



COMPANY UPDATE / ESTIMATE CHANGE
TARGET CHANGE

Key Metrics

| | | |
|-----------------------------------|-----------|------------|
| CERN - NASDAQ - as of | 7/31/17 | \$64.37 |
| Price Target | | \$69.00 |
| 52-Week Range | \$47.01 - | \$69.28 |
| Diluted Shares Outstanding (mil.) | | 331.6 |
| Market Cap. (\$mil) | | \$21,344.0 |
| 1-Mo. Average Daily Volume | | 1,483,353 |
| Institutional Ownership | | 84.0% |
| Debt/Total Capital (net) | Q217 | 0% |
| ROE | | 16.0% |
| Book Value / Share | Q2'17 | \$13.16 |
| Price / Book Value | | 4.9x |
| Indicated Dividend / Yield | \$0.00 | 0.0% |
| LTM EBITDA Margin | | 29.8% |

non GAAP EPS FY 12/31*

| | Prior | Current | | Prior | Current |
|------|--------|---------|---|--------|---------|
| | 2016A | 2017E | | 2018E | 2018E |
| 1Q | \$0.53 | \$0.59 | A | \$0.66 | \$0.65 |
| 2Q | \$0.58 | \$0.61 | A | \$0.71 | \$0.67 |
| 3Q | \$0.59 | \$0.63 | | \$0.70 | \$0.68 |
| 4Q | \$0.61 | \$0.69 | | \$0.77 | \$0.77 |
| Year | \$2.30 | \$2.52 | | \$2.84 | \$2.78 |
| P/E | 28.0x | 25.6x | | | 23.2x |

Revenue (\$mil)*

| | Prior | Current | | Prior | Current |
|------|---------|---------|---|---------|---------|
| | 2016A | 2017E | | 2018E | 2018E |
| 1Q | \$1,138 | \$1,260 | A | \$1,362 | \$1,362 |
| 2Q | \$1,215 | \$1,291 | A | \$1,432 | \$1,400 |
| 3Q | \$1,184 | \$1,299 | | \$1,413 | \$1,413 |
| 4Q | \$1,257 | \$1,377 | | \$1,501 | \$1,501 |
| Year | \$4,796 | \$5,252 | | \$5,709 | \$5,676 |

*Note figures may not equal due to rounding.

Company Description: Kansas City, Missouri based Cerner Corporation was founded in 1979 and employs 21,000 associates worldwide. Cerner is the largest public, pure-play Health Care Information Technology (HCIT) company worldwide. The company is a supplier of HCIT software, solutions, services and a reseller of healthcare devices. Leading products include its electronic health record, population health management, revenue cycle management, and IT outsourcing services. Cerner products are licensed through ~20,000 facilities on a global basis.

Cerner Corp.

