employment. This Employment Agreement includes the terms of your employment relationship with Cerner, including without limitation, a covenant not to disclose confidential client and internal information, a covenant not to compete against Cerner in certain markets, a covenant not to solicit our associates, and establishes that, during the term of your employment, the benefits of your endeavors accrue to Cerner. Every Cerner associate is also required to execute a Mutual Arbitration Agreement on or before the first day of employment. Sample copies of the Employment Agreement and the Mutual Arbitration Agreement have been made available for your review.

Executive Severance Agreement

You will also receive the benefit of an Executive Severance Agreement, which provides certain benefits in the event of your termination without cause or constructive discharge. A sample copy of such an Executive Severance Agreement is enclosed.

Work Environment

Cerner is committed to providing a safe work environment and promoting the health and well-being of our associates. Cerner desires to provide a drug-free and tobacco-free workplace, and it is our policy to prohibit the use of all forms of drugs and tobacco products on any Cerner-owned or leased property ("Cerner Property"). Therefore, all associates may be subject to periodic random screening, reasonable suspicion screening and/or post-incident screening.

Offer of Employment

The purpose of this Offer Letter is to put in writing the specifics of our offer of employment. This offer is contingent upon:
- Execution of a Cerner Employment Agreement
- Execution of a Cerner Mutual Arbitration Agreement
- Receipt of a satisfactory outcome of a background check

Negative background check results will result in withdrawal of this provisional offer of employment or termination of employment, depending on when the results are received.

Start Date

Should you accept this offer, your new role, title and base compensation rate will become effective on your first day of employment, which is currently expected to be February 22, 2021.

Sincerely,

/s/ Tracy L. Platt

Tracy Platt
Executive Vice President & Chief Human Resources Officer

ACCEPTANCE

By acknowledging this Offer Letter and reviewing the sample Mutual Arbitration Agreement, Employment Agreement and Executive Severance Agreement, you agree to and accept the terms and conditions of employment with Cerner Corporation. You will receive an official copy of the Mutual Arbitration Agreement, Employment Agreement and Executive Severance Agreement with your new hire paperwork, which must be signed on or before your first day with Cerner.

/s/ Mark J. Erceg

Mark J. Erceg

1/19/21

Date

CERNER EXECUTIVE SEVERANCE AGREEMENT

This Cerner Executive Severance Agreement (this “Executive Severance Agreement”), effective as of February 22, 2021 (the “Effective Date”), is a supplement to and amendment of the employment agreement dated February 22, 2021 between Mark Erceg (“you”/“your”) and Cerner Corporation, a Delaware corporation (“Cerner”).

RECITALS

A. You will become the Executive Vice President and Chief Financial Officer of Cerner effective as of February 22, 2021.

B. You have entered into an employment agreement with Cerner dated February 22, 2021 (your “Employment Agreement”) and a mutual arbitration agreement with Cerner dated February 22, 2021 (the “Mutual Arbitration Agreement”).

C. You and Cerner wish to supplement and amend your Employment Agreement by adding contractual severance terms as set forth in this Executive Severance Agreement.

D. In consideration for your employment with Cerner, the restricted stock units granted to you at the time of hire and as part of your annual compensation package, the potential severance payments and potential acceleration of the vesting of outstanding equity incentive awards described herein, the potential benefits to you in the event of a Change in Control, and other good and valuable consideration, the receipt and sufficiency of which you and Cerner hereby acknowledge, you and Cerner hereby agree to the following supplemental terms and conditions to your Employment Agreement.

E. Definitions of capitalized terms used but not otherwise defined herein can be found in Appendix A.

AGREEMENT

In consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree to amend and supplement your Employment Agreement as follows:

1. PARAGRAPH 2 MODIFICATION. Paragraph 2 of your Employment Agreement is deleted in its entirety and replaced with the following:

    2. EMPLOYMENT RELATIONSHIP; SEVERANCE AND BENEFITS.

    A. Formation. By signing this Agreement, you represent that every material fact contained in your resume, application for employment, and other related documentation is true and accurate. Misrepresentation or omission of a material fact and falsification of such documentation are grounds for immediate discharge. You further agree you are not engaged and will not engage in other employment activities or extracurricular activities that would detract from or conflict with your ability to carry out your duties at Cerner. All employment or other paid or unpaid positions/activities/extracurricular activities outside of Cerner that could potentially detract from or conflict with your ability to carry out your duties at Cerner must be cleared in advance by Cerner pursuant to Cerner's Conflicts of Interest Policy.

B. Type. To the extent permitted by law, your employment relationship with Cerner is "at will," which means that you may resign from Cerner at any time, for any reason or for no reason at all, and without advance notice (except as described below). It also means that Cerner may terminate your employment at any time - for any legally permitted reason or for no reason at all and without advance notice, subject to Cerner's potential obligations to you under Paragraph 2.D below.

