

Cerner Investor Presentation

August 2011

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Cerner at a Glance



Founded in 1979, based in Kansas City

Most experienced healthcare IT management

Largest standalone healthcare IT company in world

- ◆ Largest, most strategic global client footprint
 - ~9,000 facilities around the world, including > 2,600 hospitals; 3,500 physician practices covering more than 30,000 physicians; 500 ambulatory facilities; 800 home-health facilities; and 1,600 retail pharmacies.

R&D Commitment and Clinical Culture

- ◆ Over \$2.5B of cumulative R&D
- ◆ Over 1,000 Clinicians
- ◆ Contemporary, scalable architecture
- ◆ Most comprehensive suite of healthcare solutions & services

2010 Revenues of \$1,850M; Net Earnings of \$253M

- ◆ 10-year Revenue CAGR of 16% (mostly organic growth)
- ◆ 10-year Earnings CAGR of 29%

9,000 Associates Worldwide

- ◆ Over 3,500 in Professional / Managed Services
- ◆ Over 2,000 person Intellectual Property (IP) Organization

U.S. Marketplace Observations

ARRA is substantial opportunity

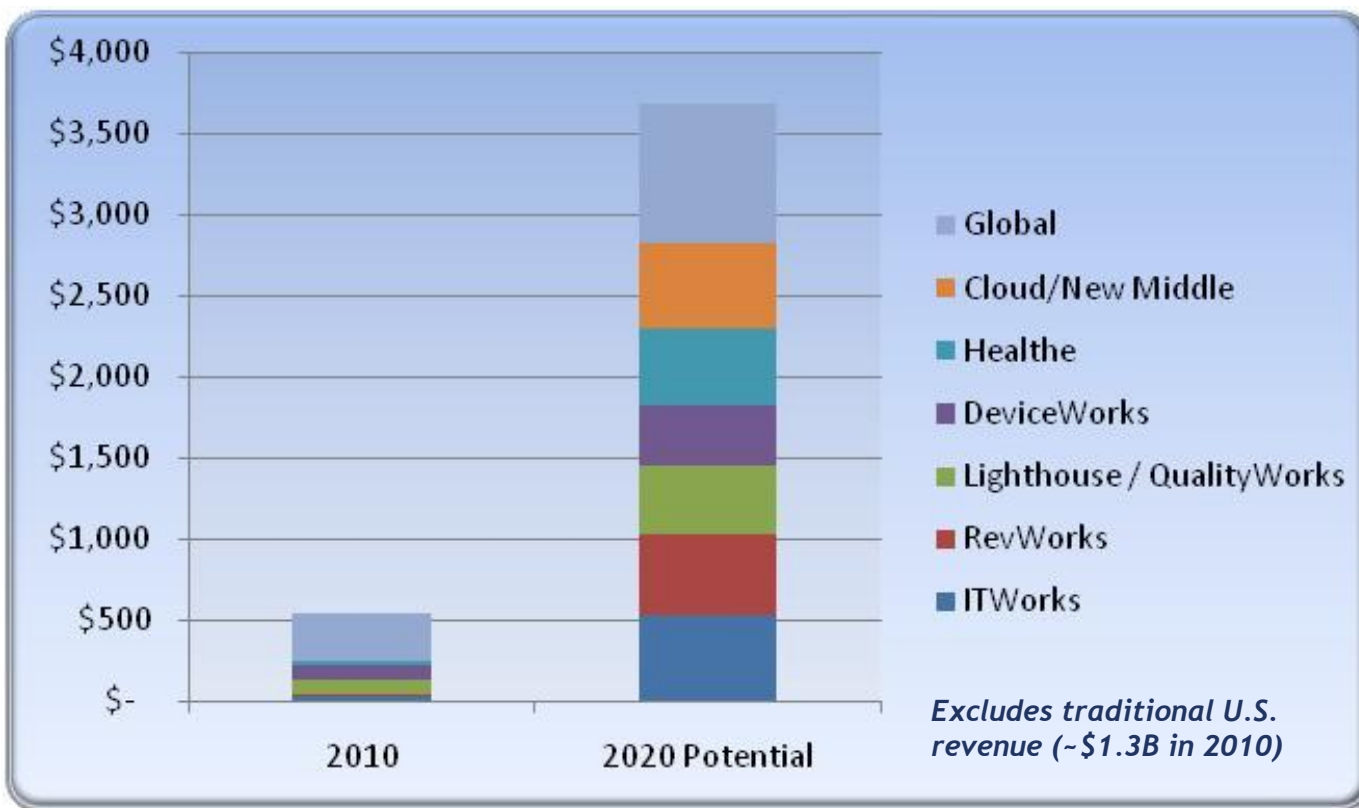
- ◆ Multi-year demand driver—not just one wave
- ◆ Competitor vulnerabilities leading to market share gains
- ◆ Well positioned across all venues
 - Proven scale, delivery capabilities, predictability, interoperability, and breadth
 - Early success with investor-owned hospitals
 - Successful ASP offering for small hospitals
 - Improved physician solutions gaining traction