CERN - NASDAQ – Neutral - 2

Cerner Reports Mixed Q2 Results & Record Bookings

- Results.** Cerner reported Q2'17 EPS of \$0.61 vs. \$0.58 in the year ago period. This met our estimate while revenue of \$1.292 billion was up 6% y/y, but missed our \$1.314 billion view and slightly missed the consensus view. Within system sales, software licensing revenue was strong, while support, maintenance and service revenue of \$917 million was below our \$945 million expectation. Cerner reported another quarter of strong new client wins with 32% of new contracts from outside the Cerner EHR install base. The company had success with ITWorks and remote hosting deals in the quarter. Cerner continued to rollout new sites within the Department of Defense and has begun work constructing a model for the VA. Record bookings increased a better than expected 16% y/y to \$1.636 billion above management's guidance range of \$1.3 to \$1.5 billion. Cerner's book-to-bill ratio increased to 1.63. Backlog increased to a record \$16.65 billion, up 11% y/y. Free cash flow of \$119 million almost doubled y/y. As previously mentioned, Co-founder and CEO, Neal Patterson passed away in early July. No replacement has been appointed at this time but the consensus expectation is that Cerner President, Zane Burke, will be named CEO.
- Guidance.** Management guided Q3'17 revenue between \$1.265 billion to \$1.325 billion vs. our prior forecast of \$1.299 billion. Q3'17 EPS was guided to between \$0.61-\$0.63 vs our prior \$0.63 estimate. FY'17 revenue guidance was narrowed to \$5.150 billion to \$5.250 billion vs. a prior view of \$5.1 billion to \$5.3 billion and our \$5.252 billion prior view. FY'17 EPS was narrowed to \$2.46-\$2.54 vs. \$2.44-\$2.56 vs. our prior view of \$2.52.
- Outlook.** Despite strong bookings growth during Q2, 35% of contracts were long term in nature, which won't fully benefit Q3 or our FY'17 estimates. Our Q3'17 forecast is largely unchanged with EPS of \$0.63 on revenue of \$1.299 billion. Our FY'17 & '18 outlooks are adjusted lower to \$2.51/\$2.78 from \$2.52/\$2.84 on revenue of \$5.229/\$5.676 billion vs. our prior view of \$5.252/\$5.709 billion.
- Valuation.** We raise our FYE'18 price target to \$69 from \$68 on better than expected bookings growth which increases our confidence in our top line growth forecast despite less margin expansion than we previously expected weighing on EPS. Our price target is based on a forward P/E multiple of 25x (above our prior 24x multiple but below the current 26x multiple) our FYE'18 EPS estimate of \$2.78.
- Opinion.** We maintain our Neutral rating.

Note Important Disclosures on Pages 5 - 6
Note Analyst Certification on Page 5

SUITABILITY

We assign shares of CERN a suitability rating of 2 on our scale of 1-4 (1 = most conservative, 4 = most aggressive). A 2 rating is given based on Cerner's HCIT industry leading market position. Cerner's digital healthcare systems reside in roughly 23% of hospitals in the U.S. We also believe the company is stable and management has significant foresight into future business conditions as ~79% of Cerner's revenue is classified as recurring or visible revenue. We believe a suitability rating of 2 incorporates these attributes and is appropriate given management's ability to efficiently run the company. We believe shares of CERN are suitable for growth oriented investors seeking long term capital appreciation within the healthcare information technology industry.

Cerner Corp. (USD\$ '000s)

