

Investment Community Meeting HIMSS Orlando - 2019



Marc Naughton

Executive Vice President and Chief Financial Officer

February 13, 2019

Agenda

Welcome & Introductions	Marc Naughton	Executive Vice President & Chief Financial Officer
Cerner Operating Model	Brent Shafer	Chairman and Chief Executive Officer
Greenhouse - Innovation @ Scale	Jeff Townsend	Executive Vice President & Chief of Innovation
Strategic Growth	Don Trigg	Executive Vice President, Strategic Growth
Consumer & Employer	David Bradshaw	Senior Vice President, Consumer & Employer
Marketplace & Client Relationships	John Peterzalek	Executive Vice President & Chief Client Officer
Federal Business	Travis Dalton	President, Cerner Government Services
Revenue Cycle	Brenna Quinn	Senior Vice President, Revenue Cycle
Financial Overview	Marc Naughton	Executive Vice President & Chief Financial Officer
Q&A	All	

Cautionary Statement Regarding Forward-Looking Statements

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

(a) the possibility of significant costs and reputational harm related to product-related liabilities; (b) potential claims for system errors and warranties; (c) the possibility of interruption at our data centers or client support facilities, 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; (d) the possibility of increased expenses, exposure to legal claims and regulatory actions and reputational harm associated with a cyberattack or other breach in our IT security or the IT security of third parties on which we rely; (e) our proprietary technology may be subject to claims for infringement or misappropriation of intellectual property rights of others, or may be infringed or misappropriated by others; (f) potential claims or other risks associated with relying on open source software in our proprietary software solutions or technology-enabled services; (g) material adverse resolution of legal proceedings or other claims; (h) risks associated with our global operations, including without limitation greater difficulty in collecting accounts receivable; (i) risks associated with fluctuations in foreign currency exchange rates; (j) changes in tax laws, regulations or guidance that could adversely affect our tax position and/or challenges to our tax positions in the U.S. and non-U.S. countries; (k) the uncertainty surrounding the impact of the United Kingdom's vote to leave the European Union (commonly referred to as Brexit) on our global business; (l) risks associated with the unexpected loss or recruitment and retention of key personnel or the failure to successfully develop and execute succession planning to assure transitions of key associates and their knowledge, relationships and expertise; (m) risks associated with failure to timely or effectively manage publicity related to harassment or discrimination claims and legal proceedings if such claims are raised against key personnel; (n) risks related to our dependence on strategic relationships and third party suppliers; (o) risks inherent with business acquisitions and combinations and the integration thereof into our business or relating to disputes involving such acquisitions or combinations; (p) risks associated with volatility and disruption resulting from global economic or market conditions; (q) significant competition and our ability to quickly respond 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; (r) managing growth in the new markets in which we offer solutions, health care devices or services; (s) long sales cycles for our solutions and services; (t) 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; (u) risks associated with our outstanding and future indebtedness, such as compliance with restrictive covenants, which may limit our flexibility to operate our business; (v) changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements; (w) the potential for losses resulting from asset impairment charges; (x) changing political, economic, regulatory and judicial influences, which could impact the purchasing practices and operations of our clients and increase costs to deliver compliant solutions and services; (y) non-compliance with laws, government 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; (z) variations in our quarterly operating results; (aa) potential variations in our sales forecasts compared to actual sales; (bb) volatility in the trading price of our common stock and the timing and volume of market activity; (cc) risk that our stock repurchase program or quarterly dividend program will not be fully implemented or enhance long-term shareholder value; and (dd) our directors' authority to issue preferred stock and the anti-takeover provisions in our corporate governance documents.

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

Cerner – at the Intersection of Health Care and IT

Founded in Kansas City in 1979

- Largest employer in Kansas City
- 29,000 associates worldwide
- 27,500 client facilities in over 35 countries
 - 70 of the top 100 health systems have Cerner footprint
 - Largest provider of health IT to Federal Government
- Annual R&D investment ~\$700M +
- Diversified, highly recurring revenue
 - Clinical and Revenue Cycle solutions & services across continuum of care
 - Cloud platform for population health
 - License, SaaS, Subscriptions, Support, Managed Services & other Tech-Enabled Services



Cerner Operating Model

Brent Shafer

Chairman and Chief Executive Officer



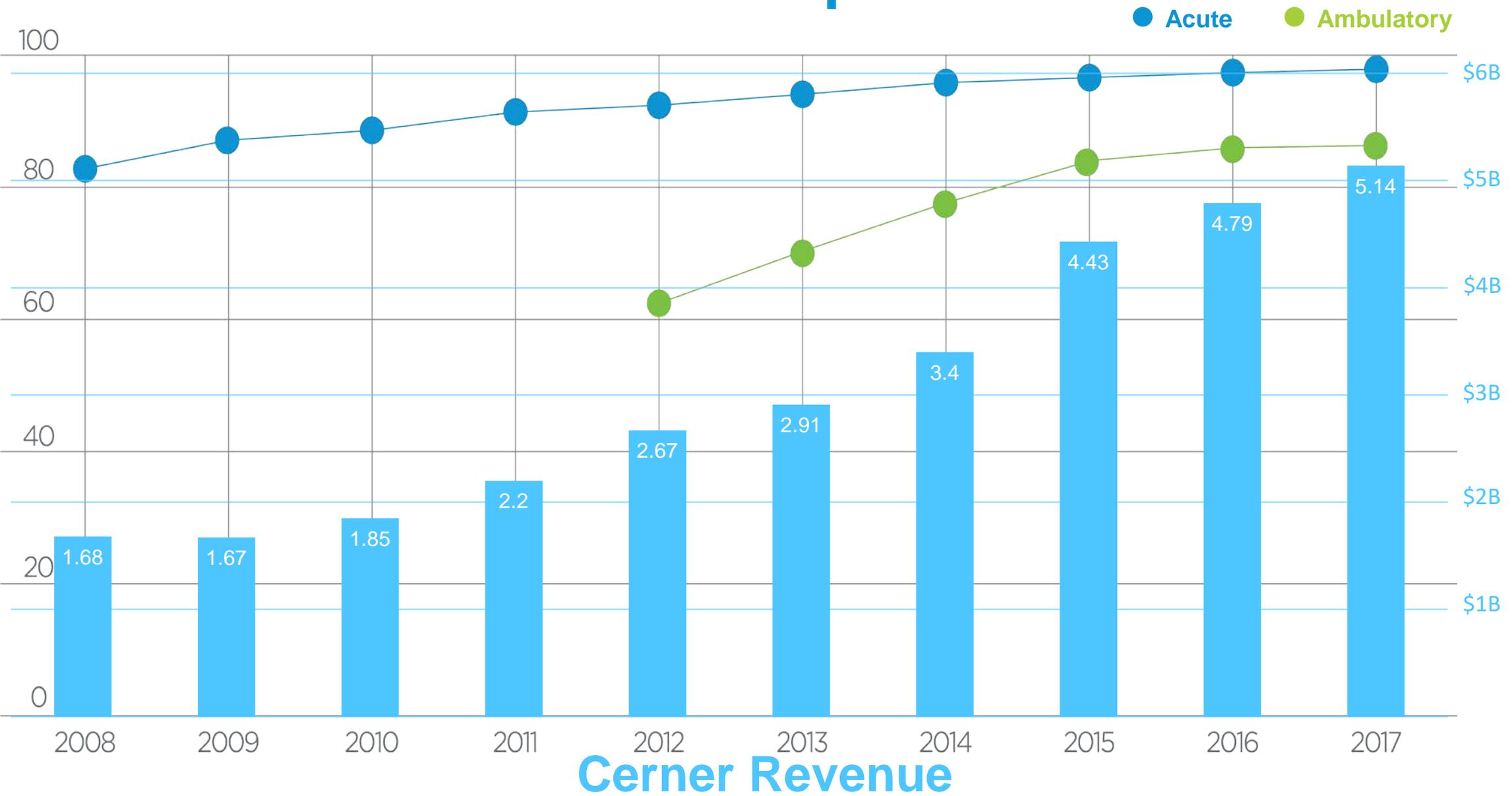


**Easier to do
business with**

**Innovate
faster**

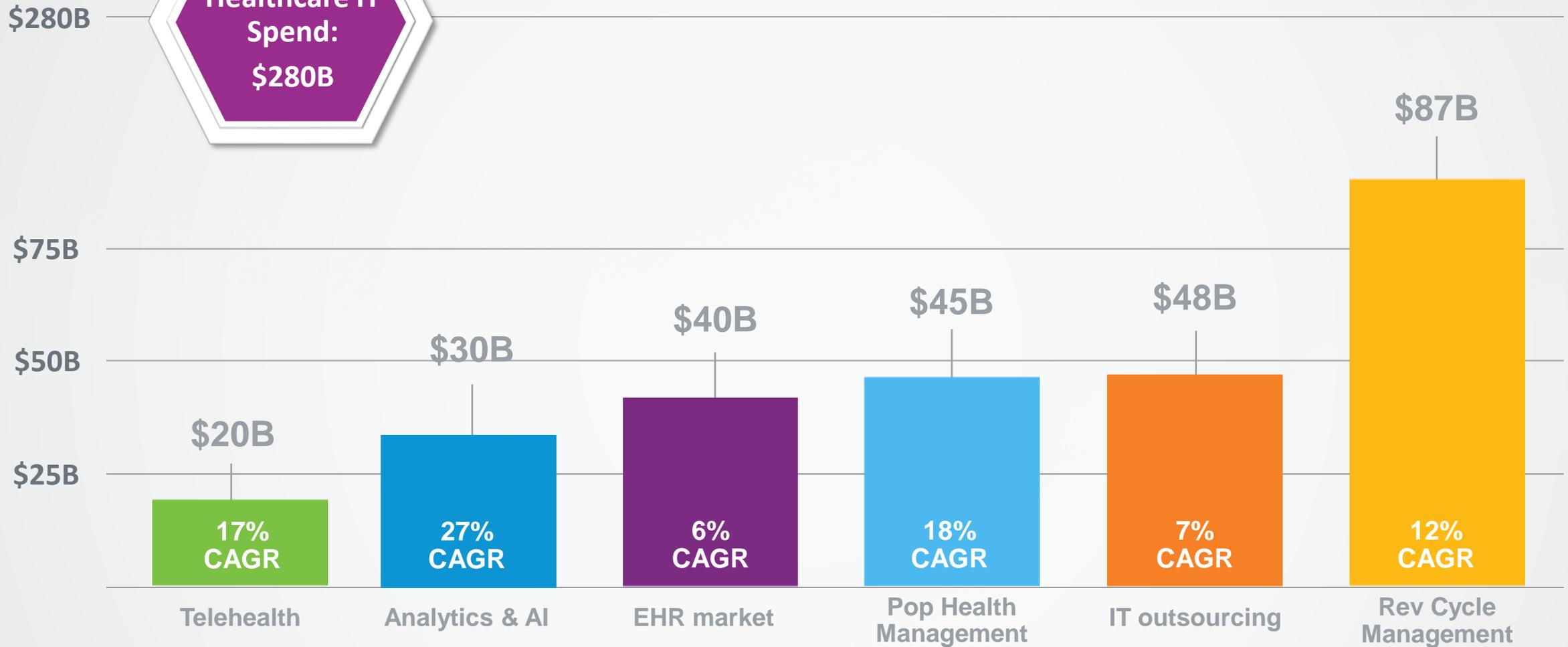
**Profitable
growth**

EHR Adoption

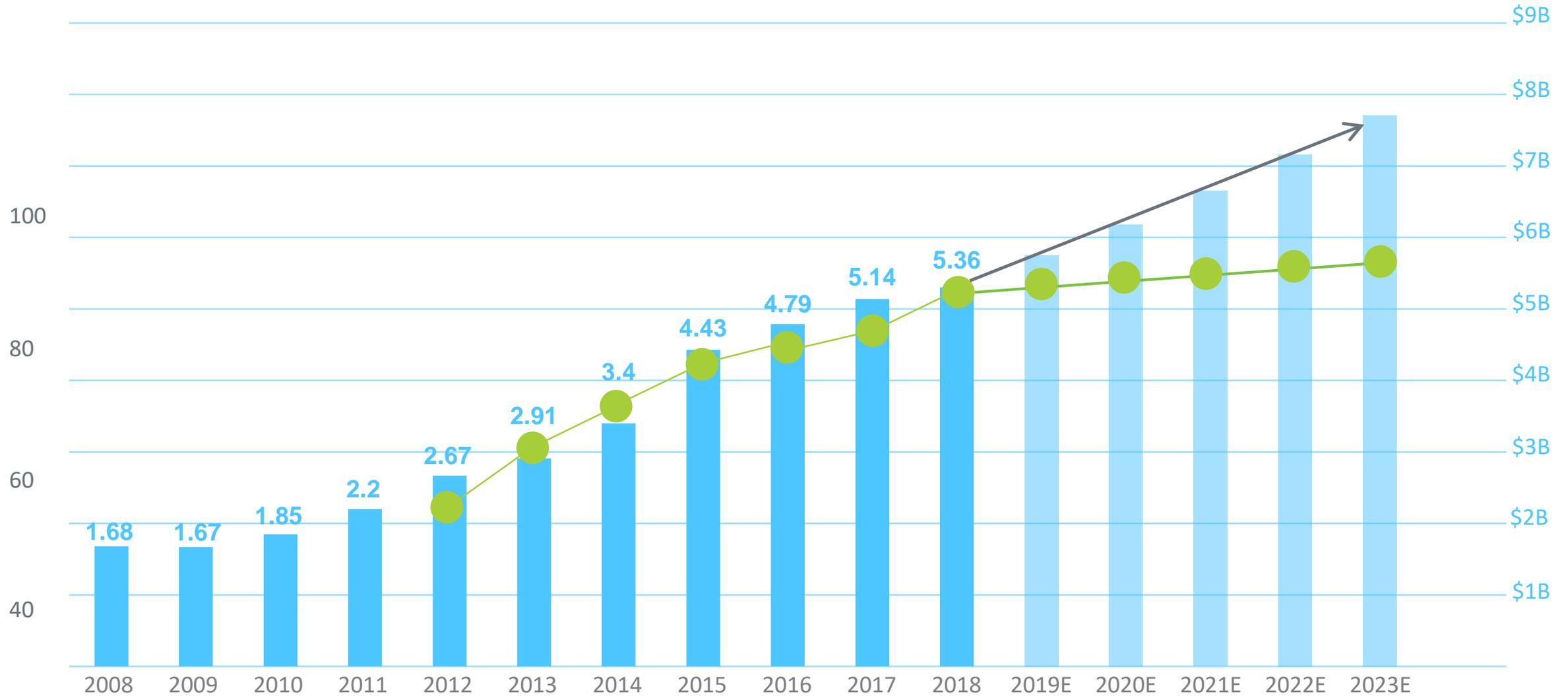


Areas of Growth

Total
Healthcare IT
Spend:
\$280B



Growth Beyond EHR



Cerner Revenue

Revenue estimates beyond 2019 do not represent formal financial guidance.



Cerner Operating Model



Cerner Operating Model



Cerner Commitments

We will...

- Relentlessly **advance our clients' success**
- Imagine, design & implement **intelligent health networks**
- Make **better health care experiences & outcomes** our duty
- Become the **partner of choice** for **health care innovation**



Relentlessly **advance**
our clients' success



Imagine, design & implement
intelligent health networks



Make **better health care experiences & outcomes** our duty



Become the **partner of choice**
for **health care innovation**

Transform the future of health care

OUR VISION

We believe in a seamless and connected world where everyone thrives.

OUR MISSION is to relentlessly seek breakthrough innovation that will shape health care of tomorrow.

Health care is too important to stay the same.

Greenhouse



Strategic growth



Marketplace and client relationships



Federal government



Revenue cycle



Financials



Q&A



Greenhouse – Innovation @ Scale

Jeff Townsend

Executive Vice President & Chief of Innovation



Overview



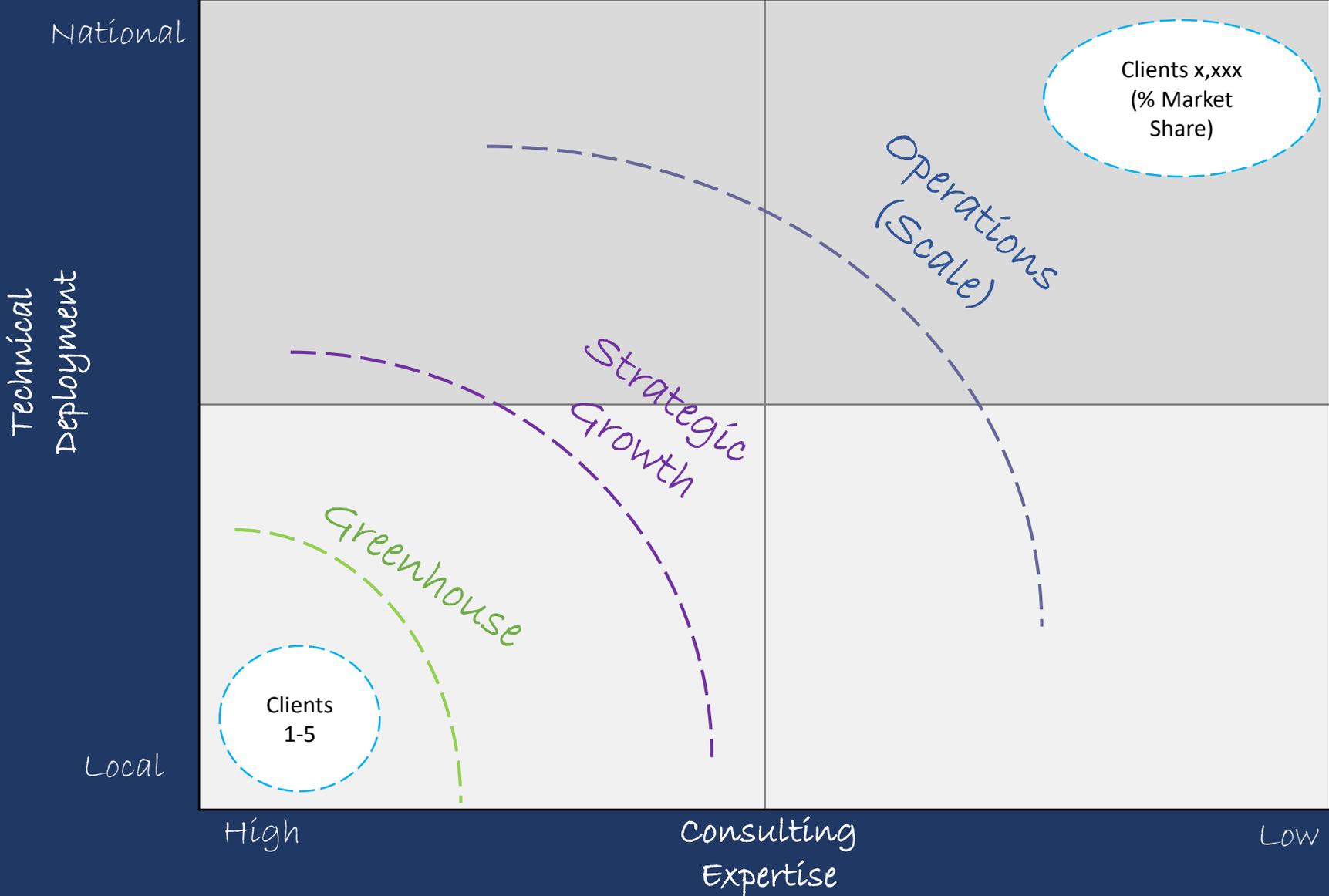
- Operating Model – Aligning Maturity & Scaling Delivery
- Platforms – Componentizing Health Care
- Greenhouse – Accelerating Innovation @ Scale