C. Resignation and Termination.

1. Termination by Cerner. Cerner may terminate your employment (i) at any time with or without Cause, or (ii) upon your Disability. Your employment with Cerner shall be deemed automatically terminated upon your death. Upon a termination of your employment by Cerner with Cause, due to your death or on account of Disability (each an "Ineligible Severance Event"), Cerner shall pay you within thirty (30) days following your last day of employment (x) any accrued but unpaid base salary, (y) any owed reimbursements for unreimbursed business expenses properly incurred by you prior to your termination date, which shall be subject to and paid in accordance with Cerner's expense reimbursement policy; and (z) such employee benefits (including equity compensation or cash bonuses earned as of the termination date but not yet paid), if any, to which you may be entitled under Cerner's employee benefit plans as of your termination date; provided that, in no event shall you be entitled to any payments in the nature of any other severance or termination payments (such as under Cerner's Enhanced Severance Pay Plan). Those amounts described in this Paragraph 2.C.1 (x), (y) and (z) are referred to herein collectively as the "Accrued Amounts." Payment upon termination of your employment by Cerner for any reason other than an Ineligible Severance Event is covered by Paragraph 2.D.

2. Termination by You. You may resign from your employment with Cerner at any time upon written notice to Cerner of your intention to resign from employment. Any resignation notice must be submitted to Cerner at least thirty (30) days prior to your intended last day of employment. Cerner, however, reserves the right either to accelerate your last day of employment or to allow your intended last day of employment to stand. If you resign with fewer than thirty (30) days' notice, or if you actually leave Cerner's employ prior to expiration of the notice period without the permission of Cerner, then you agree that (to the extent permitted by law)

no Accrued Amounts from the date you submitted your resignation notice to your last day of employment will be owed or paid to you by Cerner. All other Accrued Amounts will be paid. You may also terminate your employment hereunder upon written notice to Cerner in the event of a Constructive Termination (before a Change in Control) or for Good Reason (after a Change in Control) and, subject to you satisfying your obligations under Paragraph 2.D.3 (Severance Agreement and Release), be entitled to certain severance and benefit compensation as provided in Paragraph 2.D.

You agree to report to Cerner the identity of your new employer (if any) and the nature of your proposed duties for that employer.

D. Severance and Benefits.

1. Non-Change in Control - Termination by Cerner for other than an Ineligible Severance Event or Resignation following Constructive Termination. Subject to you satisfying your obligations under Paragraph 2.D.3. (Severance Agreement and Release), if, prior to a Change in Control or at any time after twelve (12) months following a Change in Control, (i) Cerner terminates your employment other than in connection with an Ineligible Severance Event or (ii) you resign from employment following a Constructive Termination, Cerner will within sixty (60) days (or later if required by Code Section 409A) of your termination of employment (unless such sixty (60) day period begins in one taxable year and ends in another taxable year, in which case the following payments will not be made until the beginning of the second taxable year):

a. Pay you your Accrued Amounts; and

b. Commence severance payments to you equal to two (2) times the sum of (i) your then current annual base salary, plus (ii) the average of the annual cash bonus you received from Cerner during the three (3) years preceding the termination of your employment, less (iii) normal tax and payroll deductions. The severance payments contemplated by the immediately preceding clause (i) will be based on your annual base salary at the time of your termination; provided, however, that if you resign from employment following a Constructive Termination because of a material reduction in your total target compensation, such severance payments will be based on your annual base salary in effect immediately prior to such reduction. Such severance pay will be payable pro rata during the twenty-four (24) month severance term on Cerner's regular paydays; and

c. Commence payments to you having an aggregate value equal to twenty-four (24) times the difference between the monthly COBRA continuation premium cost to cover you and your dependents (to the extent covered under Cerner's health, vision and dental the plans on the date of your termination of employment) under Cerner’s health, vision and dental plans in effect as of the date of your termination and the monthly amount you were paying for such coverage at the effective date of your termination. Such payments will be payable pro rata during the twenty-four (24) month severance term on Cerner’s regular paydays. Notwithstanding the foregoing, if Cerner making payments under this Paragraph 2.D.1.c would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act or result in the imposition of penalties under the Affordable Care Act, the parties agree to reform this Paragraph 2.D.1.c in a manner as is necessary to comply with the Affordable Care Act; and

d. With respect to all outstanding unvested equity:

    i. fully vest and, if applicable pay or deliver immediately, or a later date in conformity with Code Section 409A, any shares or other property relating to time-based restricted stock or time-based restricted stock unit awards having a “date of grant” or “grant date” (as listed in such awards) that is at least twelve (12) months before the effective date of your termination and that were originally, ignoring the application of this Paragraph 2.D.1.d.i. and assuming continuous employment, scheduled to vest by the second anniversary of the effective date of your termination;

    ii. forfeit all performance-based equity awards that have not settled (regardless of whether the original performance-based vesting criteria may have been satisfied) by the effective date of your termination;

    iii. forfeit all time-based restricted stock or time-based restricted stock unit awards having a “date of grant” or “grant date” (as listed in such awards), within twelve (12) months of the effective date of your termination; and

    iv. forfeit all stock options that have not vested as of the effective date of your termination.