Policy focused on cost and quality

- ◆ Healthcare Reform
 - New delivery models, such as Accountable Care Organizations
 - ▶ Changes reimbursement model; increases focus on clinical data and outcomes
 - Increased volumes will stress capacity/profitability
- ◆ ICD-10 and Value-Based-Purchasing add complexity / put revenue at risk
- ◆ These factors are positive for Cerner and HIT
 - IT critical to more efficient and better coordinated care
 - ▶ Opportunity for "New Middle"
 - Revenue Cycle, RevWorks Opportunity
 - Lighthouse / QualityWorks
- ◆ Possible increase in regulatory oversight
 - Cerner well positioned due to experience with FDA compliance

Beyond Stimulus - New Initiative Potential Revenue



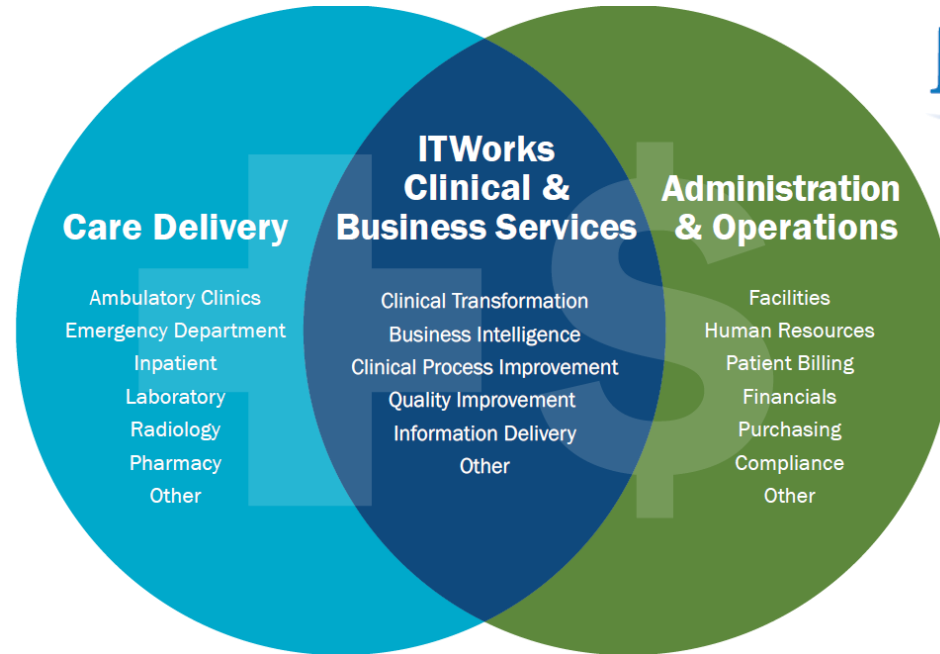
Reaching potential in these areas would support double-digit revenue CAGR for Cerner through 2020 even if traditional U.S. revenue were flat.

A large portion of growth is services, but each area has a high margin software or content component that supports ongoing margin expansion.

Strategic Alignment with Cerner ITWorks

Cerner ITWorks™ is an alignment of Client and Cerner resources and capabilities to collectively deliver:

- Rapid clinical roadmap advancement (Meaningful Use and beyond)
- Cost savings/efficiency
- Effective technology service delivery
- Collaborative innovation at the edge of healthcare delivery through clinical process optimization & technology



...enabling clients to focus on their key strategic initiatives and care delivery.



7 clients since launching in late 2009

2020 targeted revenue of \$500M+ (assumes 50-75 clients)

Cerner RevWorks Market Opportunity (Current Client Base)

Pre-Registration
HIM
Billing/Collections
Charge Master
Interim Management
Consulting

Operations

\$13.5 Billion

Eligibility Verification
Address Verification
Notifications
Claims/Remits
Reminders
Statements

Third Parties

\$1 Billion

Scheduling
Registration
HIM
Charge Master
Patient Accounting
Contract Management
ERP

Solutions

\$477 Million

3 clients since launching in 2010

2020 targeted revenue of \$500M+ (assumes 50-75 clients)

Lighthouse: Cerner's Approach to Performance Excellence

Strategic Partnerships with Clients

- ◆ Identify Opportunities for improvement (Clinical, Quality, Operational)
- ◆ Define metrics to measure success
- ◆ Contractually commit to improving metrics
 - Client & Cerner share in benefits
- ◆ Implement reporting and on-going assessment process



QualityWorks

- ◆ Extension of Lighthouse capabilities
 - Strategic and Operational Alignment focused on Quality and Outcomes
 - Cerner manages and delivers the Quality and Outcomes plan for a fee
 - ▶ CMS, Meaningful Use, Value Based Purchasing, Medicare Re-admits
 - Cerner earns bonuses for agreed upon performance