Operating Model – Aligning Maturity

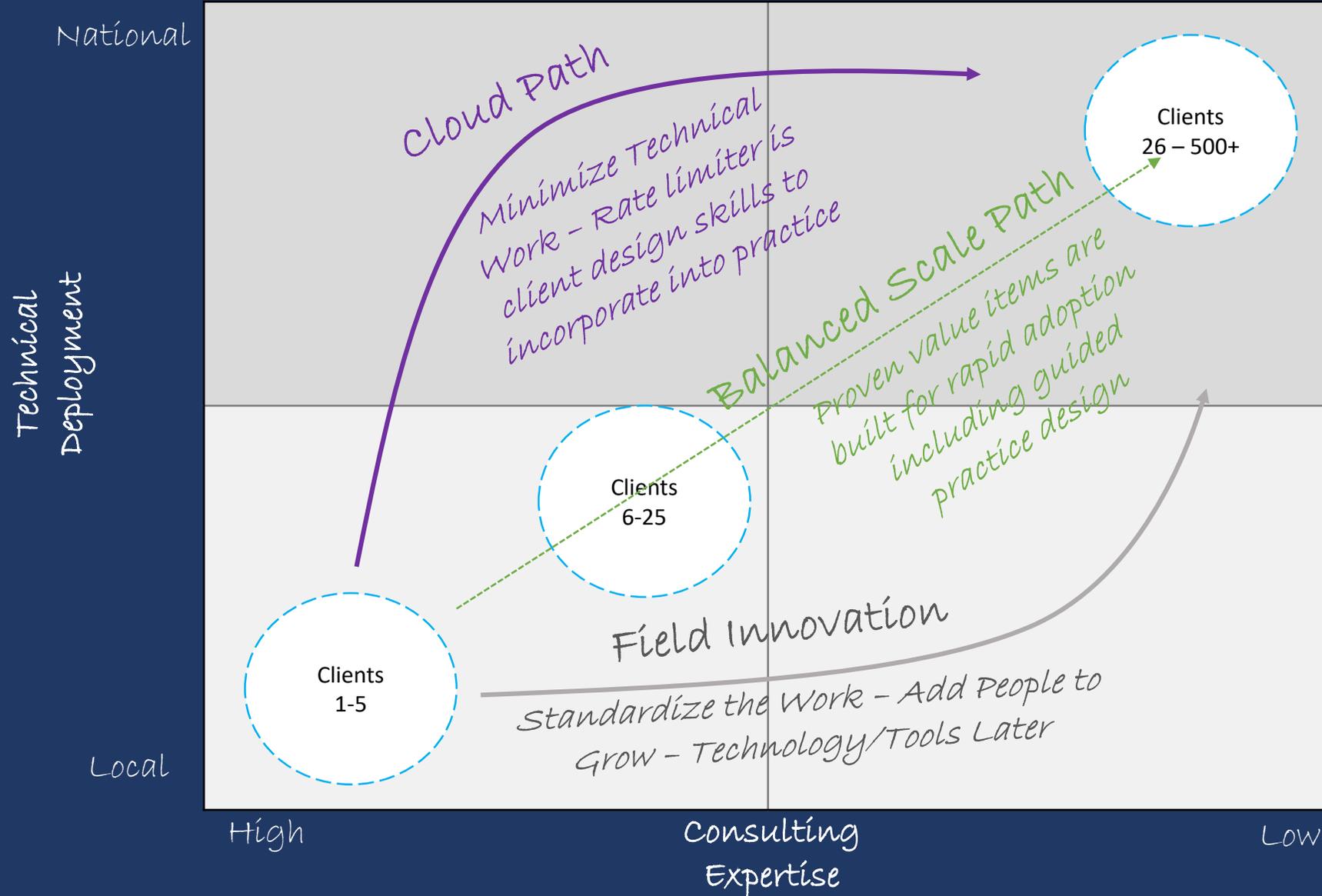
- Life Cycle Built Into Model
 - Agile Discovery/Validation → Scalable, Efficient Delivery
- Portfolio Management
 - Traditional Coverage/Performance of Products, Solutions, Services
 - Navigating the Solution Maturity with Delivery Approach
 - Continuous Monitoring of Adoption/Value across all Segments
- Purposeful transitions (versus Re-organization)
- Unified against a continuously improving “Model” for Health Care



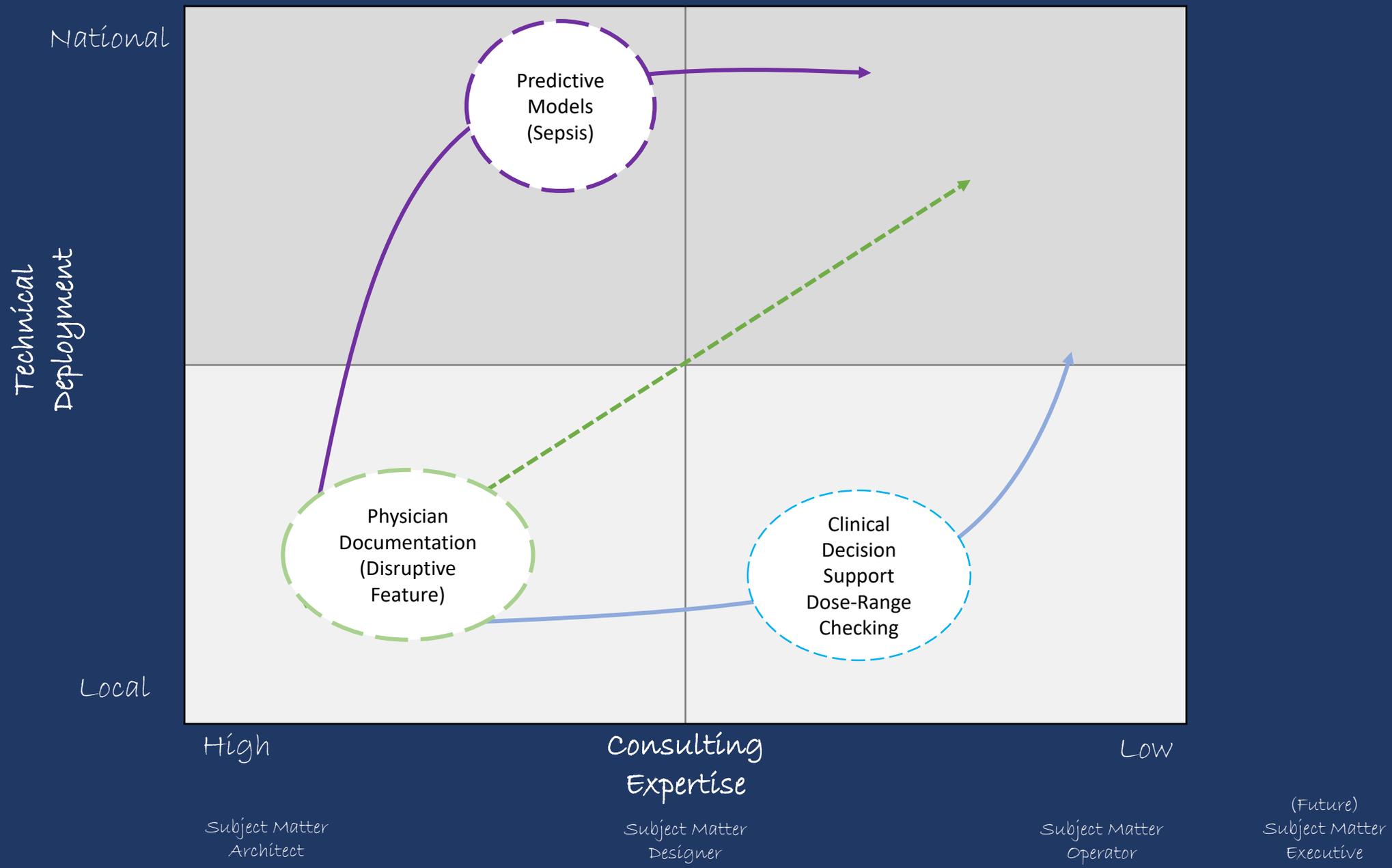
Maturity & Scalability Matrix → Journey to Repeatable Scale



Maturity & Scalability Pathways (Adoption @ Scale) - More Nuanced



Maturity & Scalability Pathways (Examples)



Platforms (*HealthIntent*[®], Millennium, CareAware)

- High level of re-use and re-purposing, @ scale
- Healthcare is complex, diverse and contextual to the moment – a digital ecosystem that accelerates the niche discovery with precision collaboration of resources @ scale will disrupt
- Cerner can create a multiplier against our R&D Spend
- Next Wave of Innovation will be a bundling of Workflows, Evidence, Insights and Process Models – the platform reach is beyond Apps – It's a different type of “Content”

Health Network Architecture



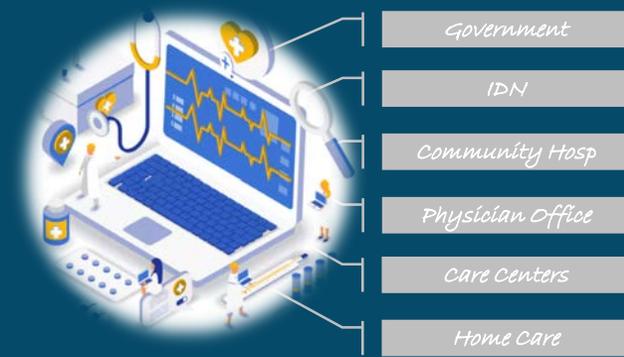
Research / Insights



Consumer (+/- Groups)



Providers (Enterprises)



Leverage Platform For Growth



Health Economy Platform

Health Network Architecture

Research / Insights

Consumer (+/- Groups)

Shift towards Consumer Driven

Coordination & Evidence Runs above the "Enterprise"

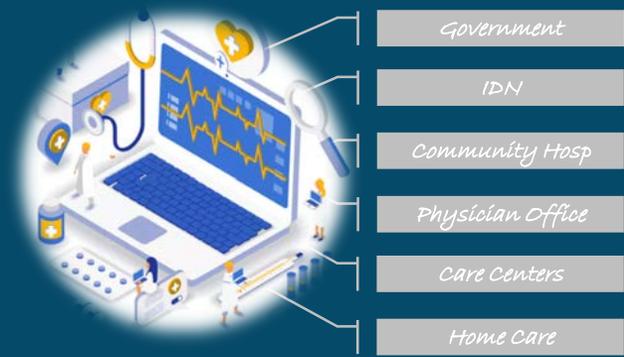
Providers (Enterprises)

Shared Capabilities & Intelligent Moments "Intent"

Explore

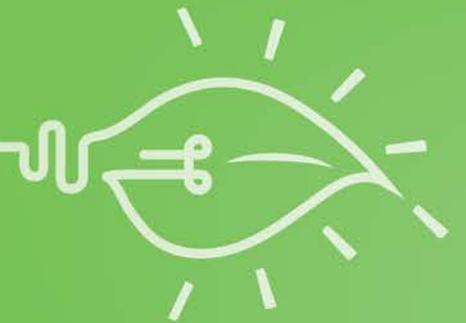
Expand

Health Economy Platform



Greenhouse

Idea → Adoption @ Scale



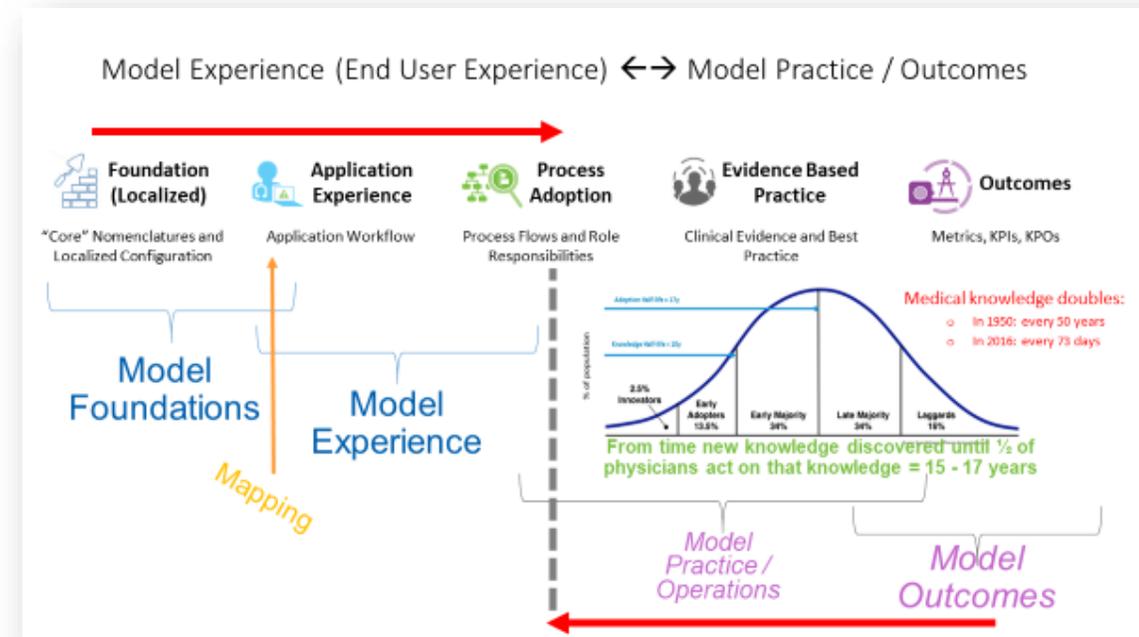
Value Center - Learning Ecosystem

Discovery → Understanding → Repeatable Outcomes

Unlocking Potential to Innovate @ Scale



- Model Health Care (Experience, Practice, Outcomes)
- Satellite Greenhouses / Living Labs
 - Controlled environment
 - Designed for discovery
 - Rapid adoption and Expected Value
 - Talent Development
- Problem Solving w/ Platform → pre-solution
 - Assembly of current assets, data driven, validated adoption
 - “Repeatable/Scalable” then transition with talent for scale
- Value Center
 - Precision Opportunity identification...
 - Contextual to current/future portfolio
 - Adoption → Value achieved
 - Gaps / Coverage (white space)
 - Client Outcomes / Best Practice Discovery
 - Elapsed time from Idea → Validated Use → >50% adoption across the base



Traditional Software Release Models

New Operating Model – Value @ Scale

Most innovations go GA here today

Idea

Validation

Proof

Efficiency

Engagement

Scale

What problems to work on?

Does the functionality work?

Does it solve the problem?

...without too much effort (affordable)?

Can we engage the client to take action (is it relevant)?

Can we achieve rapid adoption across the client base?
Grow Market Share?

Delivering Value @ Scale (Efficient, Repeatable,...)



Blood management

Health Care

Reduced its transfusion rate

by 13.34 percent

using Cerner's blood management solution.

Clients could potentially

**realize savings
of \$1.3 billion**

annually in transfusion costs.*

Antibiotic stewardship



**Realized over
\$710K savings**

in first 6 months of program

by reducing length of stay for patients on antimicrobial drugs, reducing in-hospital-acquired infections, and better formulary management

Clients could potentially

save \$585 million

annually by implementing Operations Management Services and work flow changes*

*894,574 US hospital beds x 30% (Cerner market share) x \$2,180 (annual savings based on Genesis' 6-month experience of saving \$710,000 in 6 months as a 642 bed hospital) = \$585M

*82,191 transfusions a day (2010) x 365 days x \$1,183 (cost per unit, 2010) = \$35.5B. Based on Cerner's market share, Cerner clients spend \$10.6B (30% of \$35.5B) on transfusions, with 13.34% savings of \$1.3B.

Strategic Growth

Don Trigg

Executive Vice President, Strategic Growth



Agenda

I. Health Network Macro Trends

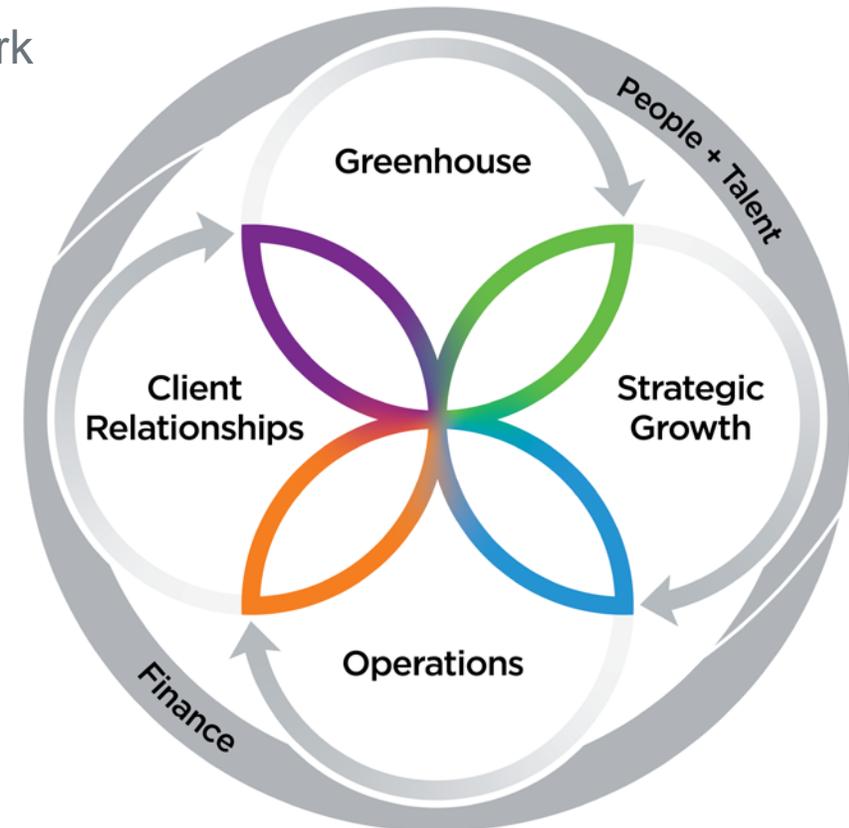
Provider Consolidation Strategies around Health Network
Payment Economics as Catalyst
Cerner's 2018 Health Network Strategies

II. Strategic Growth Framework

Strategic Growth Design Principles
2019 Market Segment Focus
Delivering the 2023 Growth Plan

III. Strategic Growth Use Case

Consumer & Employer

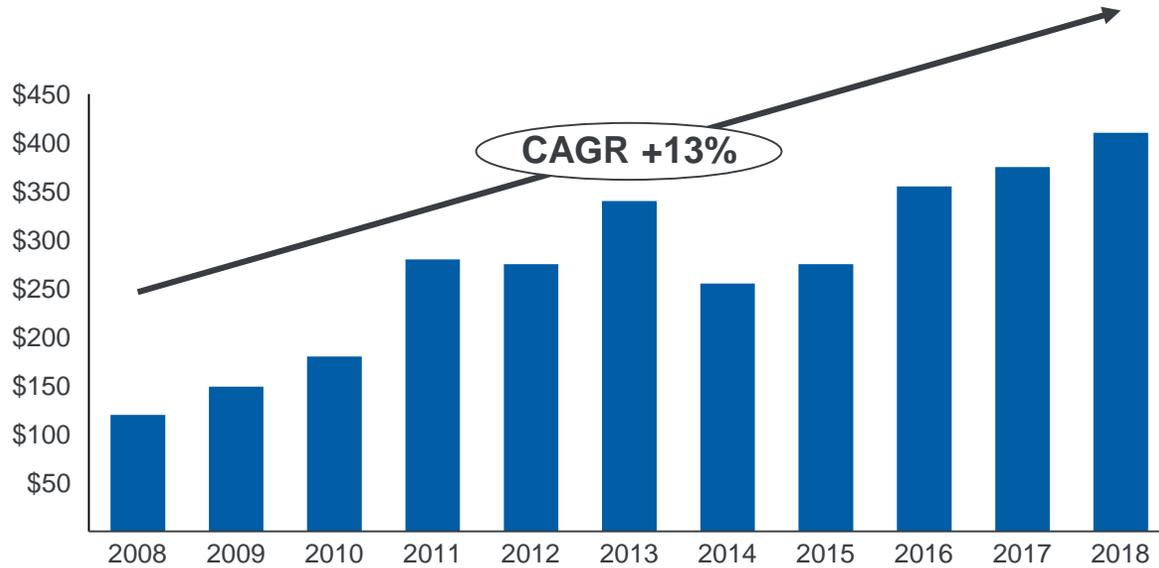


Cerner Operating Model

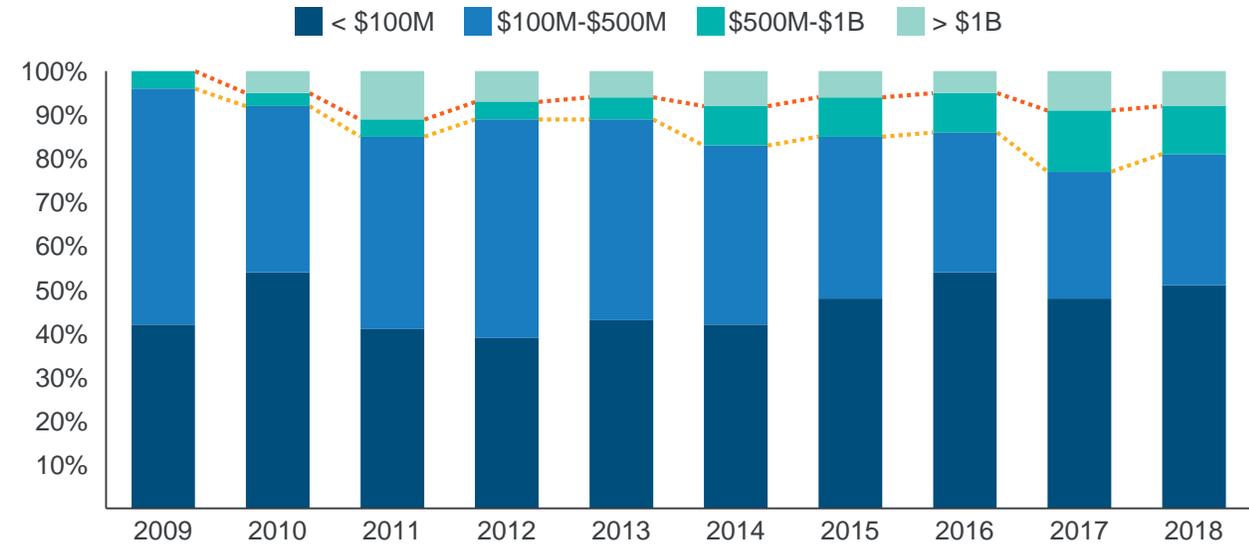
Provider Health Network Trends

Ongoing Provider Consolidation with Avg. Transaction Growing

Avg. Size of an Acquisition by Revenue (\$ in millions)



Acquisition Breakdown by Revenue



- “90+ deals observed with average size of revenue reaching a record high \$409M.
- 4 mega transactions occurred (\$1B in NPR): Bon Secours/Mercy; LifePoint/RCCH HealthCare Partners; Atrium/Navicent; Western Connecticut Health Systems/Health Quest Systems
- As the market has pursued One EMR, acquisitions and affiliation strategies to enable MSA-level health networks have driven technology heterogeneity.