2. Change in Control - Termination by Cerner for other than an Ineligible Severance Event or Resignation for Good Reason. Subject to you satisfying your obligations under Paragraph 2.D.3 (Severance Agreement and Release), if there is a Change in Control of Cerner and within twelve (12) months following the date such Change in Control becomes effective Cerner terminates your employment for any reason other than on account of an Ineligible Severance Event or you resign from employment with Good Reason, then Cerner will, within sixty (60) days (or later if required by Code Section 409A) of your termination of employment (unless such sixty (60) day period begins in one taxable year and ends in another taxable year, in which case the following payments will not be made until the beginning of the second taxable year):

a. Pay you your Accrued Amounts; and

b. Pay you in a lump sum, within sixty (60) days of the effective date of the termination of your employment, severance payments equal to two (2) times the sum of (i) your then current annual base salary, plus (ii) the average annual cash bonus you received from Cerner during the three (3) years preceding the termination or resignation of your employment, less (iii) normal tax and payroll deductions. The severance payments contemplated by the immediately preceding clause (i) will be based on your annual base salary at the time of your termination; provided, however, that if you resign from employment for Good Reason within twelve (12) months following the date a Change in Control of Cerner becomes effective because of a material reduction in your total target compensation, such severance payments will be based on your annual base salary in effect immediately prior to such reduction;

c. Commence payments to you having an aggregate value equal to twenty-four (24) times the difference between the monthly COBRA continuation premium cost to cover you and your dependents (to the extent covered under Cerner's health, vision and dental plans on the date of your termination of employment) under Cerner's health, vision and dental plans in effect as of the date of your termination and the monthly amount you were paying for such coverage at the effective date of your termination. Such payments will be payable pro rata during the twenty-four (24) month severance term on Cerner’s regular paydays. Notwithstanding the foregoing, if Cerner's making payments under this Paragraph 2.D.2.c would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act or result in the imposition of penalties under the Affordable Care Act, the parties agree to reform this Paragraph 2.D.2.c in a manner as is necessary to comply with the Affordable Care Act; and

d. Fully vest all outstanding unvested equity incentive awards granted to you under any Cerner equity incentive plans. For purposes of this Paragraph 2.D.2.d, any performance-based award shall become vested or settled assuming an "at-target" level of goal achievement had been attained.

3. Severance Agreement and Release. As a condition to your receiving severance in accordance with this Paragraph 2.D, upon your resignation or the termination of your employment, you agree to promptly execute and not revoke a written severance agreement, which release will be provided to you within ten (10) days of your termination date, containing normal and customary provisions, including but not limited to, a release releasing Cerner from any claims against Cerner related to your employment with Cerner that you might have at the time of or following the termination of your employment, and reasonable and customary representations and warranties.

4. Forfeiture and Reimbursement. Further, notwithstanding anything to the contrary in this Executive Severance Agreement, if you breach any confidentiality, non-competition or other material provision in your Employment Agreement following the termination of your employment with Cerner, Cerner's obligation, if applicable, to deliver severance payments and benefits to you under this Paragraph 2.D, and the vesting of any equity incentive awards described in this Paragraph 2.D, will cease immediately, you will reimburse Cerner the amount of severance payments delivered to you by Cerner prior to such breach by you, and you will forfeit to Cerner all equity incentive awards (or the proceeds of exercised awards) that vested based on or after such termination of your employment and prior to your breach.

5. ERISA Claims Review Procedures. To the extent any severance payments described in this Paragraph 2.D are covered by the Employee Retirement Income Security Act of 1974, as amended, Claims Review Procedures are available from Cerner.

6. Compliance with Section 409A.

a. General Compliance. This Executive Severance Agreement and any severance payments contemplated to be made hereunder is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with

Section 409A. Notwithstanding any other provision of this Executive Severance Agreement, payments provided under this Executive Severance Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Executive Severance Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Executive Severance Agreement shall be treated as a separate payment. Any payments to be made under this Executive Severance Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, Cerner makes no representations that the payments and benefits provided under this Executive Severance Agreement comply with Section 409A, and in no event shall Cerner be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by you on account of non-compliance with Section 409A.

b. Specified Employees. Notwithstanding any other provision of this Executive Severance Agreement, if any payment or benefit provided to you in connection with your termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and you are determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the your termination date or, if earlier, on your death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to you in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

c. Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Executive Severance Agreement shall be provided in accordance with the following:

i. the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

ii. any reimbursement of an eligible expense shall be paid to you on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

iii. any right to reimbursements or in-kind benefits under this Executive Severance Agreement shall not be subject to liquidation or exchange for another benefit.

E. Modified 280G Carve-Back. Notwithstanding anything contained in this Executive Severance Agreement to the contrary, if on an after-tax basis the aggregate payments and benefits paid pursuant to Paragraph 2.D.2 would be larger if the portion of such payments and benefits constituting “parachute payments” under Code Section 280G were reduced by the minimum amount necessary to avoid the imposition of the excise tax under Code Section 4999, then such payments and benefits shall be reduced by the minimum amount necessary to avoid such excise tax. Any such reduction shall occur in a manner that maximizes your economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. Any determination required under this Paragraph 2.E shall be made in writing in good faith by an accounting firm selected by Cerner, which is reasonably acceptable to you (the “Accountants”). Cerner and you shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under this Paragraph 2.E. Cerner shall be responsible for all fees and expenses of the Accountants.