- ◆ Industry Pressures Mounting
- ◆ Quality Essential / Real Revenue at Risk

 The Joint Commission

 CMS
CENTERS for MEDICARE & MEDICAID SERVICES

 Meaningful Use

 Value-Based Purchasing

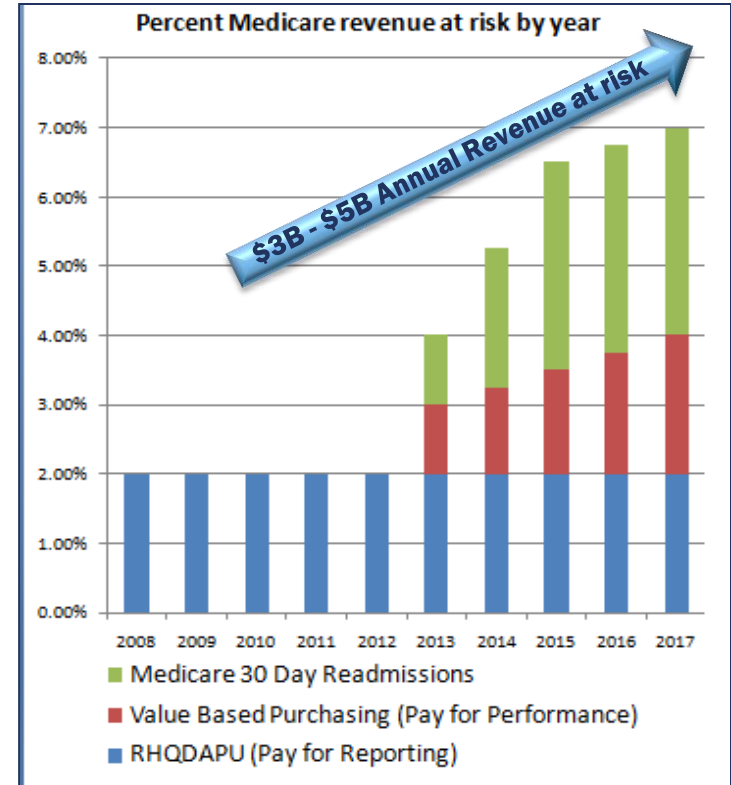
 bluecrossma.com

 NQF
National Quality Forum

 Aetna

 LEAPFROG GROUP
Informing Choices. Rewarding Excellence.
Getting Health Care Right.





DeviceWorks

iBus device connectivity

- ◆ \$32M license revenue in 2010 vs. \$18M in 2009
- ◆ 59 new clients; 5 global footprints
 - 8 footprints outside of Millennium base
- ◆ Total 150 clients; 600 facilities; 60K beds
- ◆ 8 new Certification Partners; 31 total

Breakout Year for Device resale

- ◆ \$34M revenue vs. \$14M last year
- ◆ Strong growth outlook – expect devices to more than offset declines in traditional tech resale
- ◆ 11 new RxStation clients
- ◆ Good start to CareFusion relationship

Other Highlights

- ◆ Industry first all Smart Room hospitals – Fisher Titus & Magruder
- ◆ Welch Allyn first fully integrated device
- ◆ Infusion Management and Auto-programming success at Wellspan
- ◆ First live capacity management client



Employer Services: Driving Value through Integration

**Benefit
Administration**

**Wellness
Screenings**

**Weight/Fitness
Competition**

On-site Pharmacy

**On-site
Clinic**

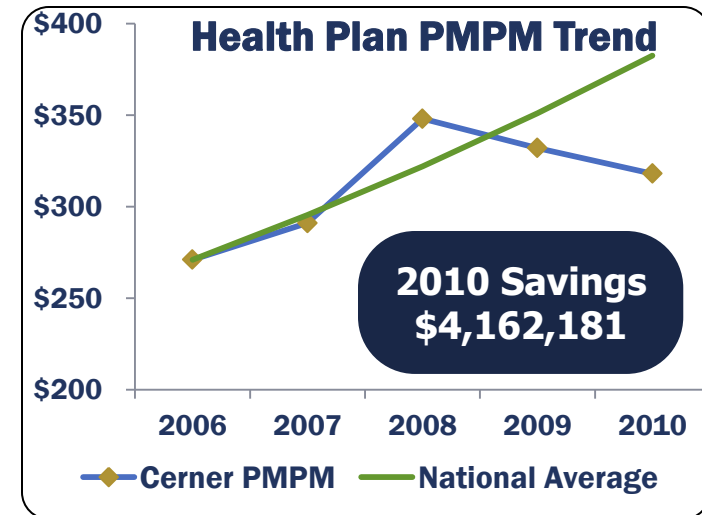
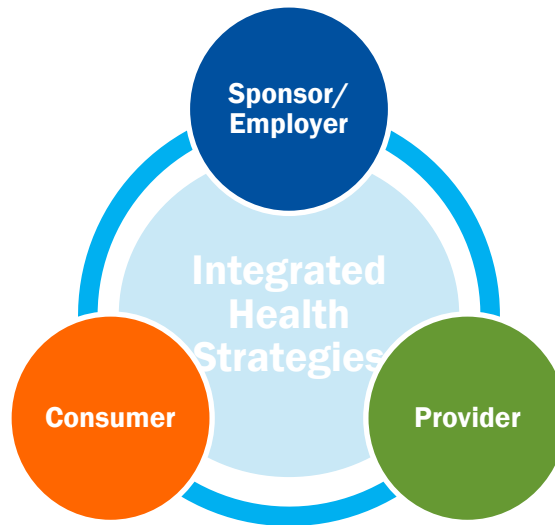
Improve health