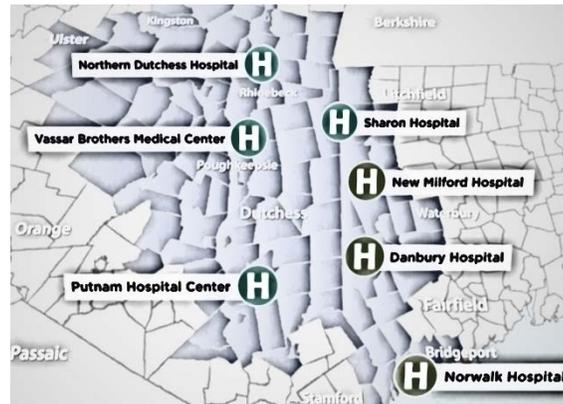
Consolidation, Network Activation in the Cerner Client Base

Catholic Health Initiatives and Dignity merge creating the 2nd largest health system (facilities basis) in the U.S. with combined revenues of \$29B+

CommonSpirit™



Health Quest & Western Connecticut Health Network form 7 hospital, \$2.4B enterprise



Mosaic Life Care (\$569M in NPR) refocuses on rural, four state service area (MO, KS, IA, NE)



Saint Luke's Health System to acquire 6 clinics from Mosaic

SSM Health exploring sales of three Missouri hospitals

By Tara Bannow | August 16, 2018

SSM Health is in the early stages of selling three of its hospitals in mid- and northwest Missouri.

The Catholic-sponsored, not-for-profit health system announced Thursday it has signed a letter of intent with University of Missouri Health Care to buy St. Mary's Hospital—Jefferson City and St. Mary's Hospital—Audrain in Mexico, Mo., as well as their associated outpatient clinics, home care, hospice and medical groups throughout the region.

SSM also signed a letter of intent with St. Joseph, Mo.-based Mosaic Life Care to buy SSM Health St. Francis Hospital—Maryville and its affiliated outpatient, home care, hospice and medical group locations.

1. St. Luke's will acquire Creek clinic locations, Kearney clinic location.
2. The acquisition will care for families in statement.
3. For Mosaic, the including expansion women's health.
4. The acquisition.
5. Financial det.

In Addition to Hospital M&A, Health Systems Are Building Health Networks at the MSA Level

MARKETS Health Affairs

By Sayeh S. Nikpay, Michael R. Richards, and David Penson

DATAWATCH
Hospital-Physician Consolidation Accelerated In The Past Decade In Cardiology, Oncology

Consolidation of physician practices by hospitals, or vertical integration, increased across all practice types in 2007-17. Rates of growth were highest among medical and surgical specialty practices and lowest among primary care practices. There was substantial variation within the specialties, ranging from 4 percentage points in dermatology to 34 percentage points in cardiology and oncology.

Increased hospital-physician consolidation, or vertical integration, is a frequent topic of concern for researchers, practitioners, and policy makers.¹⁻³ Vertical integration could result in greater coordination between physicians and hospitals, saving costs and improving the quality of care. But a growing body of evidence suggests that vertical integration instead increases costs, with no discernible impact on quality.⁴⁻⁷ While much of the literature on vertical integration has focused on the implications for cost and quality, several basic questions remain unanswered: How has vertical integration changed over time, in which specialties is it occurring most rapidly, and how have the number of integrated practices per hospital changed over time?

Using data from a physician survey that covered 75 percent of US office-based physicians and physician practices, we found that cardiology and oncology practices had the highest rates of growth in vertical integration, increasing by about 34 percentage points from 2007 to 2017 (exhibit 1). Other practice types increased 22-29 percentage points, although dermatology increased by only 4 percentage points. At about 54 percent, oncology had the overall highest rate of vertical integration in 2017, increasing from

EXHIBIT 1
Percentages of physician practices that reported being either owned by a hospital or a member of a health system, by specialty, selected years 2007-17

Specialty	2007	2009	2011	2013	2015	2017
Oncology	15%	20%	25%	35%	45%	55%
Multispecialty	15%	20%	25%	35%	45%	55%
Cardiology	10%	15%	20%	25%	35%	45%
Pulmonology	10%	15%	20%	25%	35%	45%
Neurology	10%	15%	20%	25%	35%	45%
Rheumatology	10%	15%	20%	25%	35%	45%
Gastroenterology	10%	15%	20%	25%	35%	45%
Dermatology	6%	7%	8%	9%	9%	10%

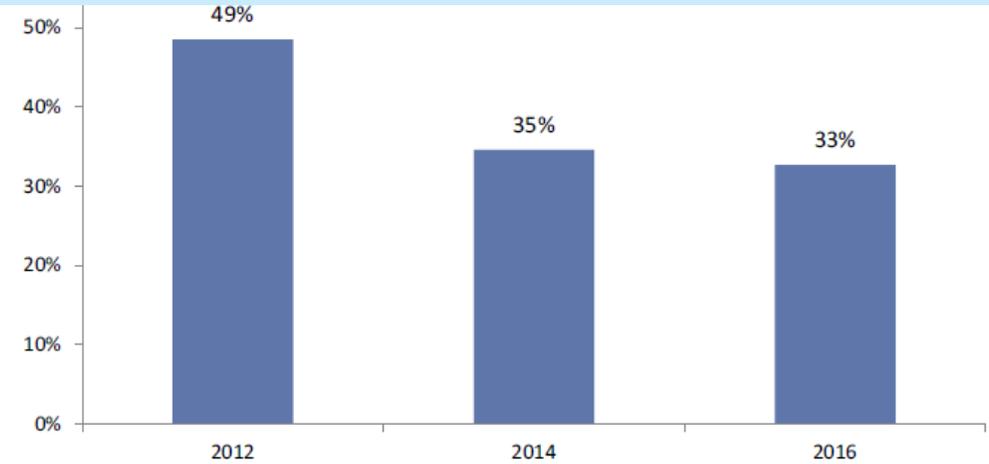
SOURCE Authors' analysis of data for 2007-17 from SK&A. **NOTE** For this exhibit, multispecialty practices are those composed of 50 percent or more medical subspecialists.

Sayeh S. Nikpay (sayeh.s.nikpay@vanderbilt.edu) is an assistant professor in the Department of Health Policy at Vanderbilt University School of Medicine, in Nashville, Tennessee.

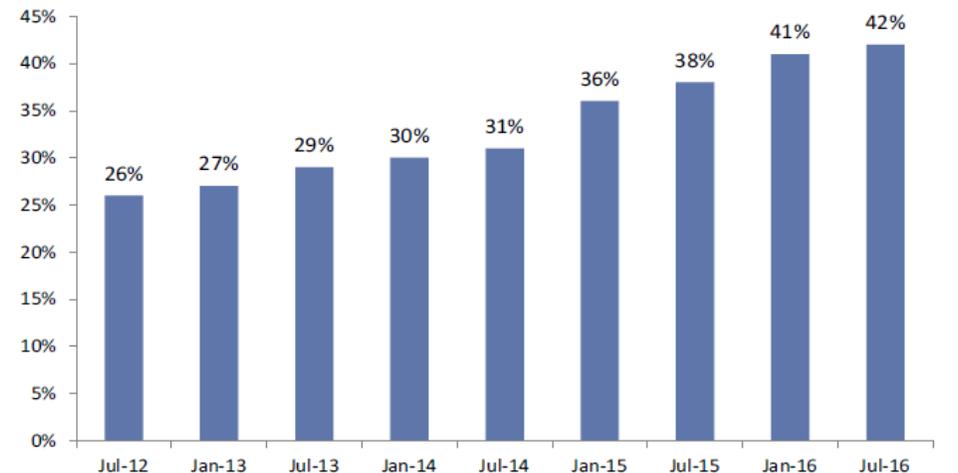
Michael R. Richards is an assistant professor in the Department of Health Policy, Vanderbilt University School of Medicine, in Nashville, Tennessee.

David Penson is the Ingram Professor of Cancer Research and a professor of urologic surgery, Vanderbilt University Medical Center, in Nashville, Tennessee.

Independent physicians becoming more scarce *Physicians identifying as independent practice owners*



Hospital-employed physicians become more common *Percent of physicians employed by hospitals*



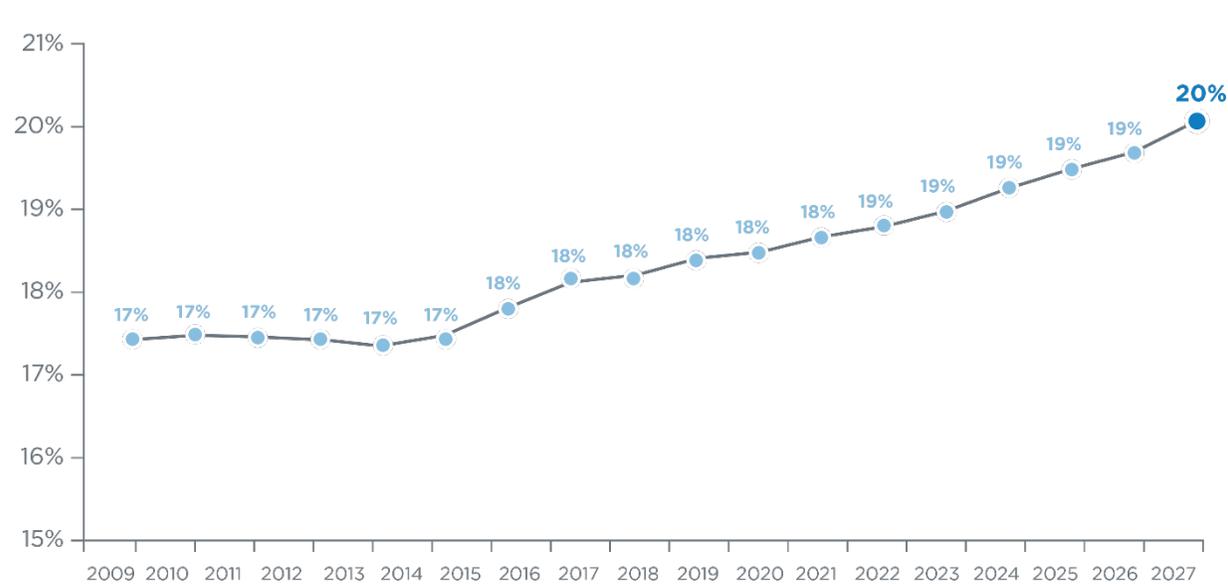
Above: Hospital-Physician Consolidation Accelerated in the Past Decade in Cardiology, Oncology; July 2018

Top Right: The Physician Foundation Annual Survey, 2017.

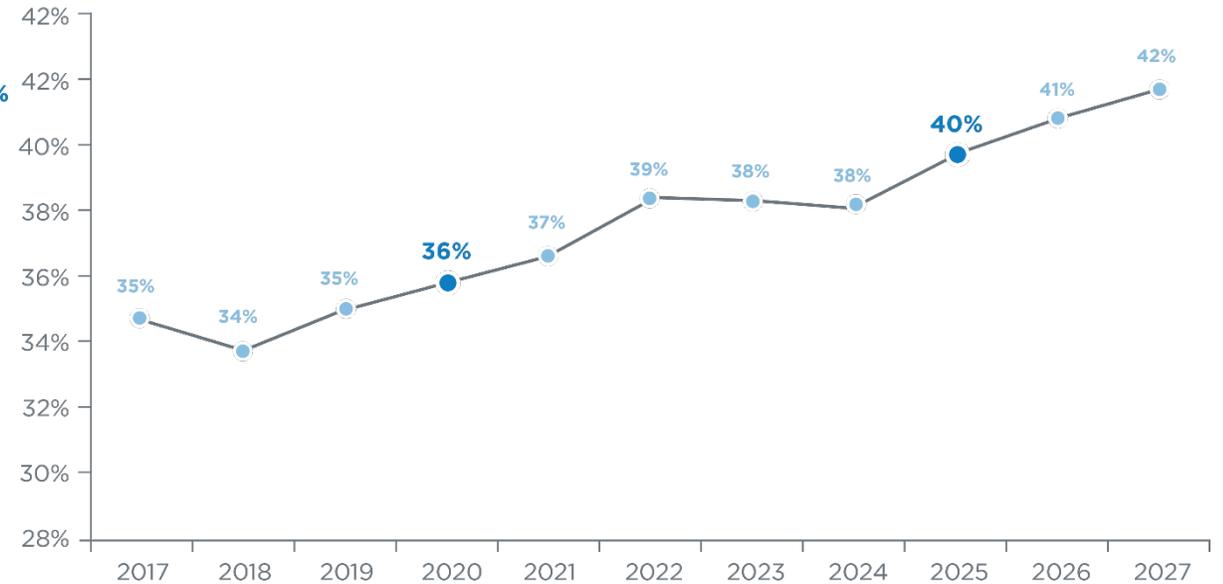
Bottom Right: Physician Practice Acquisition Study: National and Regional Changes in Physician Employment, March 2018

Health Network Economic Drivers

As Healthcare Spending Grows, IT Remains a Key Lever for Tackling the Cost Curve



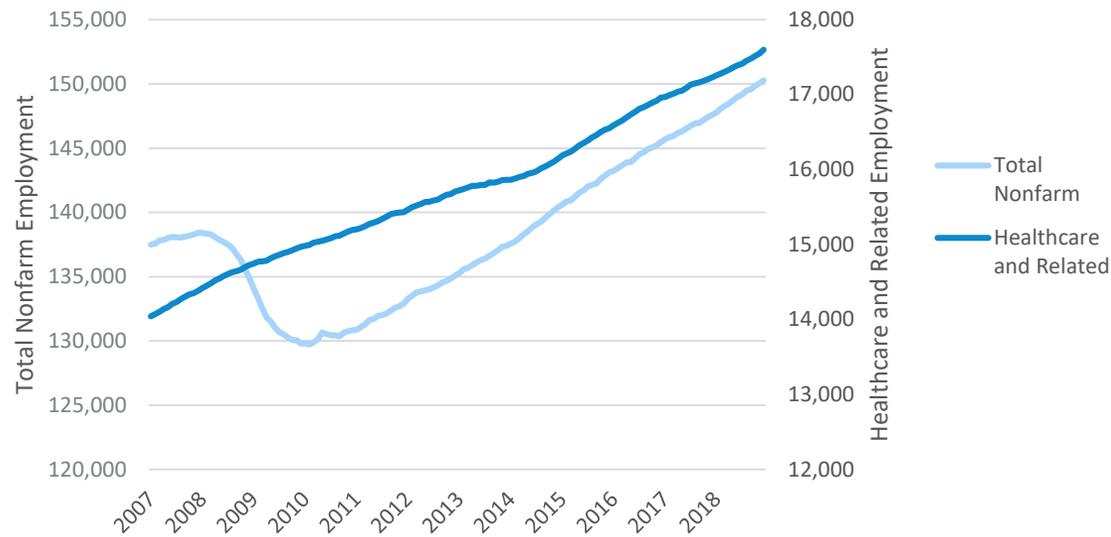
—●— **US Health care Expenditures as a % of GDP**



—●— **Health care % of Federal Budget**

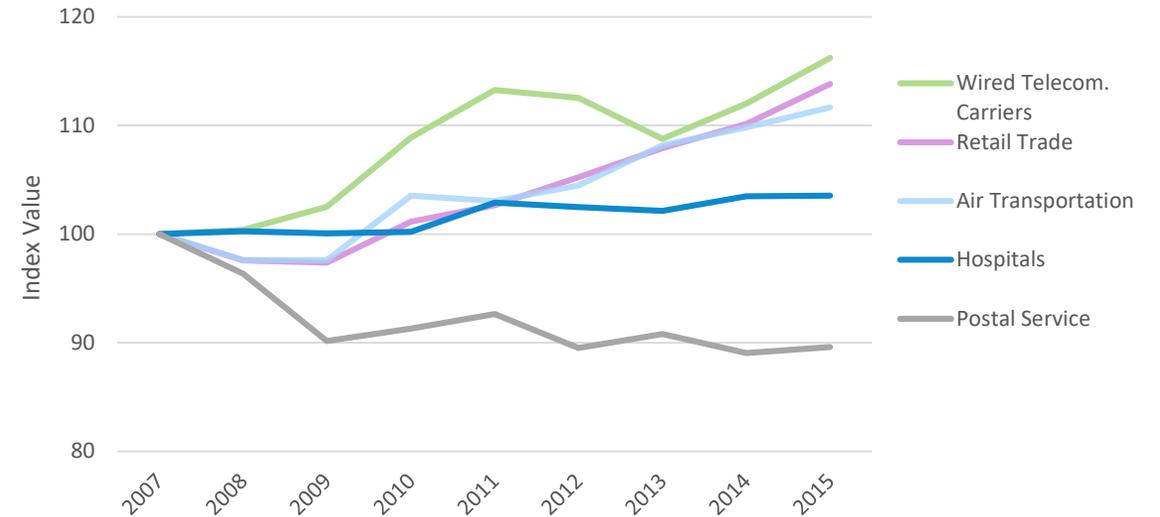
Healthcare Employment has Steadily Increased While Hospital Productivity is Lagging Behind Various Industries

Total Nonfarm Employment and Healthcare and Related Employment (2007-2018)



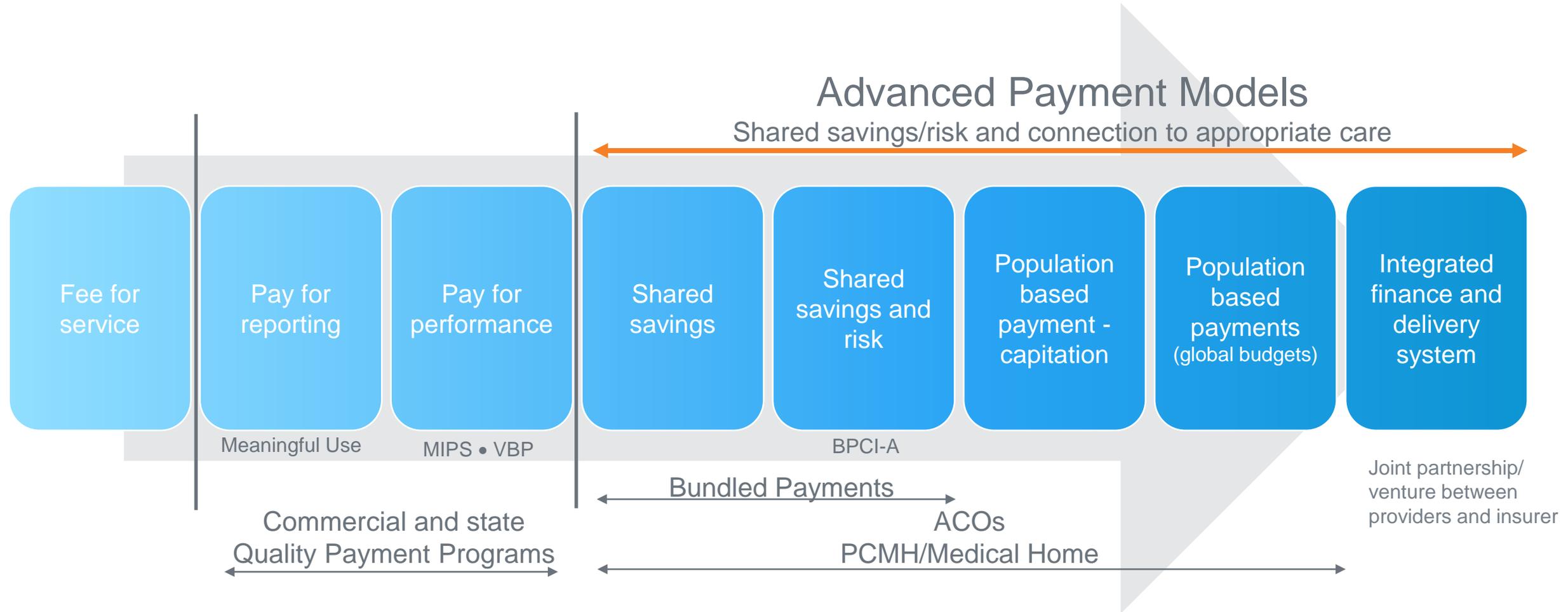
Note: Total Nonfarm (CES0000000001), Health Care (CES6562000101), Federal Hospitals (CES9091622001), State Hospitals (CES9092262201), Local Hospitals (CES9093262201). Seasonally Adjusted. December 2018 data are preliminary.

