

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 28, 2019 and December 29, 2018

(In thousands, except share data)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 441,843	\$ 374,126
Short-term investments	99,931	401,285
Receivables, net	1,139,595	1,183,494
Inventory	23,182	25,029
Prepaid expenses and other	392,073	334,870
Total current assets	2,096,624	2,318,804
Property and equipment, net	1,858,772	1,743,575
Right-of-use assets	123,155	—
Software development costs, net	939,859	894,512
Goodwill	883,158	847,544
Intangible assets, net	364,439	405,305
Long-term investments	419,419	300,046
Other assets	209,196	198,850
Total assets	\$ 6,894,622	\$ 6,708,636
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 273,440	\$ 293,534
Current installments of long-term debt and capital lease obligations	—	4,914
Deferred revenue	360,025	399,189
Accrued payroll and tax withholdings	245,843	195,931
Other current liabilities	148,140	69,122
Total current liabilities	1,027,448	962,690
Long-term debt	1,038,382	438,802
Deferred income taxes	377,657	336,379
Other liabilities	133,807	42,376
Total liabilities	2,577,294	1,780,247
Shareholders' Equity:		
Common stock, \$.01 par value, 500,000,000 shares authorized, 367,634,796 shares issued at December 28, 2019 and 362,212,843 shares issued at December 29, 2018	3,676	3,622
Additional paid-in capital	1,905,171	1,559,562
Retained earnings	5,934,909	5,576,525
Treasury stock, 56,723,546 shares at December 28, 2019 and 37,905,013 shares at December 29, 2018	(3,407,768)	(2,107,768)
Accumulated other comprehensive loss, net	(118,660)	(103,552)
Total shareholders' equity	4,317,328	4,928,389
Total liabilities and shareholders' equity	\$ 6,894,622	\$ 6,708,636

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 28, 2019, December 29, 2018 and December 30, 2017

	For the Years Ended		
	2019	2018	2017
<i>(In thousands, except per share data)</i>			
Revenues	\$ 5,692,598	\$ 5,366,325	\$ 5,142,272
Costs and expenses:			
Costs of revenue	1,071,041	937,348	854,091
Sales and client service	2,675,337	2,493,696	2,276,821
Software development (Includes amortization of \$227,414, \$210,228 and \$173,250, respectively)	737,136	683,663	605,046
General and administrative	520,598	389,469	355,267
Amortization of acquisition-related intangibles	87,817	87,364	90,576
Total costs and expenses	5,091,929	4,591,540	4,181,801
Operating earnings	600,669	774,785	960,471
Other income, net	53,843	26,066	6,658
Earnings before income taxes	654,512	800,851	967,129
Income taxes	(125,058)	(170,792)	(100,151)
Net earnings	\$ 529,454	\$ 630,059	\$ 866,978
Basic earnings per share	\$ 1.66	\$ 1.91	\$ 2.62
Diluted earnings per share	\$ 1.65	\$ 1.89	\$ 2.57
Basic weighted average shares outstanding	318,229	330,084	331,373
Diluted weighted average shares outstanding	321,235	333,572	337,999

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 28, 2019, December 29, 2018 and December 30, 2017

	For the Years Ended		
	2019	2018	2017
<i>(In thousands)</i>			
Net earnings	\$ 529,454	\$ 630,059	\$ 866,978
Foreign currency translation adjustment and other (net of taxes (benefit) of \$(1,288), \$(645) and \$4,909, respectively)	(3,408)	(30,575)	37,463
Unrealized loss on cash flow hedge (net of tax benefit of \$4,137 in 2019)	(12,578)	—	—
Unrealized holding gain (loss) on available-for-sale investments (net of taxes (benefit) of \$290, \$132 and \$(416), respectively)	878	405	(680)
Comprehensive income	\$ 514,346	\$ 599,889	\$ 903,761

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 28, 2019, December 29, 2018 and December 30, 2017