F. 409(a) Modifications. Notwithstanding anything to the contrary herein, Cerner may modify your Employment Agreement and this Executive Severance Agreement from time to time without your consent if Cerner’s legal counsel deems doing so to be advisable to comply with Section 409A of the Code and you agree that any such modifications shall be binding upon you.

2. CLAWBACK. The right to receive severance and benefits in accordance with Paragraph 2 is subject to rescission, forfeiture, cancellation or recoupment, in whole or in part, if and to the extent so provided under the Cerner Corporation Incentive Awards and Severance Payment Clawback Policy for Executive Officers and Applicable Persons, as in effect from time to time with respect to severance, or any other applicable clawback, adjustment or similar policy in effect on or established subsequent to, the Effective Date (the “Clawback Policy”). The terms of the Clawback Policy are incorporated herein by reference. By accepting this Executive Severance Agreement, you agree that you are obligated to provide all assistance necessary to the Company to recover or recoup any of

the severance or other value pursuant to this Executive Severance Agreement which is subject to recovery or recoupment pursuant to the Clawback Policy. Such assistance shall include completing any documentation necessary to cancel, recover or recoup any portion of the severance from any Company bookkeeping accounts or accounts you maintain. A copy of the current Clawback Policy has been made available to you.

3. ENTIRE AGREEMENT AND PRIOR AGREEMENTS AND NO WAIVER.

We agree that your Employment Agreement, as amended by this Executive Severance Agreement, otherwise remains in full force and effect. This Executive Severance Agreement represents your entire agreement with Cerner concerning the subject matter hereof and cancels, terminates and supersedes any of your previous oral or written understandings or agreements with Cerner or with any director, officer or representative of Cerner with respect to the subject matter hereof (other than your Cerner Mutual Arbitration Agreement). Without limitation, the severance benefits and payments eligible to be provided under this Executive Severance Agreement supersede and replace any benefits or payments you might otherwise be eligible to receive under your Employment Agreement, the Cerner Enhanced Severance Pay Plan, any successor thereto, or any other broad-based Cerner severance plan or policy which otherwise would be applicable to you.

This Cerner Executive Severance Agreement is executed as of this 15th day of February, 2021.

/s/ Mark J. Erceg
Mark Erceg

Cerner Corporation

By: /s/ Tracy L. Platt
Tracy L. Platt
Executive Vice President and Chief Human Resources Officer

APPENDIX A

DEFINITION OF TERMS

CAUSE means your material breach of your Employment Agreement, fraud against Cerner, misappropriation of Cerner's assets, dishonesty, embezzlement from Cerner, theft from Cerner, material neglect of your duties and responsibilities hereunder, your arrest and indictment for a crime involving drug abuse, violence, dishonesty or theft, your taking any action or omitting to take any action that results in a violation of the Sarbanes-Oxley Act of 2002, or any related statutes, laws or regulations or material breach of Cerner's policies.

CHANGE IN CONTROL means:

(i) The acquisition by any individual, entity or group (a "Person") within the meaning of Section 12(d)(3) or 13(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either: (A) the then outstanding shares of common stock of Cerner (the "Outstanding Cerner Common Stock"), or (B) the combined voting power of the then outstanding voting securities of Cerner entitled to vote generally in the election of directors (the "Outstanding Cerner Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (X) any acquisition directly from Cerner, (Y) any acquisition by Cerner, or (Z) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Cerner or any corporation controlled by Cerner; or

(ii) Individuals who, as of the date hereof, constitute the Cerner Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Cerner's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Cerner (a "Business Combination"), in each case, unless, following such Business Combination, (A), all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Cerner Common Stock and Outstanding Cerner Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of Cerner resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Cerner or all or substantially all of Cerner's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Cerner Common Stock and Outstanding Cerner Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of Cerner or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of Cerner resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the Board of Directors of Cerner resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the board, providing for such Business Combination; or

(iv) Approval by the shareholders of Cerner of a complete liquidation or dissolution of Cerner.

CONSTRUCTIVE TERMINATION means the occurrence of any of the following without your consent: (1) a material, adverse change in your authority, position, duties, or responsibilities (other than temporarily while you are physically or mentally incapacitated or as required by applicable law) or reporting structure such that you no longer report to the Chief Executive Officer, President, any other person performing the role of the Chief Executive Officer or President, or the Board of Directors, (2) a material reduction in your total target compensation (which equals the sum of your annual base salary, target annual bonus and ongoing annual equity grant), excluding any reduction related to a broader compensation reduction or redesign by Cerner that is not limited to you, (3) a relocation of the principal location at which you are required to perform your duties to more than twenty-five (25) miles from the Kansas City metropolitan area and which is adverse to you, or (4) any other action or inaction that constitutes a material breach by Cerner of your Employment Agreement. You cannot terminate your employment on account of a Constructive Termination unless you have provided written notice to Cerner of the existence of the circumstances providing grounds for termination on account of a Constructive Termination within thirty (30) days of the initial existence of such grounds and Cerner has had at least thirty (30) days from the date on which such notice is provided to cure such circumstances. If you do not terminate your employment on account of a Constructive Termination within ninety (90) days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate on account of a Constructive Termination with respect to such grounds.