| Income Statement | 2006 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Q1'17 | Q2'17 | Q3'17E | Q4'17E | 2017E | 2018E |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues: | | | | | | | | | | | | | | | |
| System Sales | \$ 505,743 | \$ 504,561 | \$ 550,792 | \$ 706,714 | \$ 902,799 | \$ 847,809 | \$ 945,858 | \$ 1,281,889 | \$ 1,265,962 | \$ 319,856 | \$ 347,808 | \$ 319,327 | \$ 371,626 | \$ 1,358,617 | \$ 1,412,962 |
| Support, maintenance and services | 833,244 | 1,136,871 | 1,266,977 | 1,451,747 | 1,707,329 | 1,992,830 | 2,366,959 | 3,070,576 | 3,441,966 | 918,237 | 917,416 | 960,110 | 986,151 | 3,781,914 | 4,183,941 |
| Reimbursed travel | 39,051 | 30,432 | 32,453 | 44,692 | 55,308 | 70,109 | 89,886 | 71,938 | 88,545 | 22,392 | 26,770 | 20,000 | 20,000 | 89,162 | 80,000 |
| Total revenues | 1,378,038 | 1,671,864 | 1,850,222 | 2,203,153 | 2,665,436 | 2,910,748 | 3,402,703 | 4,424,403 | 4,796,473 | 1,260,485 | 1,291,994 | 1,299,437 | 1,377,777 | 5,229,693 | 5,676,903 |
| Costs and expenses: | | | | | | | | | | | | | | | |
| Cost of system sales | 194,646 | 186,626 | 221,055 | 296,561 | 427,456 | 302,374 | 314,089 | 430,334 | 412,065 | 100,409 | 117,274 | 115,650 | 132,267 | 465,599 | 506,301 |
| Cost of support, maint. & services | 57,273 | 64,140 | 66,848 | 100,419 | 125,433 | 142,239 | 200,402 | 247,644 | 278,504 | 76,190 | 79,019 | 72,768 | 75,778 | 303,755 | 333,903 |
| Cost of reimbursed travel | 39,051 | 30,432 | 32,453 | 44,692 | 55,308 | 70,109 | 89,886 | 71,938 | 88,545 | 22,392 | 26,770 | 20,000 | 20,000 | 89,162 | 80,000 |
| Total costs | 290,970 | 281,198 | 320,356 | 441,672 | 608,197 | 514,722 | 604,377 | 749,916 | 779,114 | 198,991 | 223,063 | 208,418 | 228,044 | 858,517 | 920,204 |
| Sales and client service | 578,050 | 693,087 | 756,072 | 856,649 | 1,003,324 | 1,148,993 | 1,364,225 | 1,772,152 | 2,010,579 | 546,046 | 546,435 | 543,165 | 564,200 | 2,199,845 | 2,370,300 |
| Software development | 246,970 | 266,677 | 265,988 | 278,429 | 292,153 | 327,690 | 379,014 | 523,544 | 534,604 | 141,675 | 138,199 | 149,435 | 155,689 | 584,998 | 648,340 |
| General and administrative | 95,881 | 122,054 | 123,570 | 137,126 | 151,988 | 294,377 | 318,389 | 329,140 | 318,389 | 83,405 | 84,771 | 87,712 | 89,555 | 345,443 | 384,528 |
| Amort. Acq. related intangibles | | | | | | | | (2,731) | 9,899 | 1,846 | 1,843 | 1,800 | 1,800 | 7,289 | 5,600 |
| Total costs and expenses | 1,211,871 | 1,363,016 | 1,465,986 | 1,713,876 | 2,055,662 | 2,285,782 | 2,576,654 | 3,361,270 | 3,663,336 | 971,963 | 994,311 | 990,530 | 1,039,288 | 3,996,092 | 4,328,973 |
| Operating earnings | 166,167 | 308,848 | 384,236 | 489,277 | 609,774 | 624,966 | 826,049 | 1,063,133 | 1,133,137 | 288,522 | 297,683 | 308,907 | 338,489 | 1,233,600 | 1,347,930 |
| Other income, net | 1,377 | 675 | 2,879 | 9,896 | 16,046 | 12,042 | 11,090 | 245 | 7,421 | (1,116) | 2,660 | 500 | 500 | 2,544 | 2,000 |