	For the Years Ended		
	2019	2018	2017
<i>(In thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 529,454	\$ 630,059	\$ 866,978
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	687,966	642,591	580,723
Share-based compensation expense	103,641	95,423	83,019
Provision for deferred income taxes	51,125	34,428	47,409
Investment gains	(29,621)	—	—
Changes in assets and liabilities (net of business acquired):			
Receivables, net	58,113	(207,785)	(32,836)
Inventory	1,855	(9,307)	(972)
Prepaid expenses and other	(76,748)	156,216	(191,369)
Accounts payable	(8,734)	65,202	6,960
Accrued income taxes	(4,599)	(27,849)	18,358
Deferred revenue	(39,245)	81,538	(3,114)
Other accrued liabilities	39,892	(6,507)	(67,481)
Net cash provided by operating activities	1,313,099	1,454,009	1,307,675
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital purchases	(471,518)	(446,928)	(362,083)
Capitalized software development costs	(273,871)	(273,693)	(274,148)
Purchases of investments	(364,648)	(623,293)	(632,048)
Sales and maturities of investments	579,755	551,796	292,074
Purchase of other intangibles	(35,587)	(36,819)	(29,646)
Acquisition of business, net of cash acquired	(74,539)	—	—
Net cash used in investing activities	(640,408)	(828,937)	(1,005,851)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term debt issuance	600,000	—	—
Repayment of long-term debt	—	(75,000)	—
Proceeds from exercise of stock options	258,036	91,349	76,705
Payments to taxing authorities in connection with shares directly withheld from associates	(16,601)	(9,873)	(11,584)
Treasury stock purchases	(1,320,542)	(623,127)	(173,434)
Dividends paid	(113,823)	—	—
Other	(8,450)	6,864	(2,671)
Net cash used in financing activities	(601,380)	(609,787)	(110,984)
Effect of exchange rate changes on cash and cash equivalents	(3,594)	(12,082)	9,222
Net increase in cash and cash equivalents	67,717	3,203	200,062
Cash and cash equivalents at beginning of period	374,126	370,923	170,861
Cash and cash equivalents at end of period	\$ 441,843	\$ 374,126	\$ 370,923

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 28, 2019, December 29, 2018 and December 30, 2017

(In thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss, Net
	Shares	Amount				
Balance at December 31, 2016	353,731	\$ 3,537	\$ 1,230,913	\$ 4,094,327	\$ (1,290,665)	\$ (110,165)
Exercise of stock options and vests of restricted shares and share units	5,474	55	66,439	—	—	—
Employee share-based compensation expense	—	—	83,019	—	—	—
Cumulative effect of accounting change (ASU 2016-16)	—	—	—	(22,439)	—	—
Other comprehensive income (loss)	—	—	—	—	—	36,783
Treasury stock purchases	—	—	—	—	(173,434)	—
Net earnings	—	—	—	866,978	—	—
Balance at December 30, 2017	359,205	3,592	1,380,371	4,938,866	(1,464,099)	(73,382)
Exercise of stock options and vests of restricted shares and share units	3,008	30	83,768	—	—	—
Employee share-based compensation expense	—	—	95,423	—	—	—
Cumulative effect of accounting change (ASU 2014-09)	—	—	—	7,600	—	—
Other comprehensive income (loss)	—	—	—	—	—	(30,170)
Treasury stock purchases	—	—	—	—	(643,669)	—
Net earnings	—	—	—	630,059	—	—
Balance at December 29, 2018	362,213	3,622	1,559,562	5,576,525	(2,107,768)	(103,552)
Exercise of stock options and vests of restricted shares and share units	5,422	54	241,968	—	—	—
Employee share-based compensation expense	—	—	103,641	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	(15,108)
Treasury stock purchases	—	—	—	—	(1,300,000)	—
Cash dividends declared	—	—	—	(171,070)	—	—
Net earnings	—	—	—	529,454	—	—
Balance at December 28, 2019	367,635	\$ 3,676	\$ 1,905,171	\$ 5,934,909	\$ (3,407,768)	\$ (118,660)

See notes to consolidated financial statements.