DISABILITY means a physical or mental illness, as determined by an accredited physician, which causes you to be unable to perform your duties hereunder for ninety (90) consecutive days, or for an aggregate of ninety (90) days during any period of twelve (12) consecutive months.

GOOD REASON means the occurrence of any of the following, without your consent: (1) a material, adverse change in your authority, duties, position or responsibilities (other than temporarily while you are physically or mentally incapacitated or as required by applicable law) or reporting structure such that you no longer report to the Chief Executive Officer, President , any other person performing the role of the Chief Executive Officer or President, or the Board of Directors, (2) a material reduction in your total target compensation (which equals the sum of your annual base salary, target annual bonus and ongoing annual equity grant), excluding any reduction related to a broader compensation reduction or redesign by Cerner that is not limited to you, (3) a relocation of the principal location at which you are required to perform your duties to more than twenty-five (25) miles from the Kansas City metropolitan area and which is adverse to you, or (4) any other action or inaction that constitutes a material breach by Cerner of your Employment Agreement. You cannot terminate your employment on account of a Good Reason unless you have provided written notice to Cerner of the existence of the circumstances providing grounds for termination on account of a Good Reason within thirty (30) days of the initial existence of such grounds and Cerner has had at least thirty (30) days from the date on which such notice is provided to cure such circumstances. If you do not terminate your employment on account of a Good Reason within ninety (90) days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate on account of a Good Reason with respect to such grounds.

CERNER ASSOCIATE EMPLOYMENT AGREEMENT

This Cerner Associate Employment Agreement describes the formal employment relationship between Mark J. Erceg and Cerner Corporation, a Delaware corporation. This Agreement is effective on the 19 day of Jan, 2021.

l. OFFER LETTER. At the time you accepted employment with Cerner, you received an offer letter confirming the specifics of Cerner's offer of employment to you. The provisions of that offer letter represent the initial conditions of your Cerner employment. Cerner reserves the right to modify at any time the conditions of your employment.

2. EMPLOYMENT RELATIONSHIP.

A. Formation. By signing this Agreement, you represent that every material fact contained in your resume, application for employment, and other related documentation is true and accurate. Misrepresentation or omission of a material fact and falsification of such documentation are grounds for immediate discharge. You further agree you are not engaged and will not engage in other employment activities or extracurricular activities that would detract from or conflict with your ability to carry out your duties at Cerner. All employment or other paid or unpaid positions/activities/extracurricular activities outside of Cerner that could potentially detract from or conflict with your ability to carry out your duties at Cerner must be cleared in advance by Cerner pursuant to Cerner’s Conflicts of Interest Policy.

B. Type. To the extent permitted by law, your employment relationship with Cerner is "at will," which means that you may resign from Cerner at any time—for any reason or for no reason at all—without advance notice (except as described below). It also means that Cerner may terminate your employment at any time—for any legally permitted reason or for no reason at all—without advance notice.

C. Resignation and Termination. You agree: (i) to give Cerner written notice of your intention to resign from employment at least ten business days, not including personal time off work, prior to the last day you intend to work at Cerner, unless otherwise agreed upon by you and your manager; (ii) to participate in an exit interview or survey; and (iii) to report to Cerner the identity and the nature of your proposed duties of your new employer (if any).

If you are a full-time Associate and Cerner either (i) terminates your employment without Cause and provides less than ten business days’ notice of termination or (ii) accelerates your requested termination date to a date less than ten business days from your notice of voluntary resignation, Cerner will pay you in conjunction with the termination the equivalent of two weeks base salary (exclusive of commissions, advances against commissions, bonus and other non-salary compensation, and Associate benefits) less any base salary compensation paid to you for the time you work from the notice of termination or resignation through your actual termination date.

If your termination occurs during a period associated with a bonus or incentive compensation plan, any final payments to you as a result of your participation in a plan will be determined by the terms of the plan.

Pursuant to the terms of Cerner’s published policies, as may be amended from time to time, Cerner may pay or reimburse you for certain reasonable costs associated with: (i) any relocation required by Cerner, or (ii) Other Assistance Programs in which Cerner provides assistance. If Cerner pays or reimburses you for any relocation costs or costs associated with Other Assistance Programs, you agree to repay the sums to Cerner in accordance with the terms of the policy in effect at the time of the reimbursement or other payment. You further agree that Cerner may—at its discretion and subject to applicable state law—deduct from your paycheck(s) and any other amounts owed to you by Cerner any sums required to be repaid under this provision and that you will repay Cerner any outstanding balance owed within thirty days of your employment termination. Regardless of the duration stated in this Agreement, nothing contained in this provision will create employment for a definite term or otherwise modify the parties "at will" relationship set forth in section 2.B. of this Agreement.