Productivity Index Value for Various Industries, Output per Employee (2007-2015)

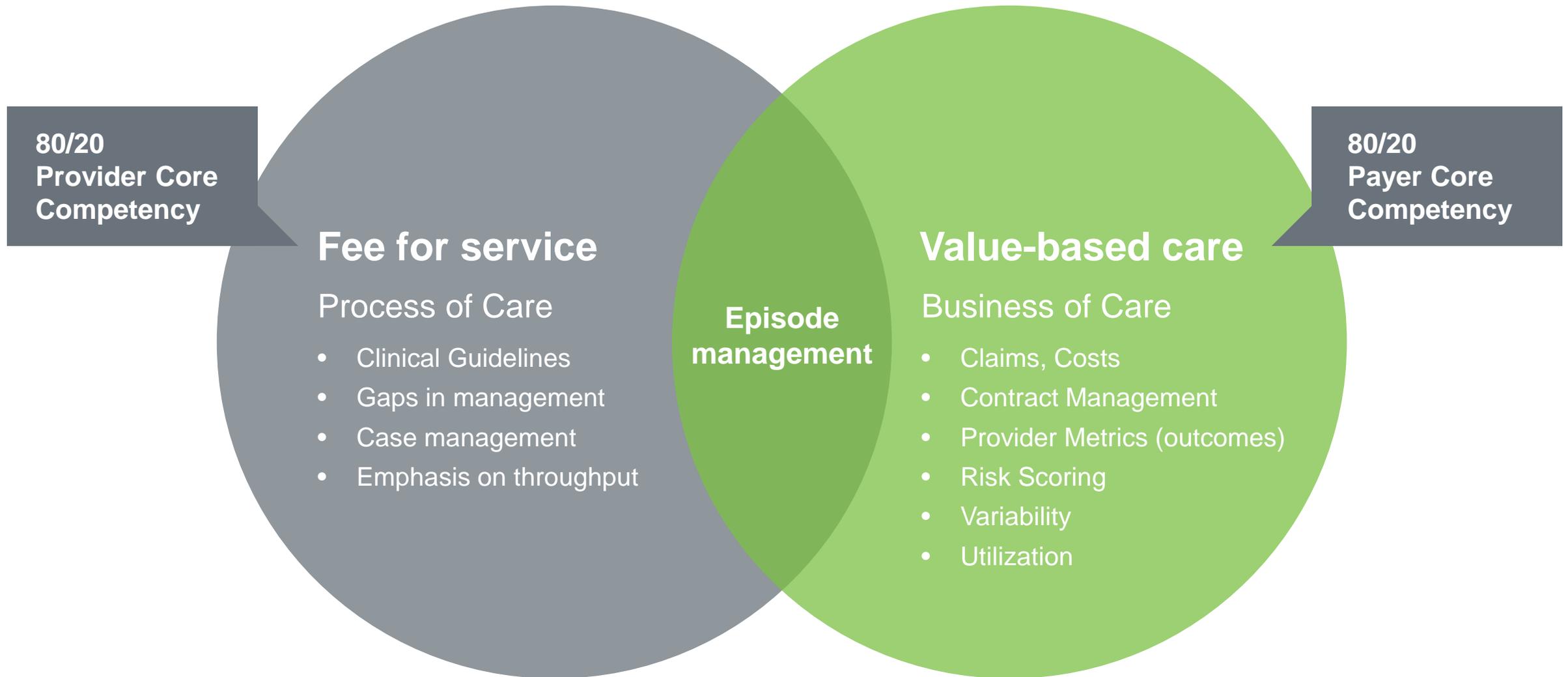


Note: Wired Telecommunications Carriers (NAICS 5171), Retail Trade (NAICS 44,45), Air Transportation (NAICS 481), Postal Service (NAICS 491), Hospitals, except Psychiatric and Substance Abuse Hospitals (NAICS 622A).

Government Push for Payment Reform to Contain Cost Shaping Network Design, Activation



Cerner Solutions Can Deliver Financial, Operational Wins in FFS and FFV



Health Network Enablement

2018 Health Network Investments, Partnerships, Launches

Cerner partners with Lumeris to launch Maestro Advantage to help health systems succeed with MA plans and enhanced patient experience



Cerner collaborates with Salesforce to scale consumer engagement and outreach



Cerner launches near-site clinic network to serve the Malvern, PA employers and their members



Cerner partners with American Well as a strategy for virtual network activation



Cerner and Lumeris Launch Offering to Reduce Complexities for Health Systems Delivering Value-Based Care

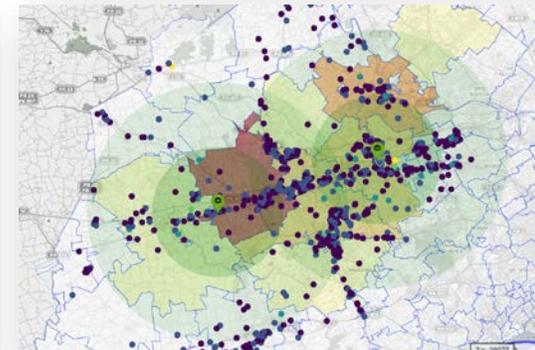
by **Cerner Corporation**
Published on July 9, 2018

Cerner, a global leader in health care technology, and Lumeris, an award-winning health plan and value-based care managed services operator, today announced a 10-year relationship aimed at eliminating inefficiencies in the current health care system. Under the relationship, the parties will launch a new offering, *Maestro Advantage*, for value-based arrangements, including Medicare Advantage (MA) and provider-sponsored health plans (PSHPs). It combines Cerner and Lumeris technology and services to streamline

Cerner Announces New Collaboration with Salesforce to Extend Care Beyond the Exam Room

by **Cerner Corporation**
Published on March 5, 2018

Cerner today announced a new collaboration with Salesforce, the global leader in customer relationship management (CRM). Cerner is extending its population health, clinical and administration portfolio with an integrated solution that combines Salesforce Health Cloud and Marketing Cloud with *Cerner's HealthIntent*SM, its big data platform. Combined with Cerner's data, analytic and application platform, electronic health record (EHR) and intelligent solutions, the addition of Health Cloud and Marketing Cloud will support enhanced consumer and provider engagement.



Cerner and American Well to Embed Telehealth Capabilities into Cerner EHR



KANSAS CITY, Mo. - Nov. 14, 2016 - Cerner, a global leader in health care technology, today announced a telehealth agreement with American Well, a leading national telehealth company. Together, the companies will deliver a virtual health care experience that will integrate the American Well platform with Cerner's electronic health record (EHR). The integration will enable providers to manage the health and care of patients beyond the walls of the health system. "Cerner and American Well share the belief that all aspects of health care delivery should be unified, continuous and patient-centered. Together, we're committed to developing a long-term strategy to align American Well's telehealth technologies, services and programs to deliver an enhanced user experience within the Cerner EHR and ecosystem," said Don Bisbee, senior vice president at Cerner.

HIMSS Forest Floor: Key Opportunities for Both Partnership and Platform Economics

In 2018, investors poured nearly \$8.1B into the sector, surpassing 2017's record-setting total of \$5.7B by a whopping 42%

TOP SIX FUNDED VALUE PROPOSITIONS

YTD 2018

**ROCK
HEAL+H**



41 Deals, \$1.27B

Largest Q3 deal:

American Well

(\$291M)

ON-DEMAND HEALTHCARE SERVICES

The delivery of immediate, or near real-time, healthcare services (e.g., physician house-calls, telemedicine)



42 Deals, \$1.18B

Largest Q3 deal:

PELOTON

(\$550M)

FITNESS AND WELLNESS

General health maintenance and promotion, including fitness, nutrition, and sleep



27 Deals, \$1.10B

Largest Q3 deal:

**BUTTERFLY
Network, Inc.**

(\$250M)

DIAGNOSIS OF DISEASE

Enables the diagnosis of a specific clinical condition (e.g., diabetes)



34 Deals, \$900M

Largest Q3 deal:

23andMe

(\$300M)

CONSUMER HEALTH INFORMATION

Empower consumers to understand their own health, general healthcare concepts, and the healthcare system



38 Deals, \$781M

Largest Q3 deal:

INFOBIONIC

(\$50M)

MONITORING OF DISEASE

Enables the monitoring of a specific clinical indication (e.g., diabetes)



21 Deals, \$630M

Largest Q3 deal:

.Outset

(\$132M)

TREATMENT OF DISEASE

Delivers and/or enables the treatment and/or management of a specific clinical condition

Source: Rock Health Funding Database

Note: Only includes U.S. deals >\$2M; data through September 30, 2018

Each company in the Rock Health Digital Health Funding Database is tagged with at least one and up to three "value propositions." Since each company may fall into multiple value propositions, the sum of the funds raised across value propositions does not sum to the total funds raised.

Cerner Operating Model: Strategic Growth

Principles for Growth

MACRO TAILWIND

Hospital ⇒ Network shift | MSA level provider consolidation | Growth in technology heterogeneity

MATERIALITY

Total Addressable Market (TAM) > \$1B | Achievable Cerner market share (≥10%)

LEVERAGE WITHIN CERNER

Platform/product | Go to market channels | Expertise & Brand

SURMOUNTABLE BARRIERS TO ENTRY

Regulatory | Understood minimum viable product requirements | Total solution capabilities

SPEED-TO-REVENUE

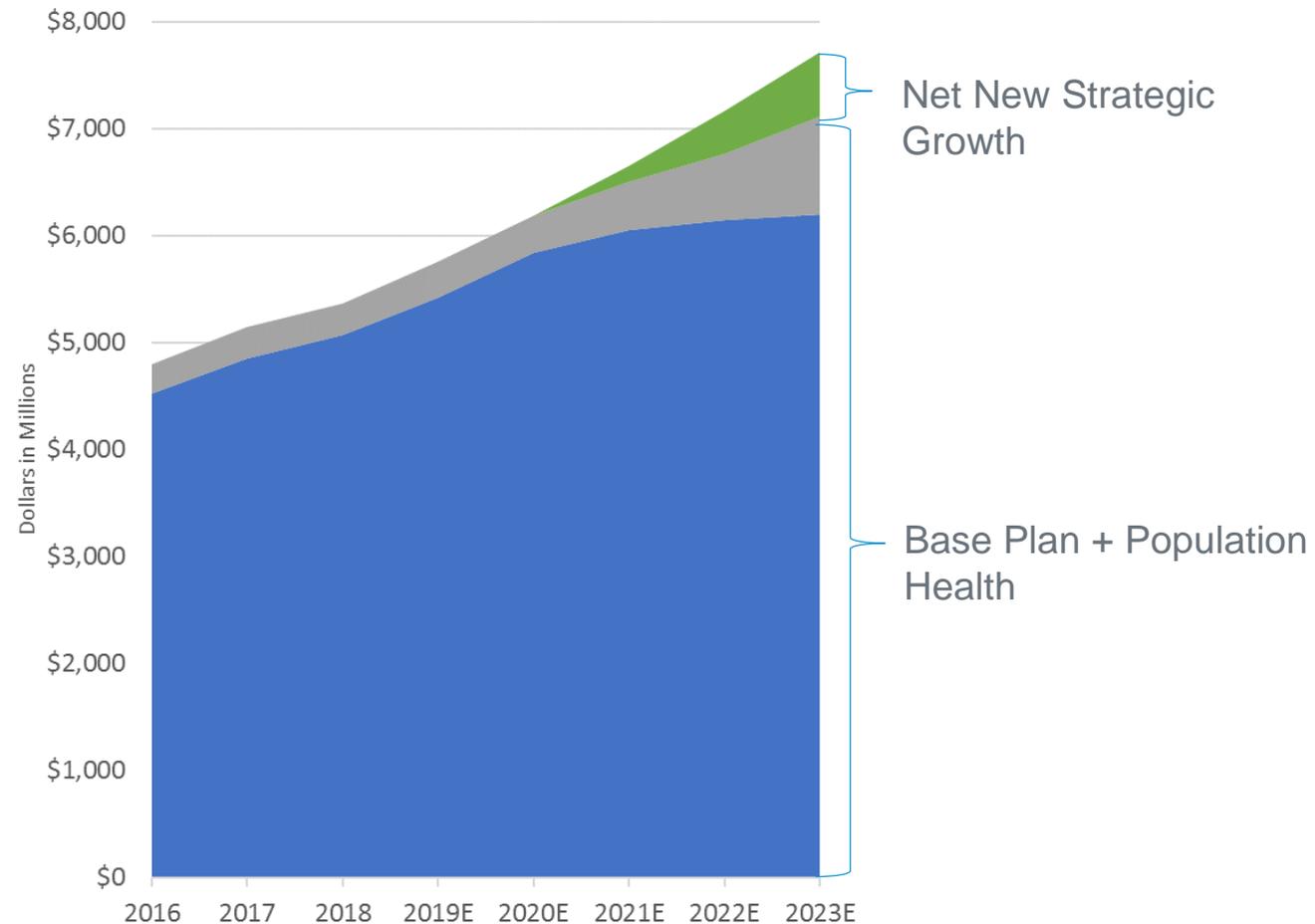
Clear path to year 1 and year 3 revenues | Start with assessment/services as we build/buy/partner

2019 Growth Will Focus Six Key Market Segments



Delivering Pop Health Plan and Strategic Growth

- Targeting 6-9% 5-year CAGR
- Base plan reflects 6% 5-year CAGR
 - Includes Population Health growing from >\$300M to ~\$900M by 2023
- Strategic Growth target of \$600M by 2023 brings CAGR to 7.5%



Revenue estimates beyond 2019 do not represent formal financial guidance

Strategic Growth Example: Consumer & Employer

David Bradshaw, Senior Vice President, Consumer & Employer

Engaging the *Person*, No Matter Their Role



Consumer

- Makes choices
- Acquires goods & services
- Leverages tech in their lives



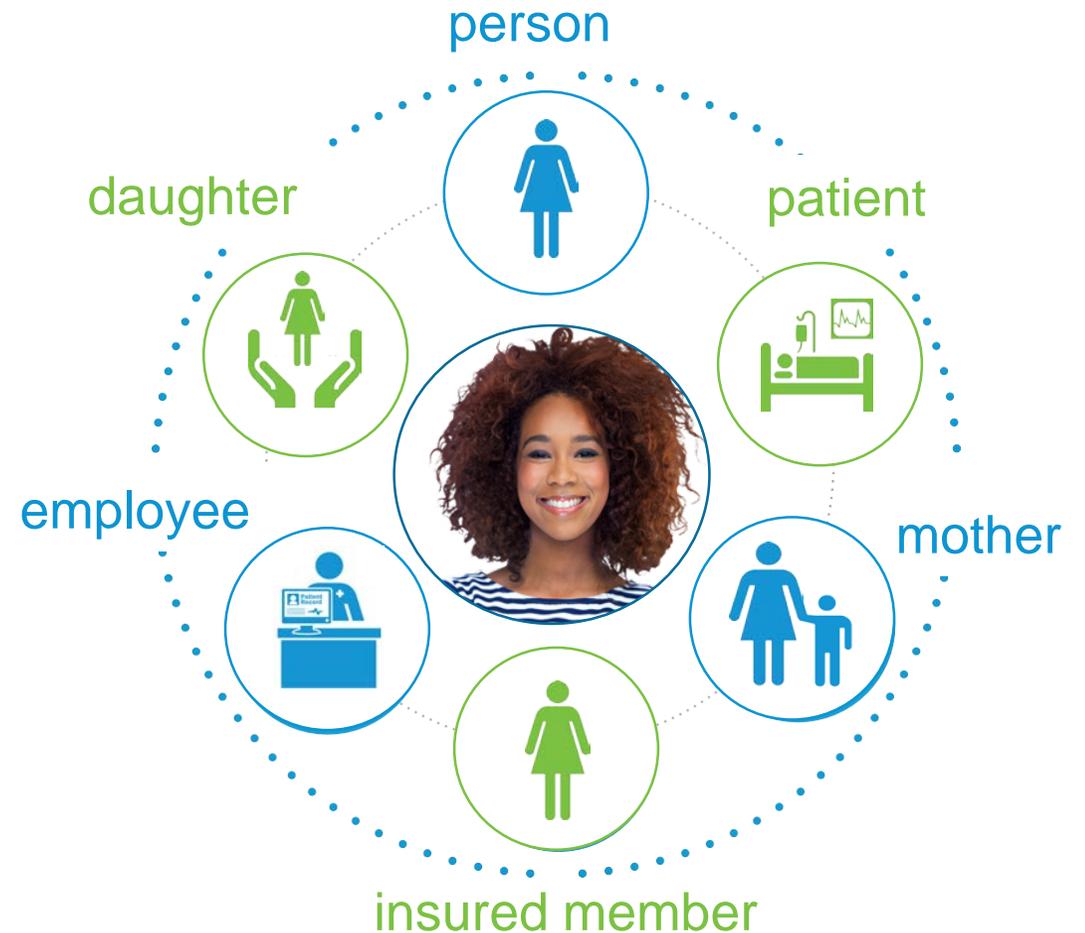
Patient

- Receives care
- Is prescribed a plan
- Desires high touch



Member

- Makes insurance network decisions
- Seeks care inside network / community
- Engages in wellness programs



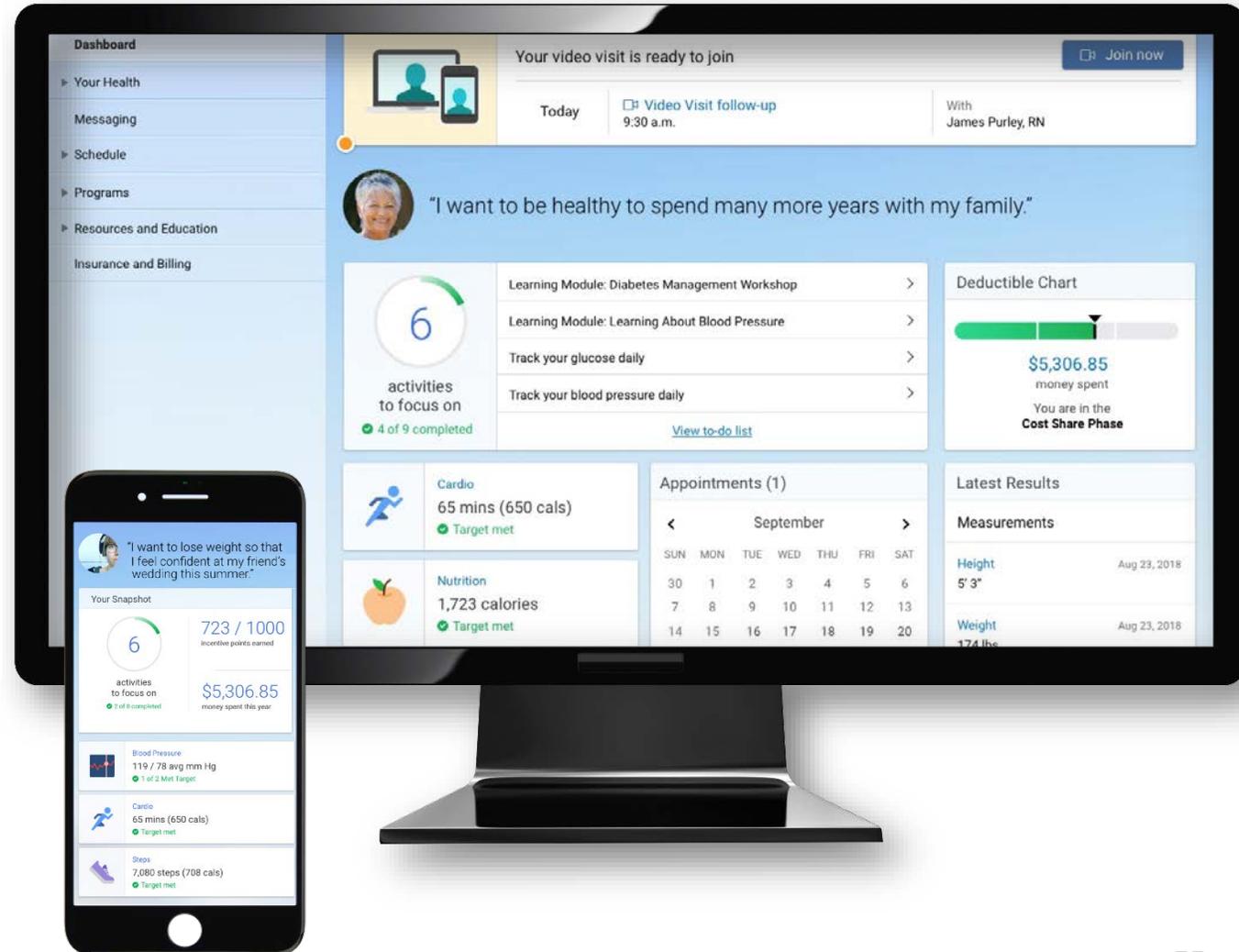
Health Care is Becoming a Digital Business