Enhance employee satisfaction/convenience

Reduce health costs

Community/employer health strategies

Pilot/prepare for accountable health strategies



Addressable market of over 7,000 employers with >1,000 employees

Cloud / New Middle

Cerner's Cloud Platform

- ◆ Cloud-based services using Natural Language Processing for structured search of unstructured text
 - Analyzes all data in patient record
 - Extracts key clinical concepts and their clinical context
- ◆ Initial services free to our clients
 - Speed adoption, competitive differentiator
 - Platform for next wave of cloud-based solutions

Creating a "New Middle" for healthcare to:

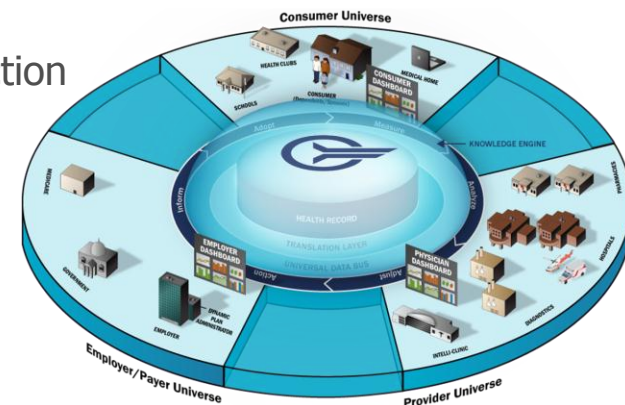
- ◆ Change healthcare commerce
 - Value-based clinical transactions incenting proactive "health care" instead of "sick care"
 - Frictionless point-of-care payment
 - Transparency of price and quality
- ◆ Coordinate care across all venues to enhance care and reduce friction
 - Facilitate relationship between person & entire care team
 - PHR/Medical Home with historical and current activity and predictive capabilities
 - Sharing of relevant clinical and financial information between payers, consumers and providers
 - Support new delivery models, such as Accountable Care Organizations

Search: "heart disease"

Myocardial infarction,
Coronary Artery Disease,
Angina, Arrhythmias, Right
bundle branch block,
Tachycardia, Ectopy

Sepsis Agent

- Real-time cloud-based monitoring of Sepsis risk factors
- Powered by Search
- Reduced mortality rate from severe sepsis and septic shock from 33% to 9-11%



Supplemental Benefit – “Health Plan” (versus Care Insurance)

“New Middle” - ~5% of Health Economy

Population Screening

Personal Health Record

Personalized Plan for Health

eCare (contextual visits)

eVisits

ED Utilization

Chronic Condition Programs
(Potentially Avoidable Complications)

Medical Home Network

P&L Summary

Annual projections for all stakeholders

Select time period: 2011

Initiative	Description	Employer	Consumer	Pharmacy	Clinic	Providers Specialist	ED	Inpatient	New Middle
Understand Population	Screening and Assessment	\$ (6,500,000)	\$ 5,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300,000
eCare	Virtual visits solution	\$ 6,166,831	\$ (161,000)	\$ -	\$ 800,400	\$ -	\$ (2,300,000)	\$ -	\$ 138,000
Medical Home	Health management	\$ 24,581,684	\$ -	\$ -	\$ 2,578,889	\$ (3,125,111)	\$ (418,600)	\$ (19,320,000)	\$ 798,000
Programs	Disease management	\$ 8,468,232	\$ -	\$ 418,968	\$ 428,490	\$ -	\$ -	\$ -	\$ 2,428,110
Onsite pharmacy	Closed trade pharmacy model	\$ 1,698,394	\$ -	\$ (1,698,394)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Impact (+ = surplus)		\$ 34,415,140	\$ 5,039,000	\$ (1,279,426)	\$ 3,807,779	\$ (3,125,111)	\$ (2,718,600)	\$ (19,320,000)	\$ 4,664,110