| Earnings before income taxes | 167,544 | 309,523 | 387,115 | 499,173 | 625,820 | 637,008 | 837,139 | 1,063,378 | 1,140,558 | 287,406 | 300,343 | 309,407 | 338,989 | 1,236,144 | 1,349,930 |
| Income taxes | (57,653) | (105,490) | (134,269) | (174,323) | (205,054) | (208,307) | (270,842) | (322,265) | (350,117) | (89,610) | (94,826) | (99,010) | (108,476) | (391,923) | (430,251) |
| Net earnings | 109,891 | 204,033 | 252,846 | 324,850 | 420,766 | 428,701 | 566,297 | 741,113 | 790,441 | 197,796 | 205,517 | 210,397 | 230,512 | 844,222 | 919,680 |
| Diluted Non-GAAP EPS | \$ 0.34 | \$ 0.61 | \$ 0.76 | \$ 0.93 | \$ 1.20 | \$ 1.41 | \$ 1.65 | \$ 2.11 | \$ 2.31 | \$ 0.59 | \$ 0.61 | \$ 0.63 | \$ 0.69 | \$ 2.51 | \$ 2.78 |
| Diluted weighted avg. shares | 326,892 | 335,528 | 332,258 | 347,508 | 351,356 | 352,223 | 350,387 | 350,841 | 343,653 | 336,190 | 337,898 | 336,500 | 335,000 | 336,397 | 333,243 |
| Yr./Yr. Percentage Chg. | | | | | | | | | | | | | | | |
| System Sales | 12.5% | -3.4% | 9.2% | 28.3% | 27.7% | -6.1% | 11.6% | 35.5% | -1.2% | 14.5% | 4.4% | 6.0% | 5.5% | 7.3% | 4.0% |
| Support, maintenance and services | 23.0% | 1.9% | 11.4% | 14.6% | 17.6% | 16.7% | 18.8% | 29.7% | 12.1% | 9.4% | 6.6% | 11.5% | 12.0% | 9.9% | 10.6% |
| Total revenues | 18.7% | -0.2% | 10.7% | 19.1% | 21.0% | 9.2% | 16.9% | 30.0% | 8.4% | 10.8% | 6.3% | 9.7% | 9.5% | 9.0% | 8.6% |
| Cost of system sales | 13.8% | -5.3% | 18.4% | 34.2% | 44.1% | -29.3% | 3.9% | 37.0% | -4.2% | 12.5% | 3.0% | 24.0% | 14.3% | 13.0% | 8.7% |
| Cost of support, maint. & services | 14.0% | 4.9% | 4.2% | 50.2% | 24.9% | 13.4% | 40.9% | 23.6% | 12.5% | 13.3% | 13.5% | 7.8% | 2.1% | 9.1% | 9.9% |
| Sales and client service | 24.0% | -3.1% | 9.1% | 13.3% | 17.1% | 14.5% | 18.7% | 29.9% | 13.5% | 12.1% | 8.4% | 9.3% | 8.0% | 9.4% | 7.7% |
| Software development | 16.8% | -2.1% | -0.3% | 4.7% | 4.9% | 12.2% | 15.7% | 38.1% | 2.1% | 9.1% | 5.9% | 12.8% | 9.8% | 9.4% | 10.8% |
| General and administrative | 17.5% | 8.0% | 1.2% | 11.0% | 10.8% | 93.7% | -22.2% | 39.0% | 3.4% | 3.2% | 1.0% | 8.0% | 7.7% | 5.0% | 11.3% |
| Total COGS | 14.2% | -5.0% | 13.9% | 37.9% | 37.7% | -15.4% | 17.4% | 24.1% | 3.9% | 13.3% | 8.5% | 13.9% | 6.1% | 10.2% | 7.2% |
| Total Expenses | 21.3% | -1.7% | 5.9% | 11.0% | 13.8% | 22.4% | 11.4% | 32.5% | 10.0% | 10.5% | 7.1% | 9.8% | 8.3% | 8.9% | 8.7% |
| Total costs and expenses | 19.5% | -2.4% | 7.6% | 16.9% | 19.9% | 11.2% | 12.7% | 30.5% | 9.0% | 10.9% | 7.3% | 10.8% | 7.8% | 9.1% | 8.3% |
| Operating earnings | 13.2% | 10.7% | 24.4% | 27.3% | 24.6% | 2.5% | 32.2% | 28.7% | 6.6% | 10.2% | 2.9% | 6.2% | 15.3% | 8.9% | 9.3% |
| Net earnings | 27.4% | 8.1% | 23.9% | 28.5% | 29.5% | 18.1% | 16.0% | 28.6% | 6.7% | 8.4% | 3.2% | 2.7% | 11.8% | 6.8% | 8.9% |
| Diluted Non-GAAP EPS | 21.7% | 7.6% | 25.1% | 22.8% | 28.1% | 17.8% | 16.7% | 28.4% | 9.2% | 11.6% | 5.1% | 5.3% | 13.4% | 8.8% | 10.6% |