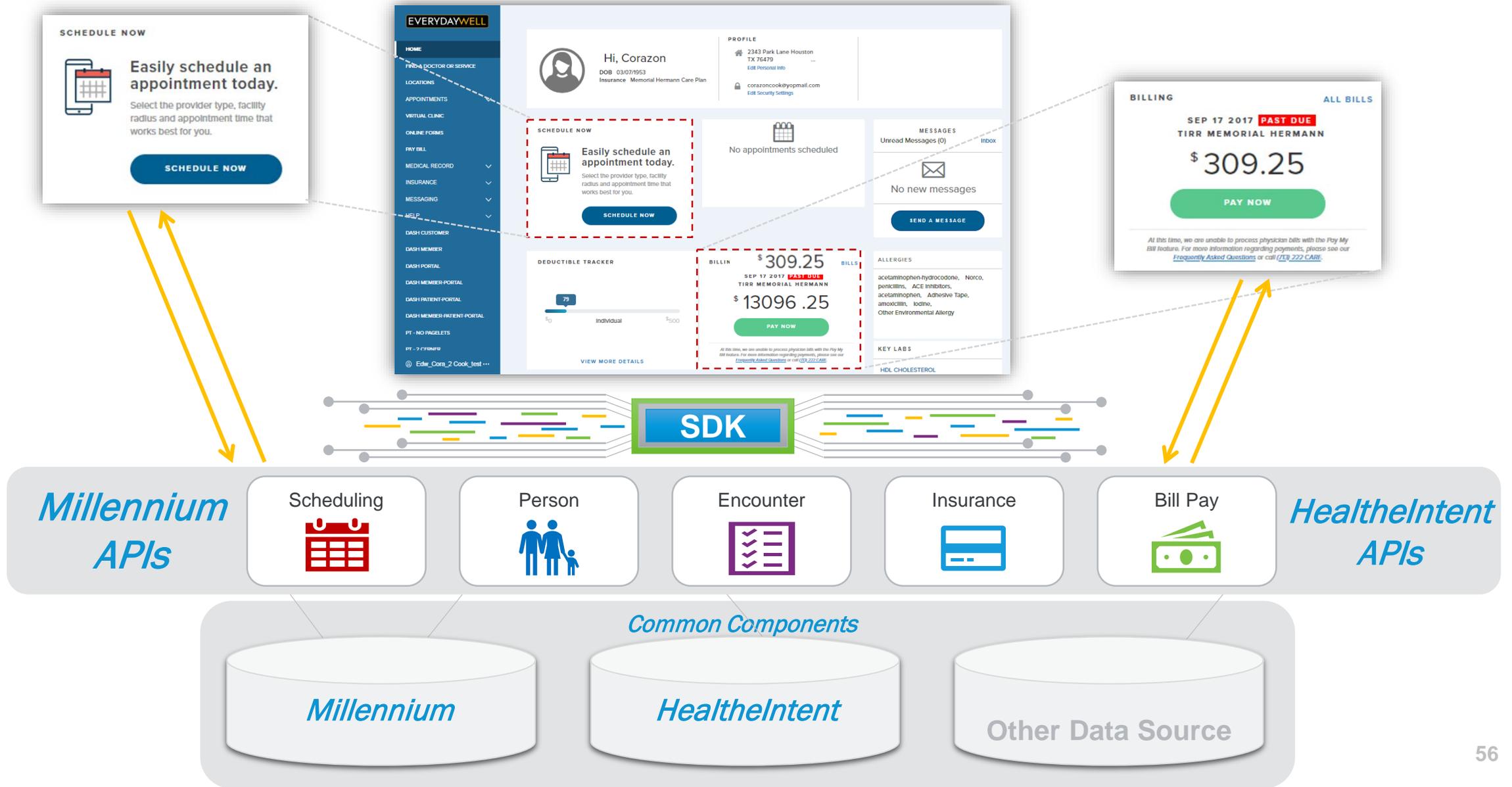


HealthLife Consumer Framework

- Provides a single user experience for signup, login, access and transactions
- Enables contextual awareness and personalization based on the user
- Acts as the point of integration for disparate system applications
 - One solution across desktop (website) and mobile (app)
 - Cerner, third party, and client-developed applications



Extensible Platform

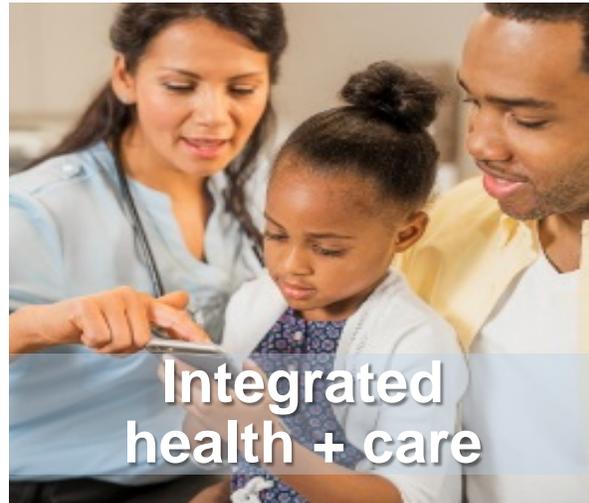


Going Beyond Traditional Wellness



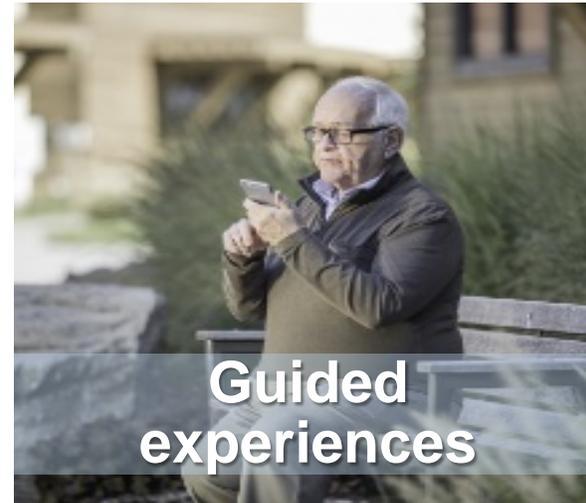
Personalization and engagement

- Responsive Design
- Broad data set to drive personalization
- Personal wellness engagement programs



Integrated health + care

- Unified care team plan for shared decision making
- Coaching & condition care management
- Consumer generated data



Guided experiences

- Intelligence to guide my health & well-being
- Proactive analytics for outcomes, cost to target engagement

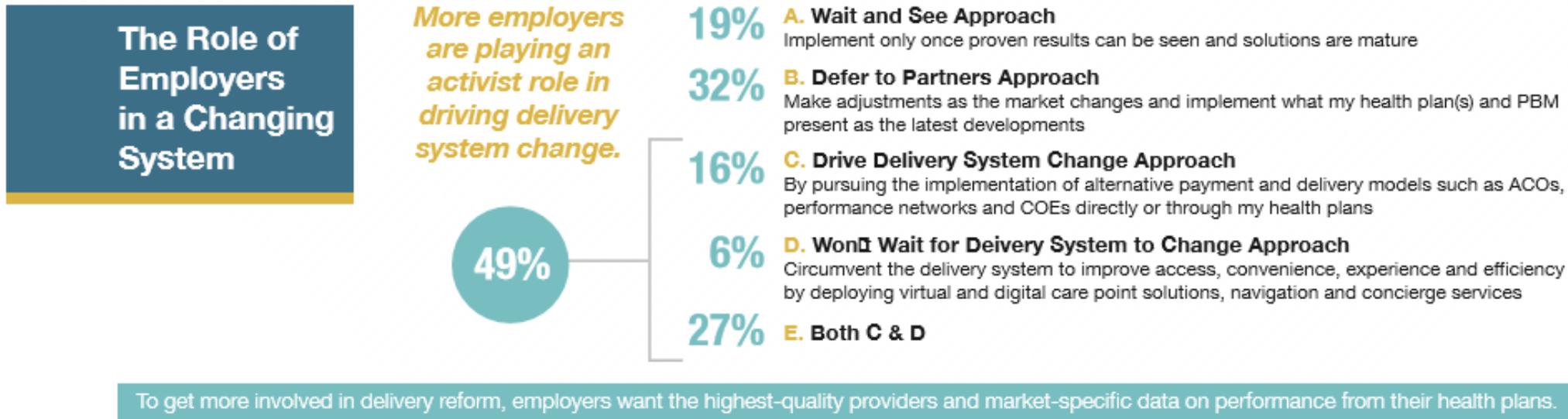


Social connection Novel experiences

- Coaching
- Challenges
- Events
- Connected communities
- Unified app ecosystem

Employer Market Overview

- Average 2018 Family Plan Premium – \$19,616 (5%↑ over 2017)
- Employers are turning to alternatives to health systems to reduce costs*
- 49% of large employers taking an activist role in delivery system change**



*See Appendix for relevant Advisory Board research

**Source: National Business Group on Health, 2019 Large Employers' Health Care Strategy and Plan Design Survey

Cerner's Key Employer-Facing Assets

- On-site or near-site employer health clinics
- May include: primary care, mental health, pharmacy, lab, and other services
- Usually include wraparound services, like design and analytics and reporting



Health Centers

Technology



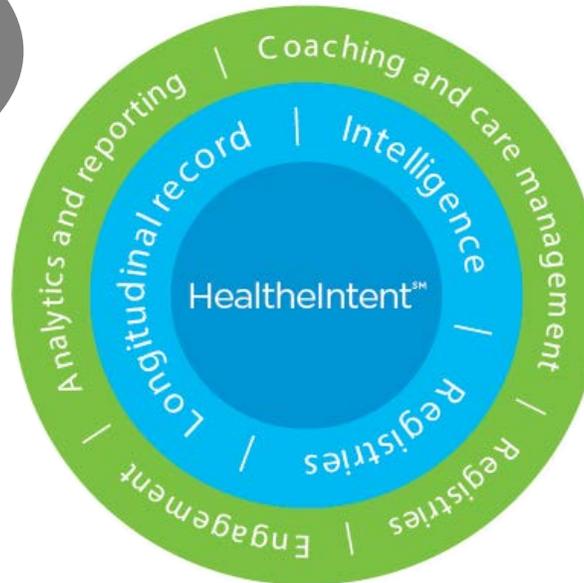
- Connect employees to the continuum of health, outside of direct medical care
- Services may include Navigation, Coaching, Concierge services, and CCM
- Reporting on engagement and patient outcomes

Care Management Services



Benefits Administration

- Medical, dental, COBRA claims processing
- Regional/national network availability, direct contracting, and administration
- Focus on member (customer service), providers (timely claims processing), and client



- Solutions that support the employer services
- May include: EMR and Patient Portal, Wellness and Engagement Platforms, Analytics Platforms, CRM, and Telehealth solutions (HealthLife video + AmWell partnership)



Telehealth

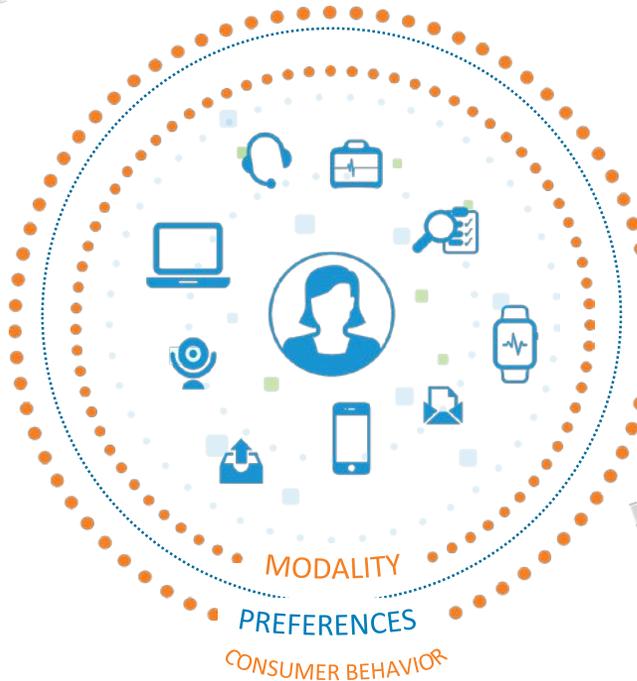
- Services wrapping around HealthLife Video Visit and American Well technology
- Can complement and enhance other services such as health centers and coaching/care management solutions

Creating Engagement

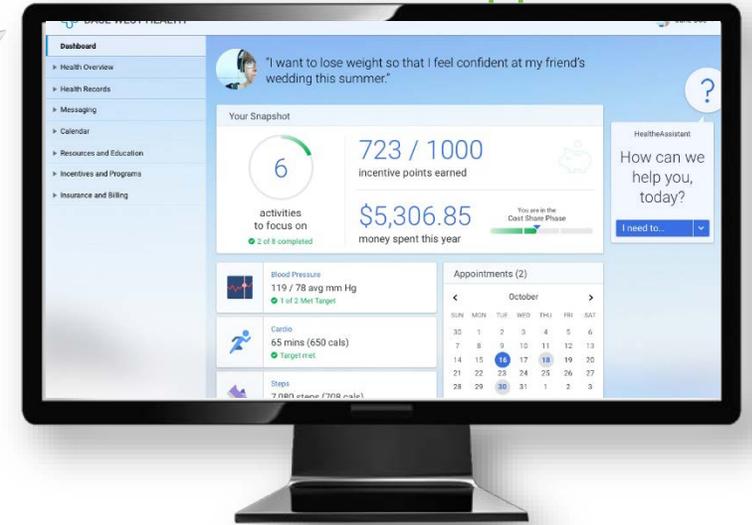
Intelligent identification, outreach, and engagement



Quality / gaps in care 	Chronic conditions
Acquisition/recruiting 	Episodes of care
Risk management 	Provider network management
Brand management 	Transactional notifications



Contextual experiences with HealthLife App



Personalized engagement with Salesforce

Collaborating to Revolutionize Consumer Engagement



Combining
expertise

Enterprisewide
solution

Closed loop
integration

SALESFORCE

Forbes

1 World's Most Innovative Companies

World's #1 CRM by Market Share

Leader in Healthcare CRM by KLAS and
Forrester Wave™

CERNER

Largest Global Health Care IT Company

Grade A

Population Health Management Technology
by Chilmark Research

Grade A

Care Management Execution
by Chilmark Research

Gaps In Care Closure Outreach

Using registries and scorecards, providers can:



Identify people:
What is this person's latest health and care data?

Include people in the appropriate registries:
According to this person's health and care data, is he or she diabetic or hypertensive?

Attribute people to the right providers:
Who is the person's primary care provider?

Pinpoint gaps in care:
If this person is a diabetic, has he or she had a foot exam or A1C test?

Measure outcomes:
Is the person's A1C being managed?

Monitor at the person or population level:
What should the clinician focus on for this person or population?

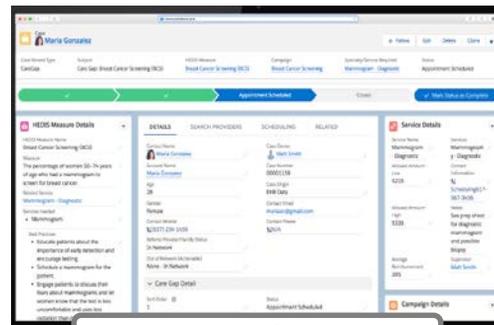
Solution

- Through Cerner's Configuration Tool, you can define the group of people (the Who) and what information (the What) to send to Salesforce.

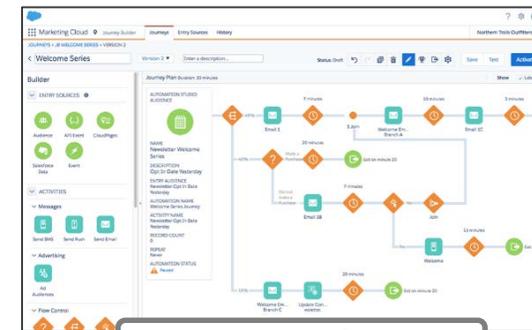
- Population
- Registries – Adult Wellness
- Measures – Breast Cancer Screening

HealthIntent

- Data flows from *HealthIntent* to Salesforce Health Cloud
- Create a campaign and drive an automated engagement Journey within Salesforce for patients who are due for their mammogram screening..
- Further segmentation and targeting can be applied to the Journeys with the dataset being sent to Salesforce.



Health Cloud



Marketing Cloud

In Summary

- Market moving fast....many fragmented options
- Cerner Consumer Framework brings together Cerner and leading 3rd party app providers
- Health & Wellness product to clients in summer of 2019
- Employers seeking consumer oriented solutions
- *HealthIntent* and Salesforce build robust CRM platform



Marketplace and Client Relationships

John Peterzalek

Executive Vice President & Chief Client Officer



Meeting Our Clients Where They Are



Digitization is happening

Acute U.S. EHR Market

As of 2019, nearly all non-federal acute care hospitals **have possession of an EHR certified by HHS**

Ambulatory U.S. EHR Market

As of 2019, nearly **87% of office-based physicians** had adopted any EHR

Non-U.S. EHR Market

Remains in early stages of digitization



Market drivers are shifting



Rising **consumerism**



Shift from **volume to value**



Payer and provider **consolidation**



Data and technology **proliferation**



Health Care Challenges

Top issues confronting health care

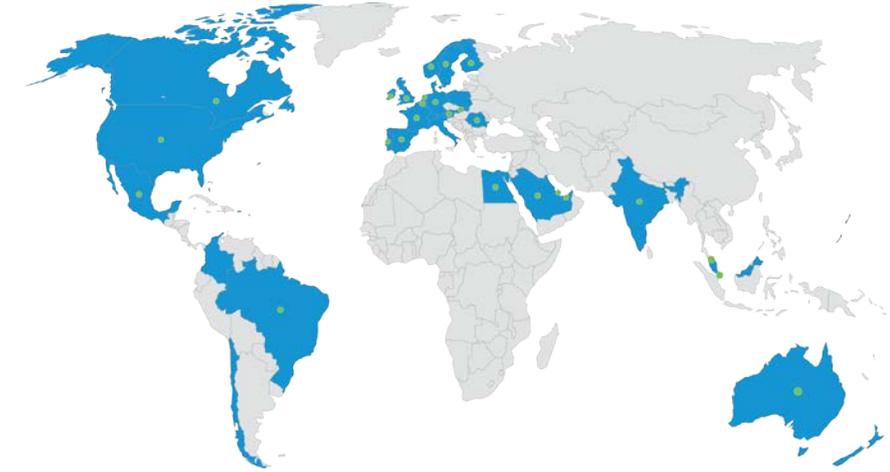
- Financial Challenges
- Governmental mandates
- Patient safety and quality
- Personnel shortages
- Patient satisfaction
- Access to care
- Physician-hospital relations
- Population health management
- Technology
- Reorganization (e.g., mergers, acquisitions, restructuring, partnerships)

Leading Market Position

Competitiveness Snapshot

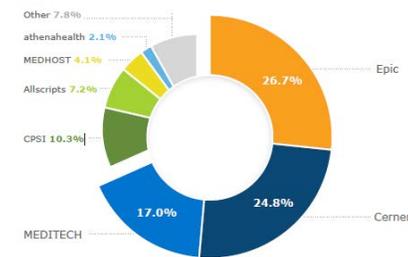
- Cerner & Epic are both U.S. market leaders
- Cerner recognized as Non-U.S. market leader
- Gross acute wins leader 2017, and cumulatively 2015-2017 (most recent data)
- 1,900 facilities remain on non-market leading EHRs
- Cerner's *CommunityWorks* model (ASP) is differentiating in a steady replacement market
- Population Health solutions continue to scale and be leveraged by providers and non-provider buyers like employers, health plans and governments

Presence in 35+ Countries Worldwide



U.S. Market Share

2017 US Acute Care Hospital Market Share
(n=5,278 acute care hospitals)

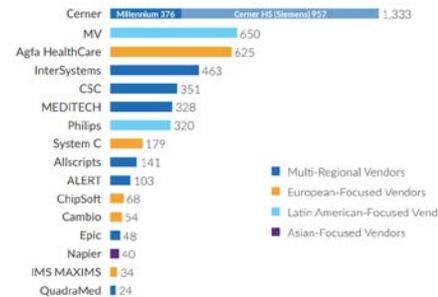


Note: "Other" includes Azalea Health, CSS, eClinicalWorks, Empower Systems, GE Healthcare, Medsphere, NTT DATA, PCC, PatientClickCare, Prognosis, Quadrant, Tech-Times, VersaSuite, and VISA/RPMs.