Employer and Consumer projections

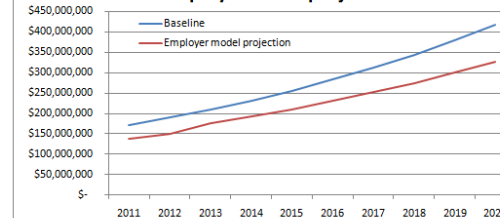
Select stakeholder: Employer

Initiative	Description	2011	2012	2013	2014	2015	2016	2017	2018
Baseline		\$ 171,457,787	\$ 189,641,236	\$ 209,680,868	\$ 231,749,891	\$ 256,034,251	\$ 282,732,808	\$ 312,057,297	\$ 344,232,026
Understand Population	Screening and Assessment	\$ (6,500,000)	\$ (7,382,671)	\$ (19,285,970)	\$ (21,904,918)	\$ (24,879,507)	\$ (28,258,032)	\$ (32,095,345)	\$ (36,453,749)
eCare	Virtual visits solution	\$ 6,166,831	\$ 7,213,649	\$ 8,439,152	\$ 9,874,192	\$ 11,555,025	\$ 13,524,274	\$ 15,832,059	\$ 18,537,344
Medical Home	Health management	\$ 24,581,684	\$ 27,811,976	\$ 31,122,571	\$ 34,828,493	\$ 38,924,585	\$ 43,493,720	\$ 48,533,087	\$ 54,039,729
Programs	Disease management	\$ 8,468,232	\$ 10,116,702	\$ 12,082,439	\$ 14,426,120	\$ 17,219,989	\$ 20,550,052	\$ 24,518,699	\$ 29,247,815
Onsite pharmacy	Closed trade pharmacy model	\$ 1,698,394	\$ 1,929,028	\$ 2,190,981	\$ 2,488,506	\$ 2,826,434	\$ 3,210,252	\$ 3,646,189	\$ 4,141,325
Net Impact (+ = savings)		\$ 34,415,140	\$ 39,688,683	\$ 34,549,172	\$ 39,712,394	\$ 45,646,526	\$ 52,520,265	\$ 60,434,689	\$ 69,512,465
Employer model projection		\$ 137,042,647	\$ 149,952,553	\$ 175,131,695	\$ 192,037,497	\$ 210,387,725	\$ 230,212,543	\$ 251,622,608	\$ 274,719,561

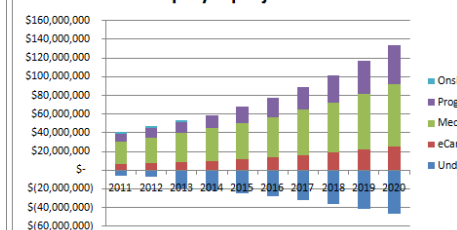
Baseline CAGR
Model projection CAGR
Difference

10.41%
7.39%
-3.03%

Employer model projection



Employer projection breakdown



Provider projections

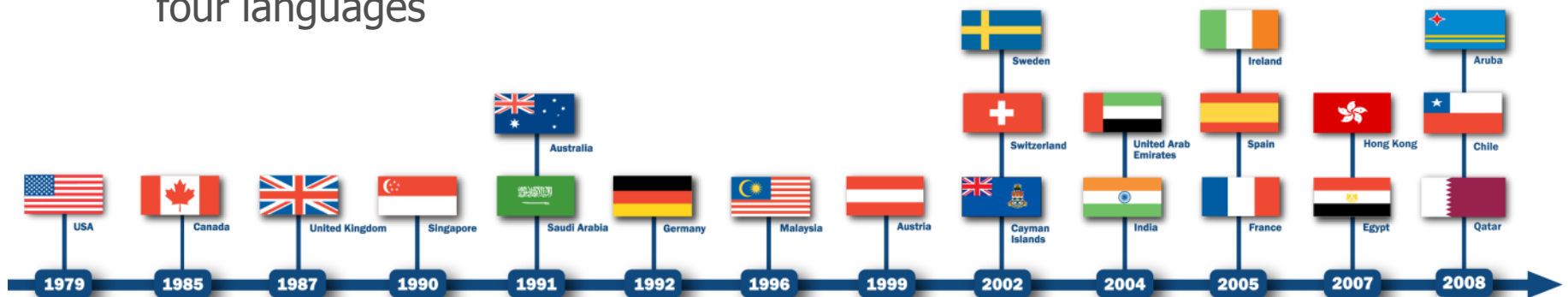
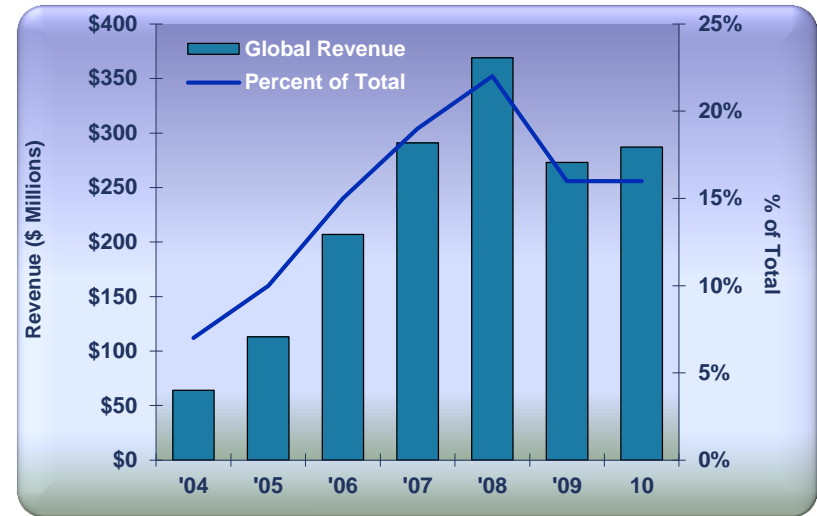
Select stakeholder: Inpatient