3. AGREEMENT NOT TO DISCLOSE OR TO USE CONFIDENTIAL INFORMATION . You understand that the business of Cerner and the nature of your employment may require you to have access to Confidential Information of and about Cerner, Cerner solutions, and Clients and Suppliers. You agree that you will forever maintain the confidentiality of Confidential Information. You will never disclose Confidential Information except to persons who have both the right and need to know it and then only for the purpose and in the course of performing Cerner duties and in accordance with Cerner policies. You will also never us Confidential Information or remove from Cerner any records containing Confidential Information except for the sole purpose of conducting business on behalf of Cerner and in accordance with Cerner policies. If your employment with Cerner terminates (voluntarily or involuntarily), you will promptly deliver to Cerner all Confidential Information, including any confidential Information on any laptop, computer, mobile phone, or other communication equipment used by you to conduct Cerner business.

Notwithstanding the foregoing, if your employment is governed by the laws of California or Georgia, with respect to Confidential Information that does not constitute a "trade secret" (as that term is defined under applicable law), the obligations in this section 3 will remain in full force and effect both during your employment by Cerner and for a period of two years after the voluntary or involuntary termination of your employment with Cerner.

You agree to abide by Cerner's internal security and privacy policies as well as all client security and privacy policies that are relevant to your position. As an Associate of a health care information technology provider, you may have access to confidential patient information that may be protected by international, federal, state, and/or local laws. You agree to maintain the confidentiality of all confidential patient information, including but not limited to health, medical, financial, or personal information (in any form), and you agree not to use any confidential patient information in any manner other than as expressly permitted by all applicable rules and regulations.

You understand and agree that Confidential Information does not lose it status as "Confidential" merely because you commit it to or create it from memory.

Nothing in this Agreement will (i) prohibit you from using or disclosing Confidential Information in connection with reporting possible violations of law or regulation to any governmental agency or entity or attorney in accordance with any whistleblower protection provisions of applicable law or regulation including 18 U.S.C. § 1833 or (ii) require notification or prior approval by Cerner of any reporting described in clause (i). However, any disclosure must be made in accordance with the applicable law or regulation and in a manner that limits—to the furthest extent possible—disclosure of Confidential Information.

4. WORK PRODUCT. With respect to Work Product that you develop, author, conceive, or reduce to practice—in whole or in part while employed at Cerner—you agree to keep accurate, complete, and timely records of the Work Product and will promptly disclose and fully describe the Work Product in writing to Cerner. You agree to maintain all information respecting any Work Product as Confidential Information and will not disclose the information to any party outside of Cerner, except to persons who have both the right and need to know it and then only for the purpose and in the course of performing Cerner duties.

You hereby assign and transfer to Cerner, without further consideration, your entire right, title, and interest in and to all Work Product including any patents, copyrights, Trade Secrets, trademarks, and other intellectual property rights in the same. If for any reason any Work Product would not be considered a work made for hire under applicable law, you hereby assign and transfer to Cerner the entire right, title, and interest in and to the Work Product and all intellectual property rights in the Work Product. You hereby waive any and all moral rights and similar rights of copyright holders in other countries—including but not limited to rights of attribution and integrity or equivalent right—which you would otherwise have in any Work Product.

You agree to execute promptly, at Cerner's expense, a written assignment of title to Cerner and all letters (and applications for letters) of patent, copyright, trademark, or other intellectual property right, in all countries, for any Work Product assigned by this Agreement. You also agree to assist Cerner or its nominee in every reasonable way, both during and after your time of employment at Cerner, in vesting and defending title to the Work Product in and for Cerner, in any and all countries, including the obtainment and preservation of patents, copyrights, Trade Secrets, trademarks, and other intellectual property rights.

This section does not apply to your solutions and ideas that are developed entirely on your own time and do not relate directly to the business of Cerner or to Cerner's actual or demonstrably anticipated research or development.

5. PRIOR INVENTIONS. Any and all patented and unpatented inventions, new solutions, and ideas that you made prior to your employment by Cerner are excluded from the scope of this Agreement and are documented on Attachment I, Inventory of Prior Inventions.

6. NON-COMPETITION AND NON-SOLICITATION. You agree that both during your employment by Cerner and for a period of two years after the voluntary or involuntary termination of your employment with Cerner:

A. You will tell any prospective new employer, prior to accepting employment that this Agreement exists.

B. If you have worked for Cerner in a sales capacity, you will not provide services to any Conflicting Organization in connection with the marketing, sale, or promotion of any Conflicting Solution to any person or organization upon whom you called or whose account you supervised on behalf of Cerner any time during the last three years of your employment by Cerner.

C. If you have worked for Cerner in a consulting or other non-sales capacity during the last three years of your employment by Cerner, you will not provide services directly or indirectly related to your employment at Cerner to any Conflicting Organization in the United States or in any country in which Cerner has a business interest. However, you may accept employment with a large Conflicting Organization whose business is diversified and with a portion of its business that is not a Conflicting Organization. But, prior to your acceptance of such employment, Cerner must receive separate written assurances satisfactory to Cerner from the Conflicting Organization and from you that you will not render services directly or indirectly in connection with any Conflicting Solution.