Non-U.S. Acute Market Share Leader

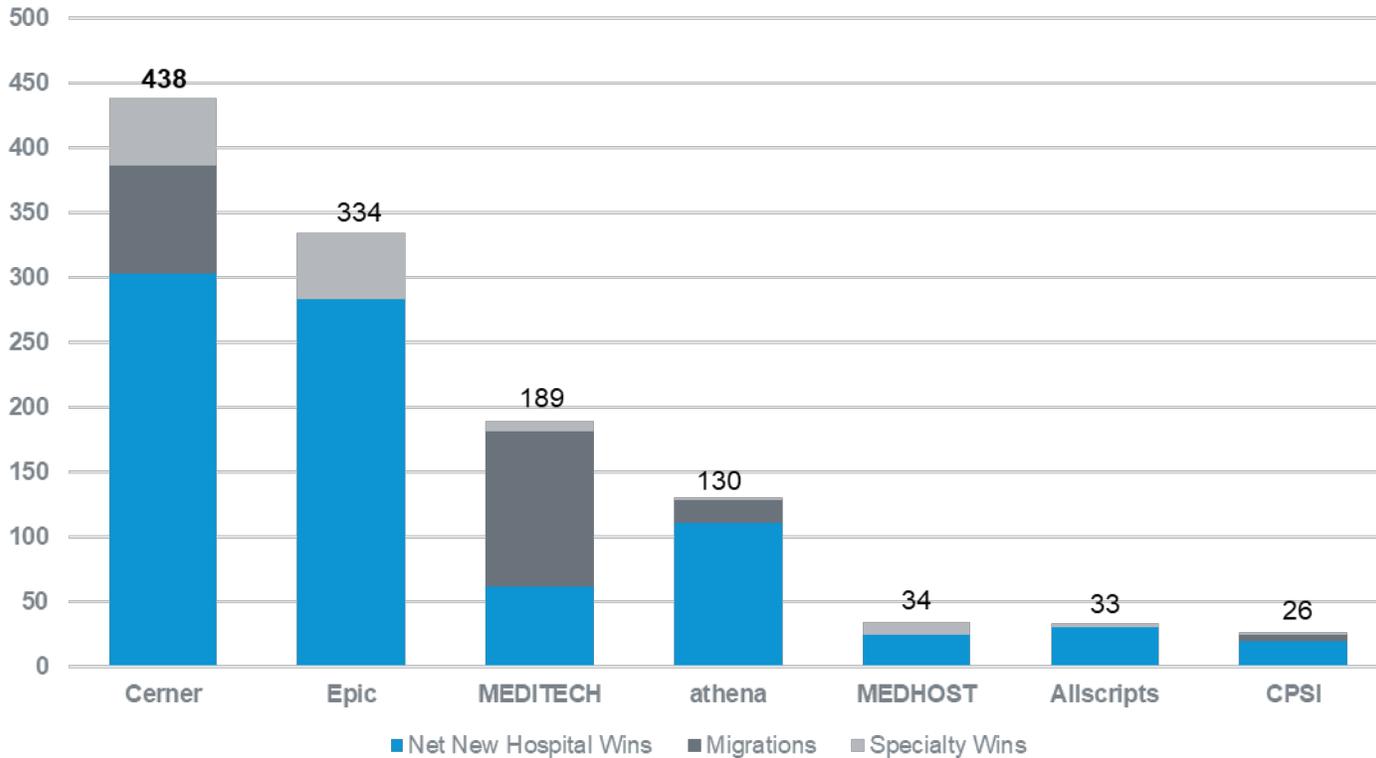
ESTIMATED GLOBAL MARKET SHARE (NON-US)

Acute care hospitals



Growing Community of Clients

Cerner Leads All Vendors in U.S. Acute Care EMR Wins 2015-2017



Figures calculated from:
 "US Hospital EMR Market Share 2018 | Small Hospitals Hungry for New Technology," May, 2018 ©2018
 "US Hospital EMR Market Share 2017 | Decision Energy Shifts to the Small Market," April, 2017 ©2017
 "2016 Hospital EMR Market Share | Significant EMR Decisions Energize U.S. Market," May, 2016 ©2016
 KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com

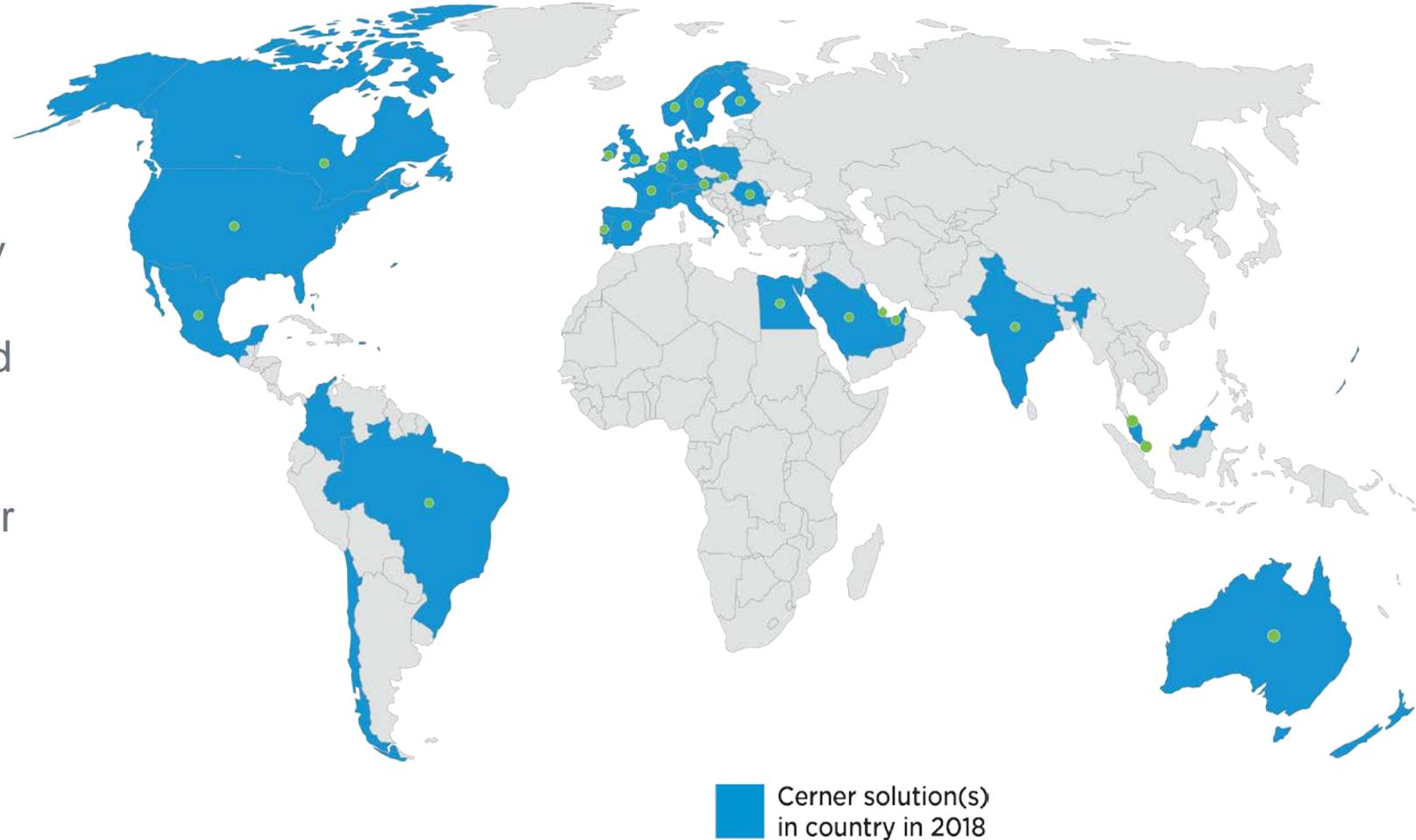
A few recent additions include...



Non-U.S. Markets

Competitiveness Snapshot

- Significant progress in Nordics, Australia and Middle East, Canada
- In the UK, Cerner supports more global digital exemplars (7), than any competitor
- Recognized by industry for continued excellence
 - Best in KLAS awarded in 18'
 - Global HIMSS Stage 6/7 leader (far and away)
- Our population health strategies continue to be relevant
- Trend towards partnering for entire regions and nations; e.g. national scale programs



Significant Whitespace Opportunity

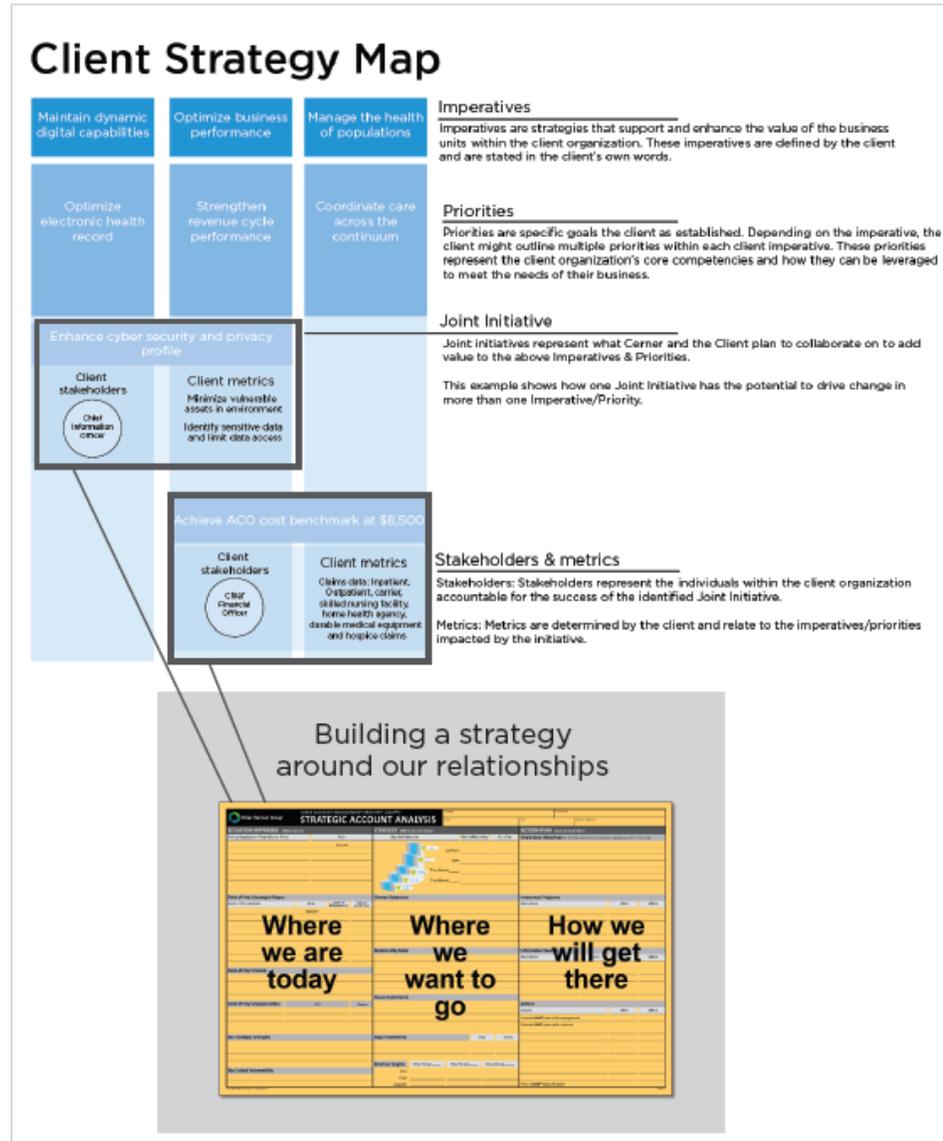
- Mature and Contributing Client Base
 - 70 of 100 Top 100 Health Systems in the U.S. have a Cerner footprint
 - Several expand relationship annually
 - E.G. \$1.5B in bookings generated by 8 clients in 2018
- Client Whitespace & TAM
 - Within our largest clients there are 420+ facilities not on Cerner Millennium today (M&A driven, etc.)
 - RCM products are maturing, 40% of Millennium base has adopted; significant “Works” opportunity
 - Ambulatory EMR proven in market, 53% adoption and material whitespace
 - *Cerner ITWorksSM* 11% adopted across Cerner’s target client base within Cerner
 - Adjacent markets like ITO, RCM BPO, analytics, etc. are areas where Cerner can quickly scale via the client channel

Market Segment	Market Size	5 Year CAGR
Revenue Cycle Management (includes BPO)	\$87B	12%
IT Outsourcing	\$48B	7%
Population Health Management (tech enablement, services)	\$45B	18%
Analytics & AI	\$30B	27%
Telehealth	\$20B	17%

Source: Healthcare IT Market Global Forecast to 2021, Markets and Markets

Aligning to our clients' strategies

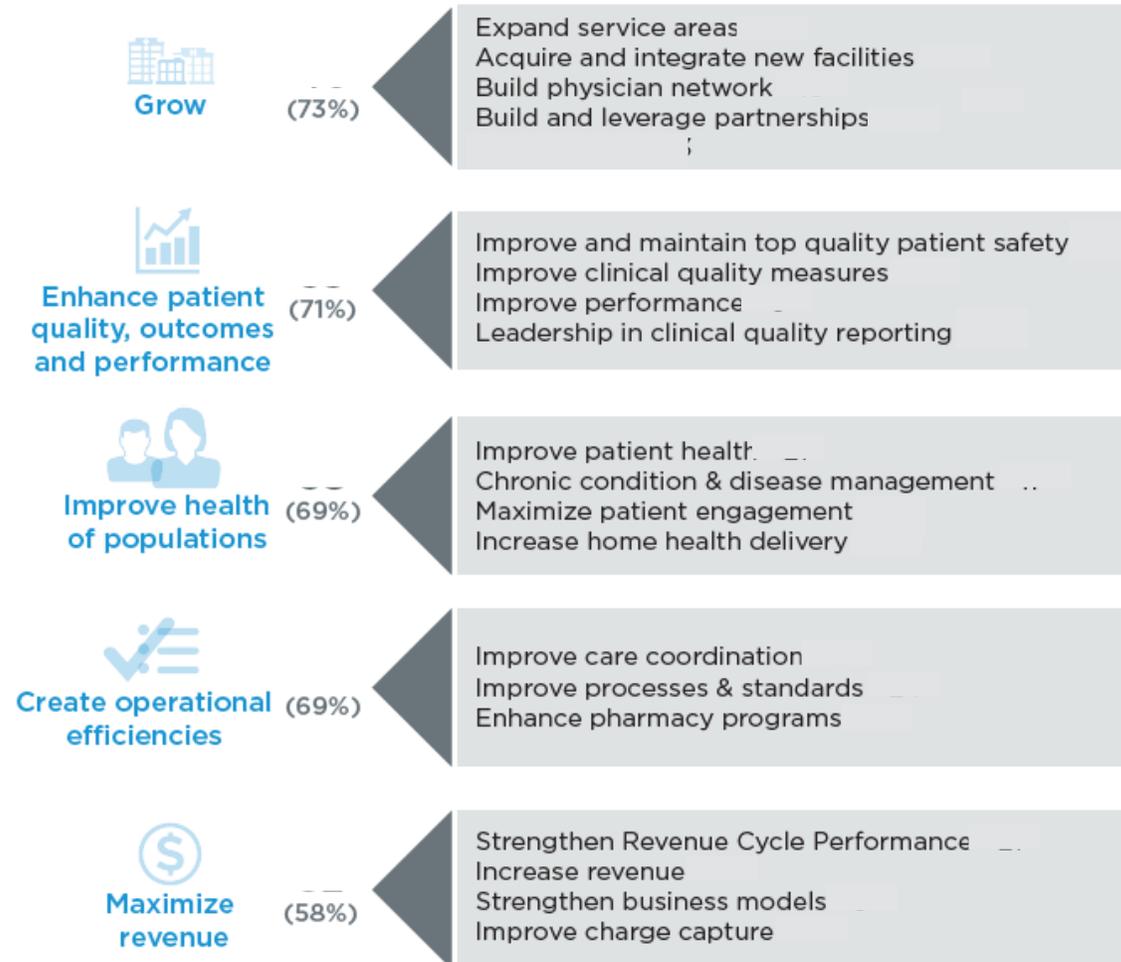
- Rigorous client road mapping process
- KPI and metric driven
- Built specifically to client's imperatives and priorities



Top 5 Client Imperatives & Priorities

Cerner is well positioned to act as a strategic advisor and partner

Client Imperatives & Priorities



Federal Business

Travis Dalton

President, Cerner Government Services



DoD & VA Primary Objectives

- Modernize technology
 - Get out of software business
- Improve quality and outcomes
 - Enhanced use of analytics
- Connect the continuum of care & advance interoperability
 - DoD - VA
 - Community providers
 - National interoperability
- Ensure force readiness
- Enhance research and innovation

Department of Defense (DoD)

9.4M
Eligible Beneficiaries

55 military hospitals • 5 Theater Hospitals • 373 Medical Clinics
• 245 Dental Clinics • 606 Forward Deployed Sites • 234 U.S. Navy Ships & Submarines • 2 Hospital Ships

205,000+
Healthcare Professionals and Support Staff

Department of Veterans Affairs (VA)

9.12M
Total Enrollees in VA Health Care System

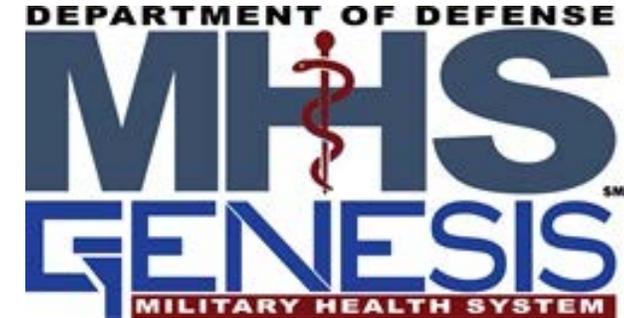
1,243
Health Care Facilities

306,000
Healthcare Professionals and Support Staff

Programmatic Approach & Lessons Learned

DoD forms the baseline for VA solution – VA will create baseline for additional solution deployment (e.g., cardiology).

- 70% common capabilities between VA's EHRM solution and DoD's MHS GENESIS



The MHS GENESIS logo is a registered trademark of the U.S. Department of Defense, Defense Health Agency. Use of the logo does not constitute or imply an endorsement by the Department of Defense.