Initiative	Description	2011	2012	2013	2014	2015	2016	2017	2018
Baseline		\$ 110,400,000	\$ 123,003,408	\$ 137,045,636	\$ 152,690,944	\$ 170,122,341	\$ 189,543,729	\$ 211,182,287	\$ 235,291,132
Understand Population	Screening and Assessment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
eCare	Virtual visits solution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medical Home	Health management	\$ (19,320,000)	\$ (21,943,569)	\$ (24,923,407)	\$ (28,307,894)	\$ (32,151,978)	\$ (36,518,072)	\$ (41,477,062)	\$ (47,109,460)
Programs	Disease management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Onsite pharmacy	Closed trade pharmacy model	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Impact (+ = surplus)		\$ (19,320,000)	\$ (21,943,569)	\$ (24,923,407)	\$ (28,307,894)	\$ (32,151,978)	\$ (36,518,072)	\$ (41,477,062)	\$ (47,109,460)

Global Opportunity

Very strong outlook despite recent impact of global economy

- ◆ Long history of experience in global markets
- ◆ Only ubiquitous competitor on six continents
- ◆ Significant leverage of Cerner's core competencies
- ◆ Cerner Millennium localized and live in four languages



Financial Overview



Financial Highlights

Income statement

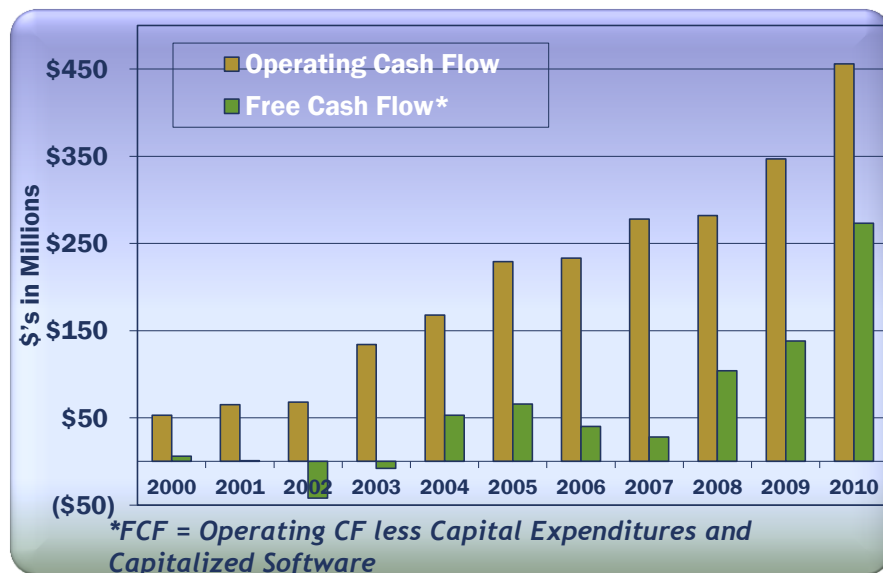
- ◆ Bookings
 - Up 9% to \$1.99B in 2010
 - Up 39% to \$650M in Q211
- ◆ Revenue
 - Up 11% to \$1.85B in 2010
 - Up 15% to \$524M in Q211
- ◆ Operating Margin
 - Up 230 basis points to 20.8% in 2010
 - Up 160 basis points to 21.8% in Q211
- ◆ EPS
 - Up 22% to \$1.48 in 2010
 - Up 27% to \$0.44 in Q211
 - Met or exceeded guidance 45 / 46 quarters

Balance Sheet (Q211)

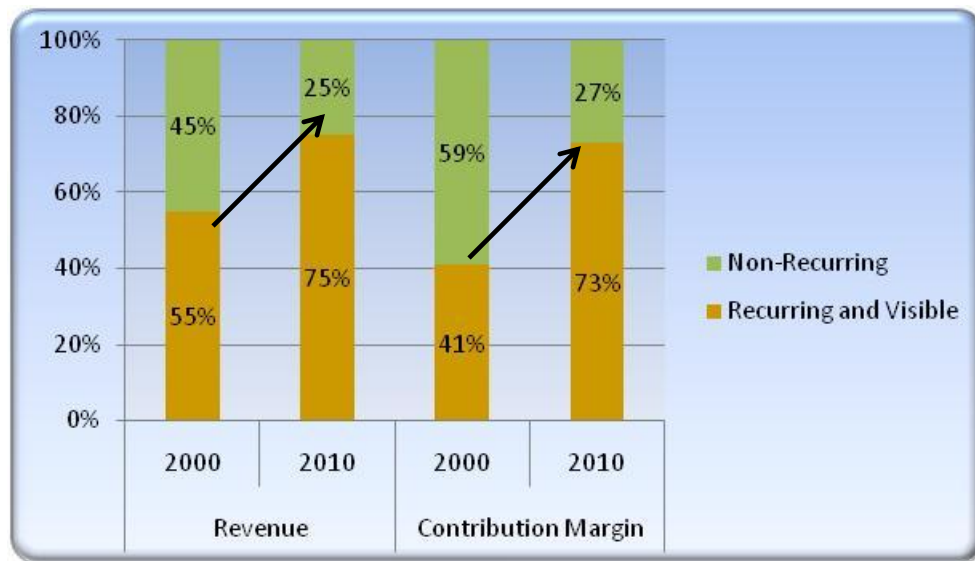
- ◆ \$1.01B cash and investments
- ◆ \$115M debt