D. Notwithstanding the foregoing, nothing contained in this section 6 will prohibit you (after your termination of employment with Cerner) from taking a position with a general consulting organization if its only Conflicting Solution is the provision of consulting services to the health care industry, so long as you personally do not provide or assist in providing consulting services to a Client with respect to any Conflicting Solution.

E. You agree—on behalf of yourself or on behalf of any other person, entity, or organization—not to employ, solicit for employment, or otherwise seek to employ or retain any Cerner Associate or any employee of a Cerner Client company or in any way assist or facilitate any such employment, solicitation, or retention effort.

F. You agree that both during your employment with Cerner and after termination of your employment with Cerner you will never make recklessly or maliciously false accusations or remarks in any form—including written, oral, or electronic form—for the purpose of disparaging Cerner's solutions or services.

7. RESERVED.

8. PUBLICITY RELEASE. You consent to the use of your name, voice, and picture (including but not limited to use in still photographs, videotape, and film formats, and both during and after your employment with Cerner) for advertising, promotional, public relations, and other business purposes (including use in web sites, online communication forums, newspapers, brochures, magazines, journals, and films or videotapes) by Cerner and Cerner Clients.

9. CERNER PROPERTY. When physical Cerner Property is formally issued to you, you will acknowledge receipt of it when requested to do so and will take all reasonable precautions and actions necessary to safeguard and maintain it in normal operating condition. You will notify Cerner immediately of any damage or loss. If your employment with Cerner terminates (for any reason), you will immediately return to Cerner all Cerner Property issued, delivered, accessed, or which otherwise belongs to Cerner. You understand that Cerner's time off policy states that upon termination, for whatever reason, accrued time off will be paid out—if paid out at all—in accordance with the policy and subject to applicable state law, only after Cerner has received all Cerner Property issued to you or then in your possession. You agree to reimburse Cerner for any attorneys' fees and other collection charges incurred by Cerner in the event it becomes necessary to file a replevin or other legal action to recover the Cerner Property from you.

10. CERNER POLICIES . You agree that your employment is subject to the policies and procedures of Cerner as amended from time to time and that you will comply with and assist in the vigorous enforcement of all policies, practices, and procedures. You understand that violation of Cerner policies, practices, and procedures may result in termination of your employment.

11. PRIOR EMPLOYMENT RELATIONSHIPS AND OBLIGATIONS. By accepting employment with Cerner, you represent to Cerner that you are not subject to any noncompetition or confidentiality agreements that your employment and activities at Cerner would violate. You also represent and agree that you will not disclose to Cerner, or induce Cerner to use, any proprietary, confidential, or Trade Secret information belonging to any previous employer or to others.

12. REMEDIES. By signing this Agreement, you agree that the promises you have made in it are of a special nature and that any breach, violation, or evasion by you of the terms of this Agreement will result in immediate and irreparable harm to Cerner. It will also cause damage to Cerner in amounts difficult to ascertain. Accordingly, Cerner will be entitled to the remedies of injunction and specific performance, as well as to all other legal and equitable remedies that may be available to Cerner.

13. INDEMNIFICATION. You agree to indemnify and hold Cerner harmless from and against any damages, liability, actions, suits or other claims arising out of your breach of this Agreement.

14. GOVERNING LAW AND JURISDICTION. This Agreement will be governed by, construed, interpreted, and its validity determined, under the laws of the State of Missouri, without regard to its conflict of law principles. For claims that are not covered by the Cerner Mutual Arbitration Agreement, you and Cerner each irrevocably and unconditionally submit to the exclusive jurisdiction of any Missouri state court or federal

court of the United States of America sitting in Kansas City, Missouri, in any action or proceeding arising out of or relating to this Agreement.

15. SEVERABILITY. If any provision of this Agreement is held to be unenforceable, this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision—and the rest of this Agreement—valid and enforceable. If a court declines to amend this Agreement as provided in this section, the invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, which must be enforced as if the offending provision had not been included in this Agreement.

16. ENTIRE AGREEMENT, PRIOR AGREEMENTS AND NO WAIVER. You hereby acknowledge receipt of a signed counterpart of this Agreement. Except for the Cerner Mutual Arbitration Agreement (which will continue in full force and effect), you agree that the Agreement is your entire agreement with Cerner concerning the subject matter, and this Agreement cancels, terminates, and supersedes any of your previous oral or written understandings or agreements with Cerner or with any officer or representative of Cerner with respect to your employment with Cerner. The terms of this Agreement may not be modified except in a writing signed by an authorized representative of Cerner and you. No waiver of the terms of this Agreement will be effective unless made in writing and signed by an authorized representative of Cerner. No failure to exercise and no delay in exercising any right, remedy, or power under this Agreement will operate as a waiver thereof. No single or partial exercise of any right, remedy, or power under this Agreement will preclude any other or further exercise thereof or the exercise of any other right, remedy, or power contained in this Agreement or by law or in equity.