Lessons learned from DoD are being applied to VA:

- Program and change management in support of adoption
- Comprehensive workflow based training
- Cerner help desk
- Robust sustainment model



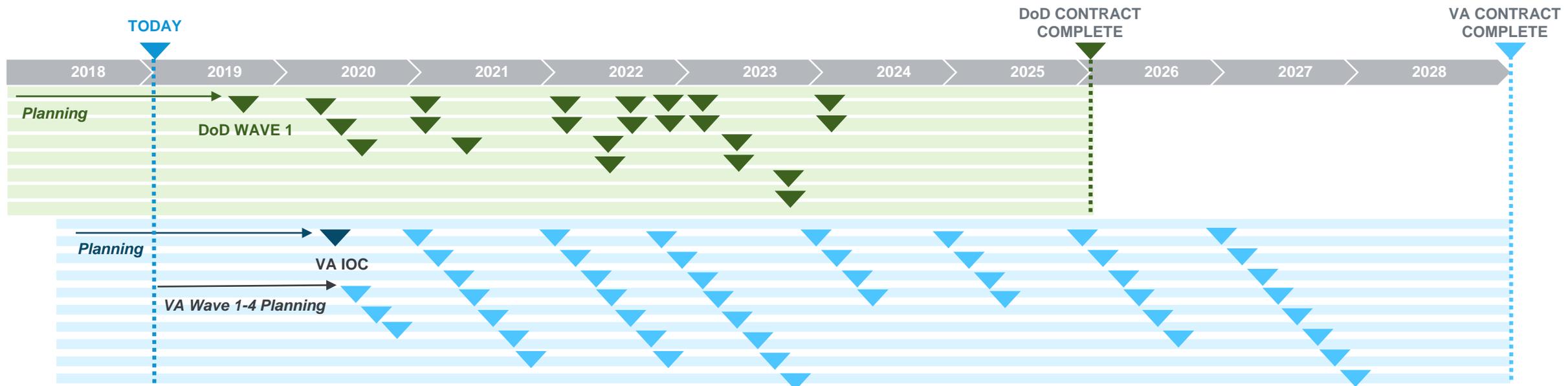
DoD & VA Deployment Timelines

DoD

- **Planned deployments:** 23 Waves + Initial Operating Capability (IOC)
- **Status:** IOC Go-Live complete
 - Received Full Deployment Decision → ATP for Waves 1-6
- **Contract completion:** 2025

VA

- **Planned deployments:** 47 Waves + Initial Operating Capability (IOC)
- **Status:** IOC Wave award and kickoff
 - Target dates for IOC sites go-live 2nd Qtr 2020
 - Wave 1 – 4 planned award by end of 2019
- **Contract completion:** 2028



DoD Program Summary



ACCOMPLISHMENTS

- Kicked off wave 1 sites –
 - Travis Air Force Base (CA)
 - Mountain Home Air Force Base (ID)
 - Naval Health Clinic LeMoore (CA)
 - Presidio at Monterey (CA)
- Obtained Authority to Proceed for waves 1-6
- Moving forward with new solutions (e.g., patient accounting)



NEXT STEPS

- Support ongoing end-user training
- Achieve wave 1 deployment go-live
- Kick off wave 2 deployment summer 2019

CHALLENGES

- **Environment management:** Adjusting to the complex and stringent federal guidelines and policies that are applied to our commercial hosting infrastructure
- **Timely decision making:** Ensuring all the right government stakeholders are 'at the table' to make decisions

VA Program Summary



ACCOMPLISHMENTS

- Awarded Indefinite Delivery / Indefinite Quantity (IDIQ) contract and 7 task orders
- Kicked off IOC sites –
 - Mann-Grandstaff
 - Seattle
 - American Lake
- Established 18 EHR councils to support standardized workflows
- Completed enterprise and local workshop events, as well as roadshows



NEXT STEPS

- Continue execution toward IOC go-live
- Complete national/local workshops and roadshows for IOC
- Drive towards task order planning and execution against defined roadmap
- Promote value based stories and outcomes

CHALLENGES

- **Timely decision making:** Ensuring all the right government stakeholders are 'at the table' to make decisions...drive understanding between DoD and VA
- **Hardening operational processes:** As a prime contractor, maturing our business platform necessary to execute

Outcomes and Changing the Narrative

Outcomes achieved to date for DoD



Systematic population health management for our Veterans



Early identification and proactive intervention of chronic conditions



Combatting opioid epidemic

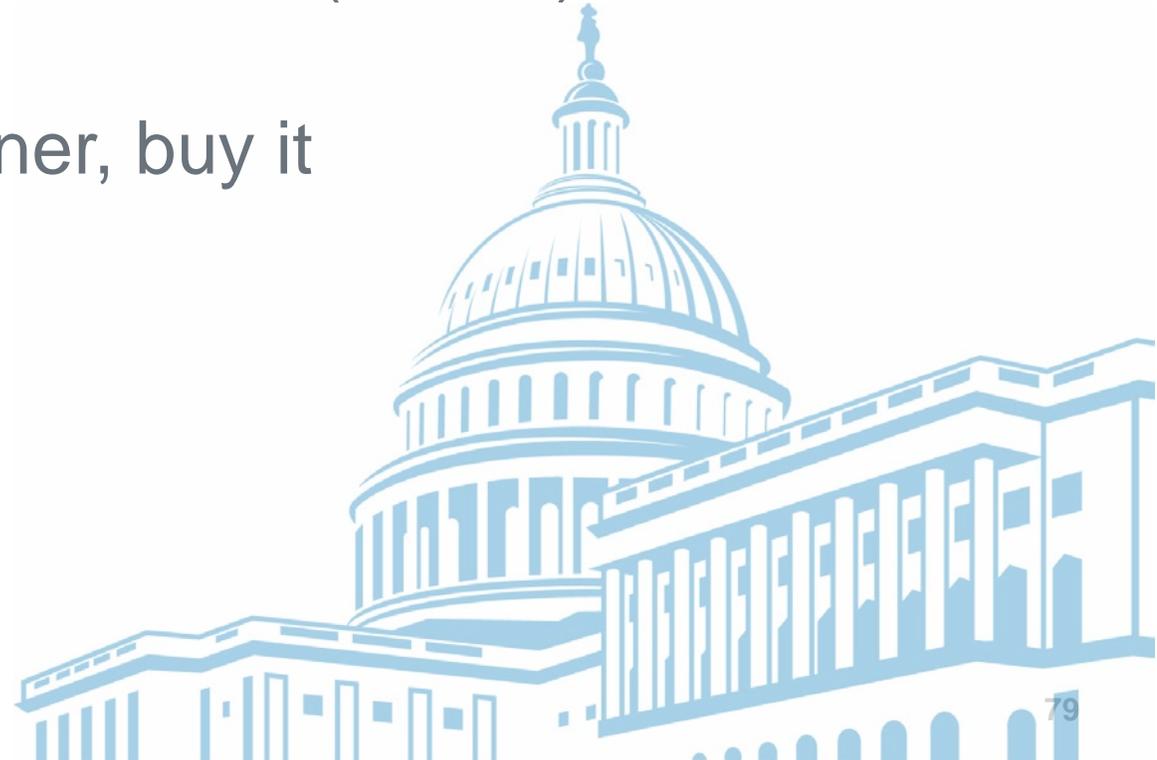


Suicide prevention

Cerner is using advanced technology and strategic innovation to support VA/DoD in delivering individualized care for Veterans and our Service Members – resulting in higher quality care, cost-effective outcomes across its clinical priorities

Opportunities – How We Grow

- Execution and delivery = additional task orders
- Value added capabilities for existing agencies – e.g., *HealthIntent*[®], long term care, cardiology
- Other agency relationships – US Coast Guard (USCG), Indian Health, CMS, non-U.S. Military...
- Strategic opportunities – build it, partner, buy it



Revenue Cycle

Brenna Quinn

Senior Vice President, Revenue Cycle



A Bit of Background

Experience

- Successful 25+ year track record in health information industry
- Proven ability to manage broad functional areas with large strategic impact
- Experience in strategic development, operational leadership, new product introduction and business acquisition
- Successful driver of key operational improvement culture and initial
- Joined Cerner via Siemens HS acquisition
 - Key leader in Cerner/HS integration
- Past executive leadership roles include:
 - SVP of IP and strategy for all HS solutions (Soarian®, INVISION®, MedSeries4®)
 - SVP for Siemens Revenue Cycle business unit
 - VP Emerging and Professional Services
 - Global planning and marketing

Memberships



American College of
Healthcare Executives
for leaders who care®



Board member

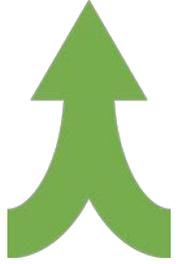


*Advisory board
member*



*2014 recipient of
Most Powerful &
Influential Women*

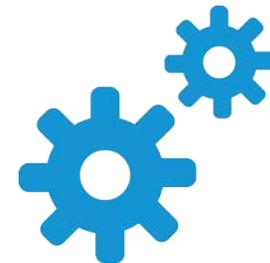
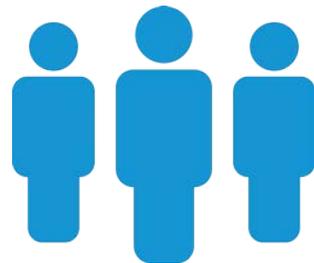
RCM Marketplace Trends



Global RCM market **\$87** billion

Growth drivers

- Rising demand for health insurance and growing geriatric population
- Growing need to reduce health care costs, increase efficiencies
- Government initiatives to boost adoption of RCM solutions
- Loss of revenue due to billing errors



Global RCM services market valuation to rise to **\$23** billion by 2023.



Source: "Healthcare Revenue Cycle Management Market 2018 In-Depth Analysis of Industry Share, Size, Growth Outlook up to 2024". January 26, 2019.
<https://www.marketwatch.com/press-release/healthcare-revenue-cycle-management-market-2018-in-depth-analysis-of-industry-share-size-growth-outlook-up-to-2024-2019-01-26>

Source: Revenue Cycle Management Outsourcing Market to Grow at 11.9% CAGR. July 27, 2018.
<https://revcycleintelligence.com/news/revenue-cycle-management-outsourcing-market-to-grow-at-11.9-cagr>

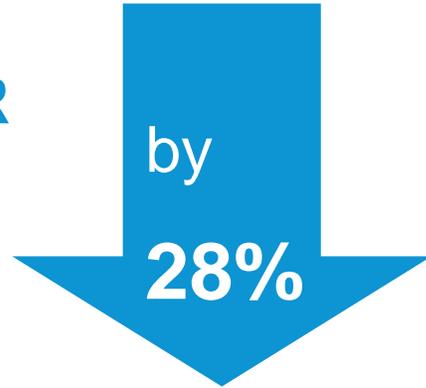
Revenue Cycle 2018 Review



- Strong 2018 total bookings and revenue growth
 - Includes expansions, new footprints and outsourcing services - business office management, targeted projects and services and full outsourcing
- 75 new *Millennium* patient accounting clients live
- Added over 600 new experienced revenue cycle professionals
- Well positioned for long-term growth based on strong 2018 bookings and pipeline
 - Momentum for *RevWorks* services remains strong
 - Expanding services beyond *Millennium*
 - Continue to increase penetration of revenue cycle solutions in installed base, which further expands addressable market for *RevWorks*
 - Over 40% of *Millennium* base has purchased revenue cycle

Samples of Recent Success

Reduced A/R
days



ROGERS
BEHAVIORAL HEALTH

Clean claim
rate

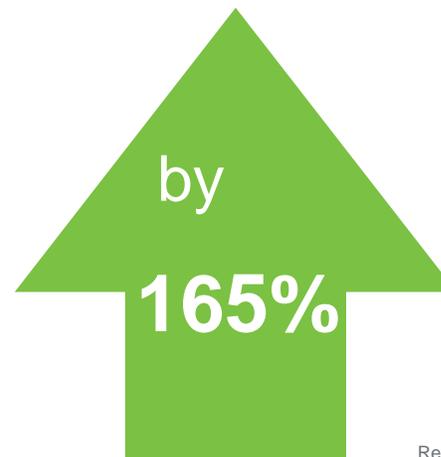


Measuring from August 2015 (pre-implementation) to August 2017
Read the [full story here](#).

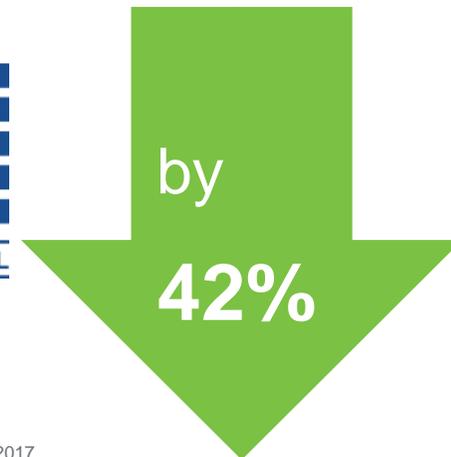
“Partnering with Cerner for RevWorksSM has been a game changer for our hospital. Many services offer consulting but only Cerner manages revenue cycle by maximizing utilization and efficiency of software and people. Cerner has skin in the game and the results speak for themselves.”

- Jeff Tindle
- CEO
- Carroll County Memorial Hospital

Increased cash
collections



Decreased A/R
days



RevWorks partner, measuring from 2012 (pre-implementation) to 2017
Read the [full story here](#).

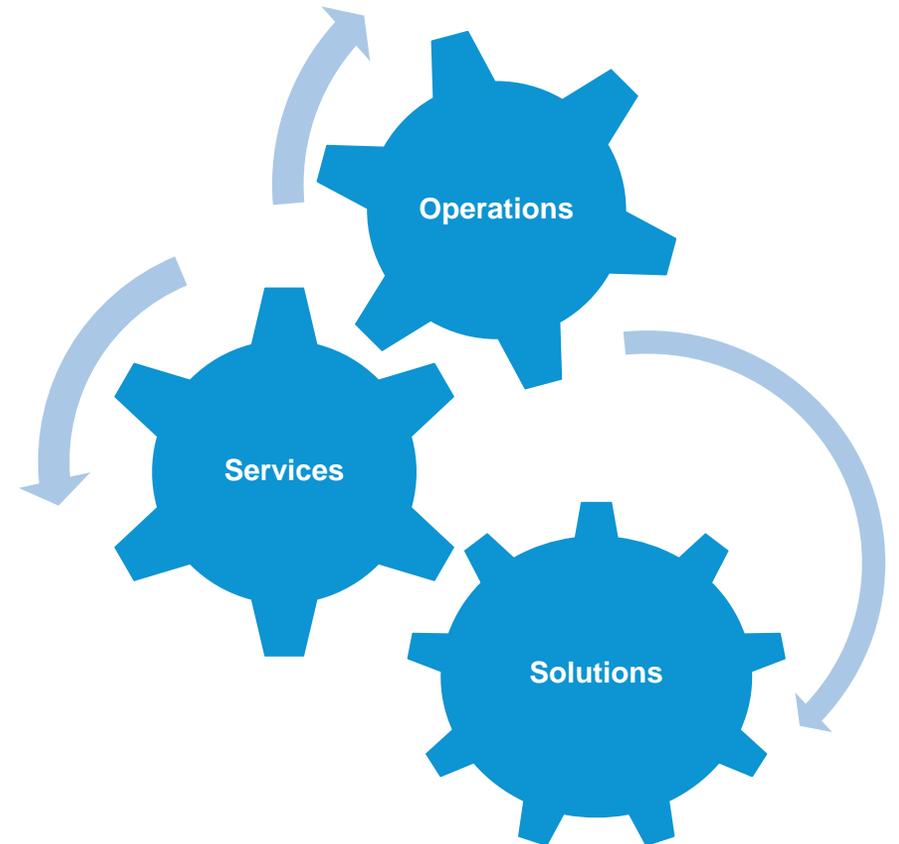
A Systemic Approach to Continuous Improvement

We have a multi-pronged approach to drive systemic improvements across our revenue cycle **solutions**, **services** and **operations**. We will,

Invest in driving **near term improvements** while executing **longer term deliverables**

Expand and **enhance** revenue cycle **expertise** in all areas

Actively seek **feedback** and **communicate** progress regularly



2019 Focus Areas



Improve the client experience

- Implementation
- Optimization and surveillance
- Education and training



Proactive client engagement

- Three tiered client forum approach
- Consistent communications
- Financial alignment executives and assessments



Advance solution capabilities

- Flexible, but efficient and predictable
- Self-developed and through open APIs
- Leverage common componentry



Grow *RevWorks*SM

- Service line expansion
 - Coding and other key areas
 - Self-sourced, through strategic partnerships or M&A opportunities
- Expand beyond *Millennium*
 - *Soarian*, *INVISION*, etc.

Financial Overview

Marc Naughton

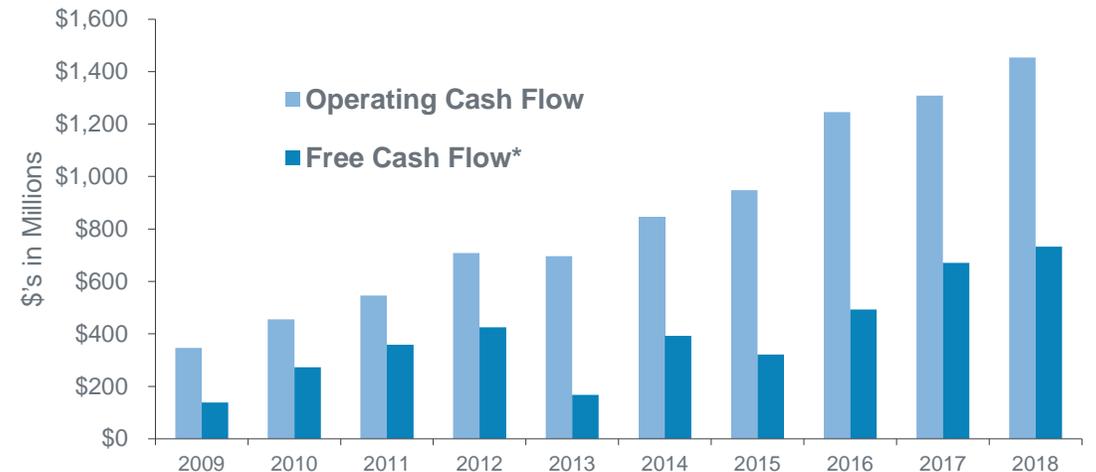
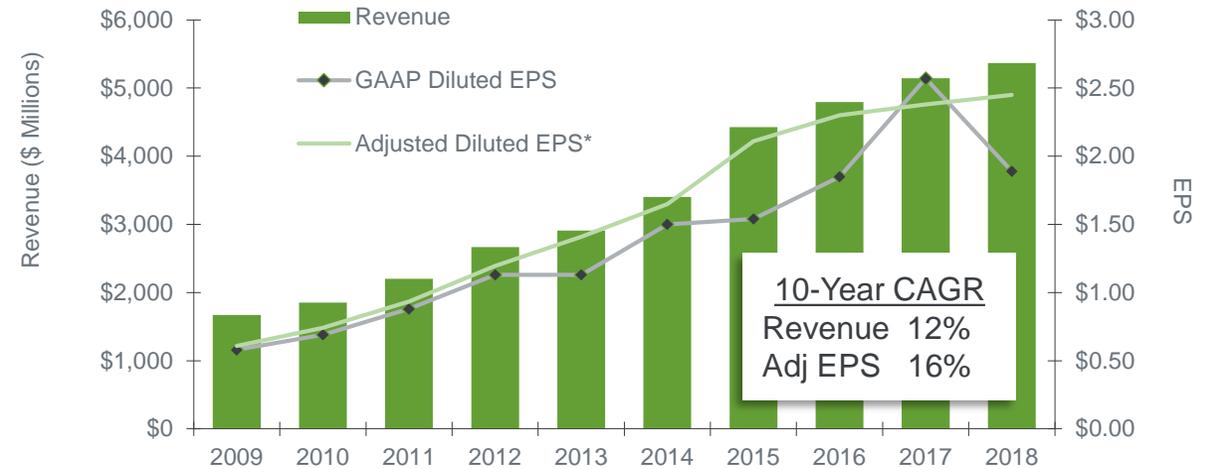
Executive Vice President & Chief Financial Officer



Financial Highlights

2018 Full-year Highlights

- Bookings grew 6% to \$6.721 billion
- Revenue grew 4% to \$5.366 billion
 - Lower than initial target due to initial VA contract delay and lower software
- GAAP Operating Earnings down 19%; Non-GAAP Operating Earnings down 12%
 - Allowance for Fujitsu (GAAP), lower software, Works business investments, VA and global projects work ahead of revenue
- Operating Cash Flow grew 11% to \$1.454 billion
- Free Cash Flow* grew 9% to \$733 million

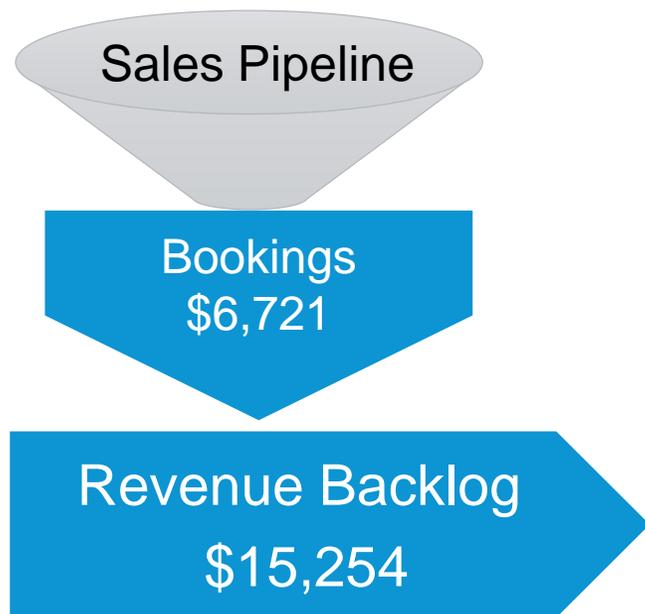


FCF = Operating CF less Capital Expenditures and Capitalized Software

* Adjusted operating earnings, adjusted operating margin, adjusted diluted earnings per share and free cash flow reflect adjustments compared to results reported on a U.S. Generally Accepted Accounting Principles (GAAP) basis in our 2018 annual report on Form 10-K and most recent Form 10-Q. Non-GAAP results should not be substituted as a measure of our performance but instead should be used along with GAAP results as a supplemental measure of financial performance. Please see the Appendix for a reconciliation of these items to GAAP results.