Cash Flow

- ◆ Free cash flow nearly doubled in 2010
 - \$273M compared to \$138M in 2009
- ◆ Q211 YTD FCF of \$156M

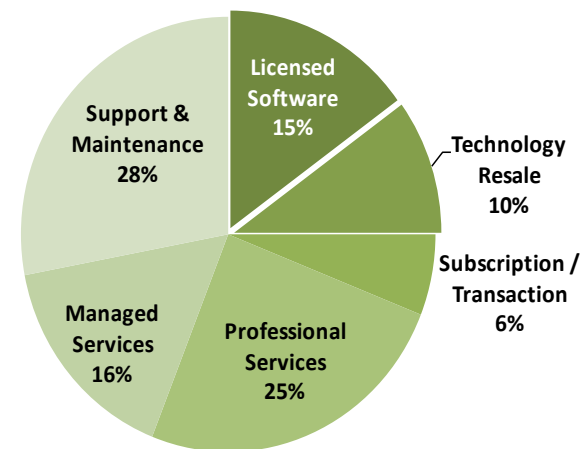


Increasing Visibility



2010 Revenue Mix

(before reimbursed travel revenue)



2010 Revenue Mix Summary

Recurring (50%): Managed Services, Support & Maintenance, Subscriptions

Visible (25%): Professional Services

Non-Recurring (25%): Licensed Software, Technology Resale

Reduced reliance on one-time revenue and margin

75% of Revenue and 73% of Contribution Margin recurring or visible

Growth and margin expansion in support, professional services and managed services

Enter each quarter with ~90% revenue visibility; enter year with ~ 75% visibility