17. ASSIGNMENT AND SUCCESSORS . Cerner may assign this Agreement to any of its subsidiaries, affiliates, parent companies, or other related entities without written notice or your prior consent. This Agreement will also be binding upon your heirs, spouse, assigns, and legal representatives. You agree that, should Cerner be acquired by, merge with, or otherwise combine with another corporation or business entity, the surviving entity will have all rights to enforce the terms of this Agreement as if it were Cerner itself enforcing the Agreement. You may not assign your obligations under this Agreement.

18. SURVIVING PROVISION . Notwithstanding the termination of the employment relationship underlying this Agreement, the rights and obligations set forth in this Agreement with respect to both parties will survive termination as necessary to permit the intent of the provisions to be carried out.

This Employment Agreement is executed this 19 day of January, 2021.

ASSOCIATE	CERNER CORPORATION
/s/ Mark J. Erceg	/s/ William J. Huffaker 02/01/2021
Associate Signature	Senior Vice President
	Integrated Talent, Global Human Resources
Mark J. Erceg	Human Resources
Printed Name Associate #	William J. Huffaker

APPENDIX A
DEFINITION OF TERMS

AGREEMENT means the Cerner Associate Employment Agreement.

ASSOCIATE means a Cerner employee.

CAUSE includes, without limitation, your dishonesty, illegal conduct or breach of Cerner's policies or this Agreement.

CERNER CORPORATION and CERNER mean Cerner Corporation, the Delaware corporation. The terms also cover all of Cerner Corporation's parent, subsidiary and affiliate corporations, and business enterprises, both presently existing and subsequently created or acquired. Subsidiary and affiliate corporations may be directly or indirectly controlled by Cerner or related to Cerner by equity ownership.

CERNER PROPERTY means the various items of Cerner property and equipment assigned to you to help you carry out your Cerner responsibilities, including but not limited to keys, credit cards, access cards, parking passes, Cerner Confidential Information, laptops, computer related and other office equipment, mobile telephone, pagers and/or other computer or communication devices.

CLIENT means any actual or potential customer or licensee of Cerner.

CONFIDENTIAL INFORMATION means Cerner, Client and Supplier Trade Secrets, and proprietary information, Cerner, Cerner Associate, Client, and Supplier information which is not generally known, and is proprietary or confidential to Cerner or to Cerner Associates, Clients or Suppliers. It includes, but is not limited to, research, design, development, installation, purchasing, accounting, marketing, selling, servicing, finance, business systems, business practices, documentation, methodology, procedures, manuals (both internal and user), program listings, computer software in source code, object or other form, working papers, Client and Supplier lists, marketing and sales materials not otherwise available to the general public, sales activity information, computer programs and software, compensation plans (specifically no Associate may disclose Cerner compensation structures or bonus programs with Conflicting Organizations), patient information and other client-related data, and all other non-public information of Cerner and its Associates, Clients and Suppliers. CONFIDENTIAL INFORMATION will not include any information that has been voluntarily disclosed to the public by Cerner (except where such public disclosure has been made by you without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

CONFLICTING ORGANIZATION means any person or organization engaged (or about to become engaged) in research, development, installation, marketing, selling, or servicing with respect to a Conflicting Solution.

CONFLICTING SOLUTION means any solution, product, process or service which is the same as, similar to, or competes with any Cerner solution, product, process or service with which you worked during the last three years of your employment by Cerner, or about which you have acquired Confidential Information.

OTHER ASSISTANCE PROGRAMS means programs in which Cerner may pay or reimburse you for certain reasonable costs incurred by you, which may also provide for Cerner's recovery of the amounts as specified in the relevant policies of the Other Assistance Programs, as may be amended from time to time and which include, but are not limited to: tuition assistance, relocation assistance, specialty external training, and immigration assistance. Cerner reserves the right to establish future assistance programs which will be considered as Other Assistance Programs for purposes of section 2.C. of this Agreement.

SUPPLIER means any actual or potential licensor, vendor, supplier, contractor, agent, consultant or other purveyor of Cerner solutions, products, processes or services.

TRADE SECRET means information, including but not limited to, technical or nontechnical data, a formula, pattern, compilation, program, device, method, technique, or process, that: (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

WORK PRODUCT means discoveries, inventions, computer programs, improvements, data, works of authorship, designs, methods, ideas, solutions and other work product (whether or not they are described in writing, reduced to practice, patentable or copyrightable) which results from any work performed by you for Cerner, or involves the use of any Cerner equipment, supplies, facilities or Confidential Information, or relate directly to the business of Cerner, or relate to Cerner's actual or demonstrably anticipated research or development.

Exhibit 31.1

CERTIFICATION

I, Brent Shafer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cerner Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Brent Shafer
Brent Shafer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Mark J. Erceg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cerner Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Mark J. Erceg
Mark J. Erceg
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021 (the "Report") by Cerner Corporation (the "Company"), the undersigned Chief Executive Officer of the Company hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brent Shafer
Brent Shafer, Chairman of the Board
and Chief Executive Officer
(Principal Executive Officer)
Date: May 5, 2021

Exhibit 32.2

CERTIFICATION FURNISHED PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021 (the "Report") by Cerner Corporation (the "Company"), the undersigned Chief Financial Officer of the Company hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark J. Erceg

Mark J. Erceg, Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)
Date: May 5, 2021