Cerner 2018 Business Model

(Dollars in Millions)



Revenue Streams	Revenue	Contribution Margin %	Contribution Margin \$
Licensed Software	\$614	91%	\$556
Technology Resale	\$245	16%	\$38
Subscriptions	\$326	51%	\$166
Professional Services	\$1,811	26%	\$465
Managed Services	\$1,155	40%	\$466
Support & Maintenance	\$1,118	75%	\$835
Reimbursed Travel	\$97	0%	\$0
Totals	\$5,366	47.1%	\$2,526
Indirect Expenses			
Research and Development		-12.3%	(\$662)
Selling, General and Administrative		-15.9%	(\$853)
Operating Margin*		18.8%	\$1,011

* Operating margin reflects adjustments compared to results reported on a GAAP basis in our 2018 Form 10-K. Non-GAAP results should not be substituted as a measure of our performance but instead should be used along with GAAP results as a supplemental measure of financial performance. Non-GAAP results are used by management along with GAAP results to analyze our business, make strategic decisions, assess long-term trends on a comparable basis, and for management compensation purposes.

2018 Compared to 2017

Sales

- Revenue flat YoY as SaaS growth offset decline in traditional SW
- Contribution Margin % down 1%
- >40% of total is SaaS

- Revenue down 31% driven by partial reclass to Support
- Contribution Margin % down 10% as remaining mix has lower margin

- Revenue up 10%
- Contribution margin % up to 40% from 38% due to costs leverage

- R&D as % of revenue of 12% up from 11%
- SG&A 16% of revenue, up from 15% last year
- Less leverage due to only 4% revenue growth

Revenue Streams

- Licensed Software
- Technology Resale
- Subscriptions
- Professional Services
- Managed Services
- Support & Maintenance
- Reimbursed Travel

Totals

Indirect Expenses

- Research and Development
- Selling, General and Administrative

Operating Margin*

(Dollar amounts in millions)

Revenue Stream	2018	%	2017
Subscriptions	\$326	51%	\$166
Professional Services	\$1,811	26%	\$465
Managed Services	\$1,144	21%	\$188
Support & Maintenance	\$1,185	22%	\$1,188
Reimbursed Travel	\$80	1%	\$139
Totals	\$5,366	47.1%	\$2,526

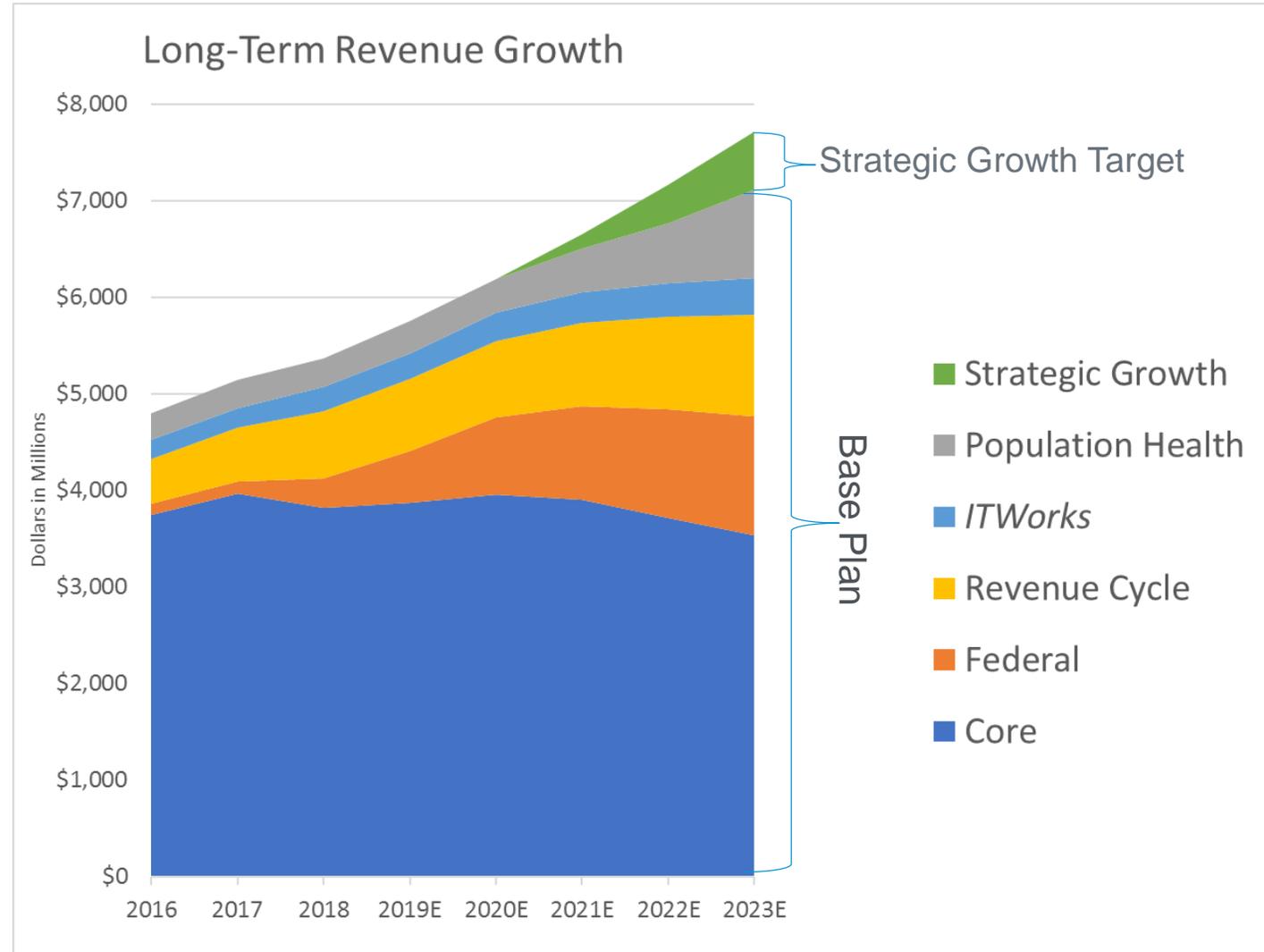
- Revenue down 10% YoY due to Q4 transactions pushing and 3rd party suppliers transitioning to subscription and SaaS models
- Contribution Margin of 16% flat YoY

- Revenue up 14% and Contribution Margin of 26% down from 28%
- Growth primarily from lower-margin Works businesses

- Revenue up 7% with low-single-digit organic growth plus reclass from Subscriptions
- Contribution margin of 75% flat YoY

Long-Term Revenue Growth

- Targeting 6-9% 5-year CAGR 2018-2023
 - Base Plan supports low-end of range (and ~85% visibility into 2019 growth of 7%)
 - Targeting ~\$600M from Strategic Growth by 2023 to achieve 7.5% midpoint
 - Expect to achieve through organic investments, partner/investments (e.g. Lumeris) and M&A
- Key Drivers, Assumptions, & Observations
 - Federal opportunity is visible, but execution is critical and some risks are beyond our control
 - Slight Core decline reflects maturing U.S. EHR market and shift of revenue to new growth areas, partially offset by growth in non-U.S.
 - Population Health assumptions modified compared to prior years to reflect slower shift to risk assumption by providers
 - *Cerner ITWorks™* reflects only services portion; previous views reflected all revenue from *ITWorks* clients



Operating Margins and Earnings Growth

- We believe margins have stabilized, and we are focused on returning Adjusted Operating Margin* to over 20% and driving earnings growth greater than revenue growth
- Timing and amount of margin expansion may fluctuate based on several factors
 - SaaS revenue expected to offset impact of low-margin Works outsourcing revenue over time
 - Indirect expense leverage (R&D/SG&A)
 - Amount of leverage depends on revenue growth rate
 - More focused R&D investments and portfolio management approach should help control R&D growth, but still investing in new areas and *Cerner Millennium* modernization
 - Driving efficiencies from new Operating Model
 - Impact of M&A

Key Goals

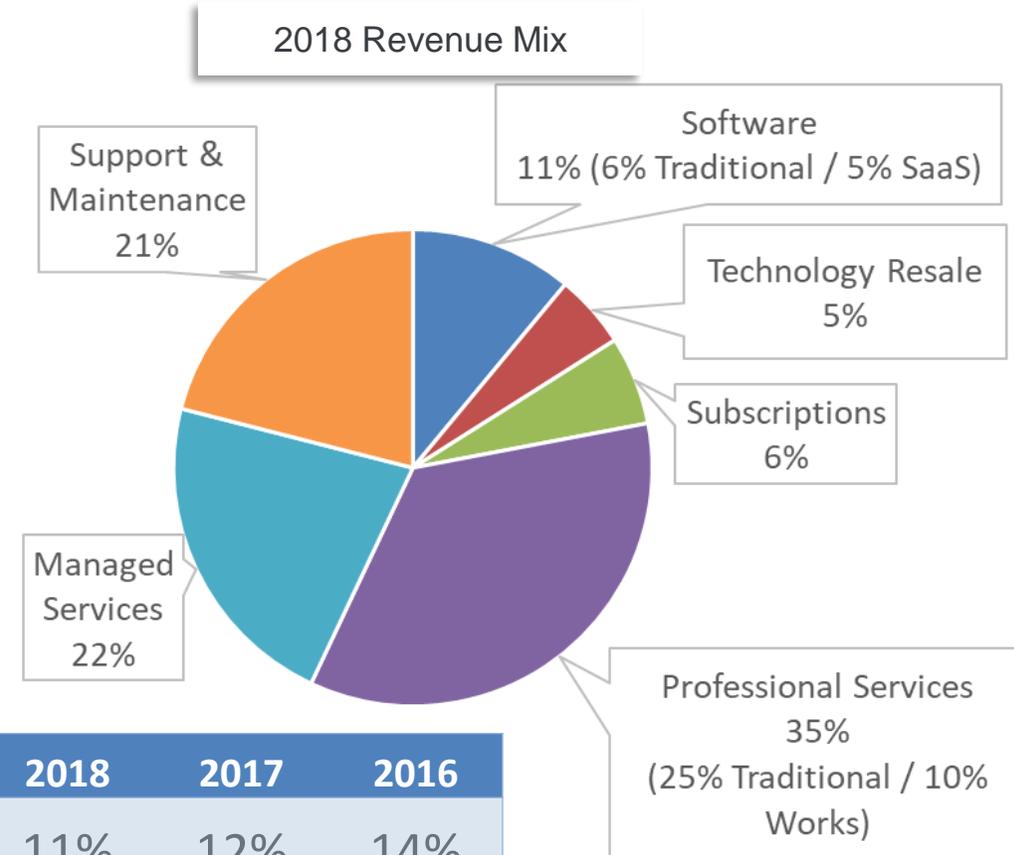
Return to 20%+
Adjusted Operating
Margin*

Earnings growth
greater than revenue
growth over 5-year
period

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

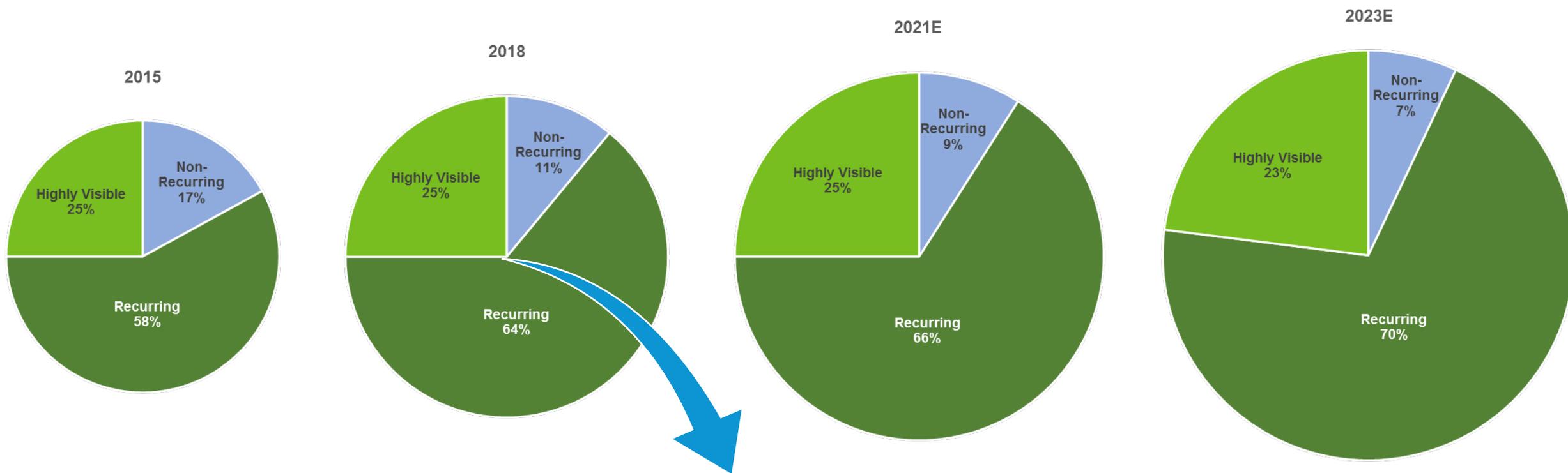
Recurring & Visible Revenue

- 89% of 2018 Revenue recurring or highly visible
 - Up from 88% in 2017 and 86% in 2016
- SaaS now over 40% of total software
- Works continues to grow as % of Services, adding to visibility
- 85% of 2019 revenue guidance midpoint scheduled to come from backlog and other contracted revenue



Type of Revenue	Includes	2018	2017	2016
Non-Recurring	Traditional Software, Tech Resale	11%	12%	14%
Recurring	Support, Managed Services, Subscriptions, Works, SaaS	64%	62%	60%
Highly Visible	Professional Services	25%	26%	26%

Revenue Visibility Trends

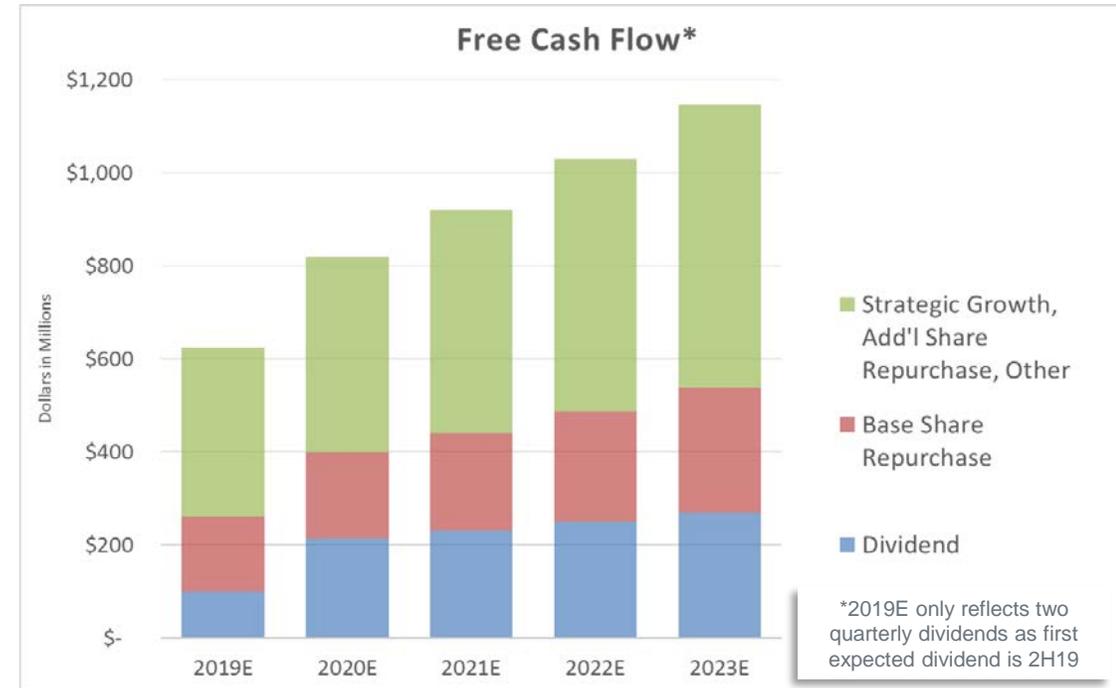


Type of Revenue	Includes	2018
Non-Recurring	Traditional Software, Tech Resale	11%
Recurring	Support, Managed Services, Subscriptions, Works, SaaS	64%
Highly Visible	Professional Services	25%

**Reflects mix of revenue before Reimbursed Travel Revenue. Future period mix is an estimate based on Cerner's 5-year plan and does not represent guidance*

Free Cash Flow and Capital Allocation

- Strong 2018 Balance Sheet and Cash Flow
 - \$775M of Cash & Short-term Investments
 - \$444M of Debt
 - \$1.45B Operating Cash Flow and \$733M Free Cash Flow*
 - \$266M Lumeris investment and \$643M of share repurchases
- Expect strong cash flow growth after 2019, which includes campus related capex increase
- Capital Allocation Objectives
 - Provide income to existing shareholders and make stock attractive to broader investor base
 - Offset dilution from equity compensation and do additional repurchases as deemed appropriate
 - Maintain flexibility to make other investments in growth
- Strong balance sheet and expected strong cash flow position us to meet objectives, while still maintaining flexibility to use debt for larger strategic opportunities
- Graph reflects base assumptions; capital deployment will be evaluated annually and aligned with highest return options



Well positioned to cover dividend and share repurchases and still invest in Strategic Growth

**Free Cash Flow is a non-GAAP financial measure defined as GAAP cash flows from operating activities less capital purchases and capitalized software development costs. Please see appendix for reconciliation of GAAP Results to Non-GAAP Results. Future period Free Cash Flow, Dividends, and Share Repurchase Estimates do not reflect formal guidance. Future Dividends and Share Repurchases are subject to Board declaration and approval.*

Focus on Shareholder Value and Alignment

- Proactively enhancing shareholder value through thoughtful capital allocation
 - Adding Dividend to Share Repurchases, while still maintaining ability to invest in strategic growth
- Providing attainable long-term targets
 - Believe we are capturing realistic view of core opportunities and providing transparency on additional Strategic Growth contributions necessary to achieve target
 - Focused on delivering earnings growth in excess of revenue growth
- Better alignment of management compensation with shareholder value creation
 - Variable compensation tied to revenue, EPS, and free cash flow instead of just EPS

Summary

Brent Shafer

Chairman and Chief Executive Officer



What have you heard today?

1. **Operating Model** introduced and how Cerner will be easier to work with, innovate faster and grow profitably
2. Definitions around **Greenhouse**, **Strategic Growth** and **Client Relationship** business units driving Cerner's growth and client satisfaction...around the globe
3. **Federal Update** - progress with DoD and V.A.
4. **RevCycle Update** and the new approach on client execution/implementation
5. **Financial update** - drivers of growth, free cash flow and capital allocation

Questions



Health care is too important
to stay the same.™



Appendix – Reconciliation of GAAP to non-GAAP financial measures

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

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

Please see the accompanying table for a reconciliation of GAAP results to non-GAAP financial measures.

Reconciliation of GAAP Results to Non-GAAP Results*				
Adjusted Operating Earnings	2017		2018	
	Operating Earnings	Operating Margin %	Operating Earnings	Operating Margin %
(\$ in millions)				
Operating earnings (GAAP)	\$ 960	18.7%	\$ 775	14.4%
Share-based compensation expense	89		102	
Health Services acquisition-related amortization	83		83	
Allowance on non-current assets			45	
Acquisition-related deferred revenue adjustment	17		0	
Other Adjustments	0		5	
Adjusted Operating Earnings (non-GAAP)	\$ 1,150	22.4%	\$ 1,011	18.8%
Adjusted Net Earnings and Adjusted Diluted Earnings Per Share	2017		2018	
	Net Earnings	Diluted Earnings Per Share	Net Earnings	Diluted Earnings Per Share
(\$ in millions, except per share data)				
Net earnings (GAAP)	\$ 867	\$ 2.57	\$ 630	\$ 1.89
Pre-tax adjustments for Adjusted Net Earnings:				
Share-based compensation expense	89		102	
Health Services acquisition-related amortization	83		83	
Allowance on non-current assets			45	
Acquisition-related deferred revenue adjustment	17		0	
Other adjustments	0		5	
After-tax adjustments for Adjusted Net Earnings:				
Income tax effect of pre-tax adjustments	(54)		(46)	
Share-based compensation permanent tax items	(63)		(2)	
Tax Reform Impact	(135)		0	
Adjusted Net Earnings (non-GAAP)	\$ 805	\$ 2.38	\$ 819	\$ 2.45
Free Cash Flow	2017		2018	
(\$ in millions)				
Cash flows from operating activities (GAAP)	\$ 1,308		\$ 1,454	
Capital purchases	(362)		(447)	
Capitalized software development costs	(274)		(274)	
Free Cash Flow (non-GAAP)	\$ 671		\$ 733	
Cash flows from investing activities (GAAP)	\$ (1,006)		\$ (829)	
Cash flows from financing activities (GAAP)	\$ (111)		\$ (610)	

*More detail on these adjustments and management's use of non-GAAP results is in our most recent Form 10-K and our current reports on Form 8-K.