Contributions from long-term bookings consistent

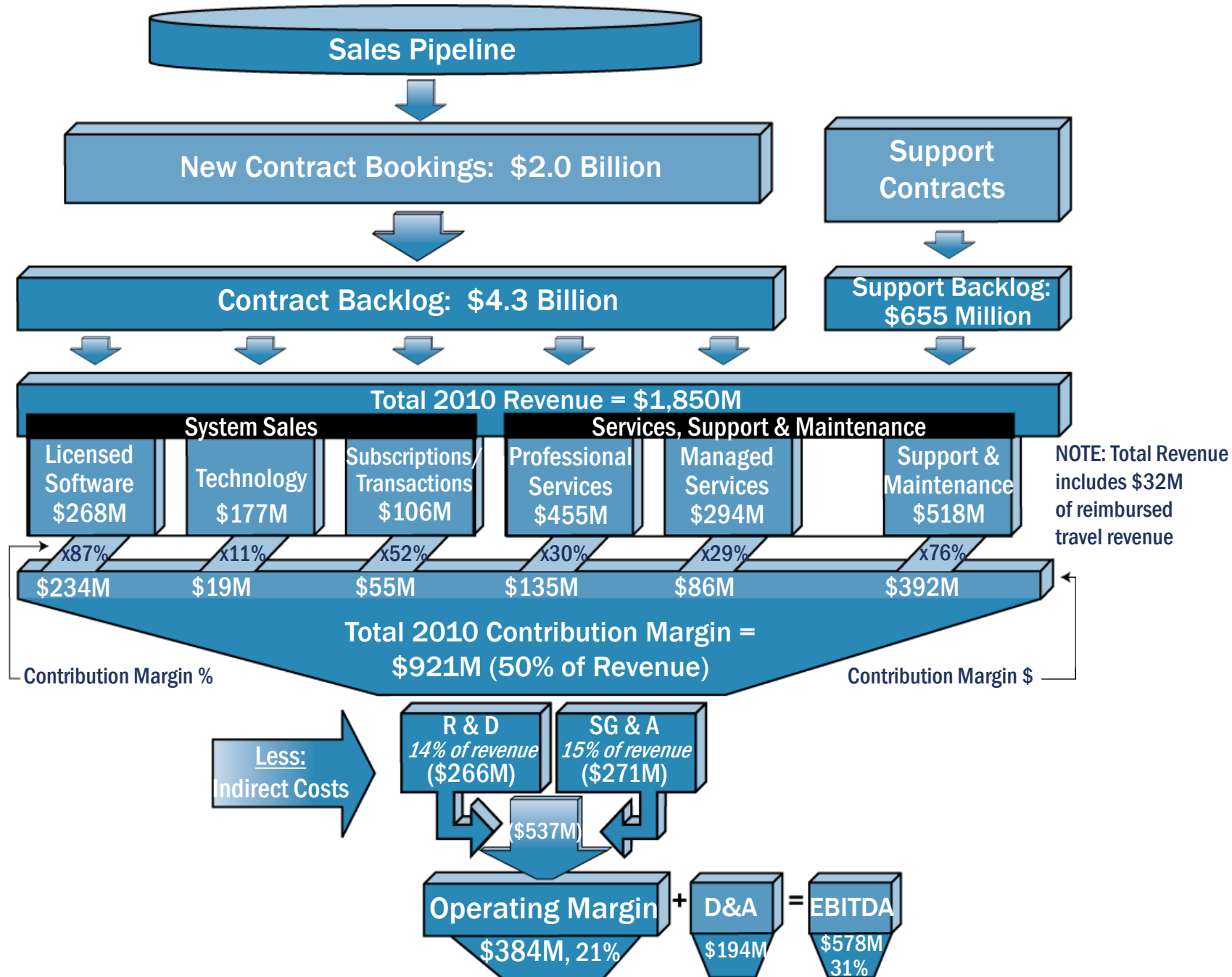
2007: 25% of total bookings

2008: 29%

2009: 34%

2010: 29%

Cerner Business Model



Margin Expansion

230 basis points of margin expansion in 2010

- ◆ Exceeded goal of 20% operating margin for the full year
- ◆ Expense control and improved Professional Services, Managed Services, and Support margins

1150 basis points of expansion since path to 20% was established in 2003

- ◆ Strong growth and margin expansion in Professional Services, Managed Services, and Support
- ◆ R&D & SG&A leverage

Expect continued leverage beyond 2010

- ◆ R&D, SG&A, Services and Support leverage in stimulus environment
- ◆ Targeting 100-200 basis points of margin expansion per year



	2003	2004	2005	2006	2007	2008	2009	2010	2011E
Contribution Margin									
Licensed Software	89%	88%	85%	84%	89%	88%	88%	87%	87%
Technology Resale	17%	20%	13%	11%	12%	12%	11%	11%	11%
Subscription / Transaction	10%	12%	37%	43%	49%	50%	52%	52%	53%
Professional Services	15%	23%	27%	27%	29%	29%	28%	30%	31%
Managed Services	18%	20%	25%	25%	25%	26%	28%	29%	30%
Support & Maintenance	53%	57%	62%	65%	69%	72%	74%	76%	77%
Total Contribution Margin	41%	45%	46%	46%	47%	48%	50%	50%	50%
Indirect Costs % of Revenue									
R&D	19%	19%	18%	18%	17%	16%	16%	14%	14%
SG&A	13%	14%	15%	15%	15%	15%	16%	15%	14%
Total	31%	33%	33%	32%	32%	31%	32%	29%	28%
Operating Margin									
	9.3%	12.4%	12.6%	13.4%	15.1%	16.6%	18.5%	20.8%	22.3%
Cumulative Improvement		313bp	335bp	413bp	579bp	729bp	922bp	1148bp	1301bp

Guidance as of July 28, 2011

Third quarter 2011

- ◆ Revenue between \$520 million and \$540 million
- ◆ Adjusted diluted earnings per share before share-based compensation expense between \$0.46 and \$0.48
- ◆ New business bookings between \$560 million and \$600 million

2011

- ◆ Revenue between \$2.09 billion and \$2.12 billion
- ◆ Adjusted diluted earnings per share before share-based compensation expense between \$1.80 and \$1.83

Share-based compensation expense to reduce diluted earnings per share by \$0.02-\$0.03 in the third quarter of 2011 and \$0.10 to \$0.11 for the year.

Reg FD Disclaimer – This slide reflects guidance provided in the most recent earnings press release and does not imply a reiteration or update of guidance.

Appendix - Non-GAAP Financial Measures

The presentation of Adjusted Net Earnings and Free Cash Flow, non-GAAP financial measures, are not meant to be considered in isolation, as a substitute for, or superior to, Generally Accepted Accounting Principles (GAAP) results and investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Adjusted Net Earnings and 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 calculations. The Company believes that Adjusted Net Earnings and Free Cash Flow are important to enable investors to better understand and evaluate its ongoing operating results and allows for greater transparency in the review of its overall financial, operational and economic performance. The Company provides earnings with and without stock options expense because earnings excluding this expense is used by management along with GAAP results to analyze its business, make strategic decisions and for management compensation purposes. The Company provides cash flow with and without capital purchases and software development cost because operating cash flows excluding these expenditures is used by management along with GAAP results to analyze its earnings quality and overall cash generation of the business.

Reconciliation of 2010 GAAP Results to Non-GAAP Results*		
(\$ in millions except Earnings Per Share)	Operating Earnings	Operating Margin %
GAAP Operating Earnings	\$ 359	19.4%
Share-based compensation expense	\$ 25	
Adjusted Operating Earnings	\$ 384	20.8%
	Net Earnings	Diluted Earnings Per Share
GAAP Net Earnings	\$ 237	\$ 2.78
Share-based compensation expense	\$ 25	0.29
Income tax benefit of share-based compensation	\$ (9)	(0.11)
Adjusted Net Earnings (non-GAAP)	\$ 253	\$ 2.96
Reconciliation of GAAP Operating Cash Flow to Non-GAAP Free Cash Flow		Cash Flow
Cash flows from operating activities		\$ 456
Capital purchases		\$ (102)
Capitalized software development costs		\$ (81)
Free cash flow (FCF)		\$ 273
*More detail on these adjustments and management's use of Non-GAAP results is in our 2010 Form 10-K and 8-Ks.		