| Diluted weighted avg. shares | 4.7% | 0.5% | -1.0% | 4.6% | 1.1% | 0.2% | -0.5% | 0.1% | -2.0% | -2.8% | -1.8% | -2.4% | -1.4% | -2.1% | -0.9% |
| Percentage of Revenue | | | | | | | | | | | | | | | |
| System Sales | 36.7% | 30.2% | 29.8% | 32.1% | 33.9% | 29.1% | 27.8% | 29.0% | 26.4% | 25.4% | 26.9% | 24.6% | 27.0% | 26.0% | 24.9% |
| Support, maintenance and services | 60.5% | 68.0% | 68.5% | 65.9% | 64.1% | 68.5% | 69.6% | 69.4% | 71.8% | 72.8% | 71.0% | 73.9% | 71.6% | 72.3% | 73.7% |
| Cost of system sales | 14.1% | 11.2% | 11.9% | 13.5% | 16.0% | 10.4% | 9.2% | 9.7% | 8.6% | 8.0% | 9.1% | 8.9% | 9.6% | 8.9% | 8.9% |
| Cost of support, maint. & services | 4.2% | 3.8% | 3.6% | 4.6% | 4.7% | 4.9% | 5.9% | 5.6% | 5.8% | 6.0% | 6.1% | 5.6% | 5.5% | 5.8% | 5.9% |
| Sales and client service | 41.9% | 41.5% | 40.9% | 38.9% | 37.6% | 39.5% | 40.1% | 40.1% | 41.9% | 43.3% | 42.3% | 41.8% | 41.0% | 42.1% | 41.8% |
| Software development | 17.9% | 16.0% | 14.4% | 12.6% | 11.3% | 11.3% | 11.1% | 11.8% | 11.1% | 11.2% | 10.7% | 11.5% | 11.3% | 11.2% | 11.4% |
| General and administrative | 7.0% | 7.3% | 6.7% | 6.2% | 5.7% | 10.1% | 6.7% | 7.2% | 6.9% | 6.6% | 6.6% | 6.8% | 6.5% | 6.6% | 6.8% |
| Total COGS | 21.1% | 16.8% | 17.3% | 20.0% | 22.8% | 17.7% | 17.8% | 16.9% | 16.2% | 15.8% | 17.3% | 16.0% | 16.6% | 16.4% | 16.2% |
| Gross Margin | 78.9% | 83.2% | 82.7% | 80.0% | 77.2% | 82.3% | 82.2% | 83.1% | 83.8% | 84.2% | 82.7% | 84.0% | 83.4% | 83.6% | 83.8% |
| Total Expenses | 66.8% | 64.7% | 61.9% | 57.7% | 54.3% | 60.8% | 58.0% | 59.1% | 59.9% | 61.2% | 59.6% | 60.1% | 58.8% | 59.9% | 59.9% |
| Total costs and expenses | 87.9% | 81.5% | 79.2% | 77.8% | 77.1% | 78.5% | 75.7% | 76.0% | 76.4% | 77.1% | 77.0% | 76.2% | 75.4% | 76.4% | 76.3% |
| Operating Margin | 12.1% | 18.5% | 20.8% | 22.2% | 22.9% | 21.5% | 24.3% | 24.0% | 23.6% | 22.9% | 23.0% | 23.8% | 24.6% | 23.6% | 23.7% |
| Net Profit Margin | 8.0% | 12.2% | 13.7% | 14.7% | 15.8% | 17.1% | 16.9% | 16.8% | 16.5% | 15.7% | 15.9% | 16.2% | 16.7% | 16.1% | 16.2% |

Source: Company data & Hilliard Lyons estimates

Cerner Corp. (USD\$ '000s)

| Balance Sheet | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Q1'17 | Q2'17 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| Current assets: | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 113,057 | \$ 162,545 | \$ 182,914 | \$ 270,494 | \$ 241,723 | \$ 214,511 | \$ 243,146 | \$ 317,120 | \$ 202,377 | \$ 635,203 | \$ 402,122 | \$ 170,861 | \$ 378,452 | \$ 460,430 |
| Short-term investments | 161,230 | 146,239 | 161,600 | 38,400 | 317,113 | 356,501 | 531,635 | 719,665 | 677,004 | 785,663 | 111,059 | 185,588 | 153,458 | 176,563 |
| Receivables, net | 316,965 | 361,424 | 391,060 | 468,928 | 461,411 | 476,905 | 563,209 | 577,848 | 582,926 | 672,778 | 1,034,084 | 944,943 | 986,354 | 1,036,980 |
| Inventory | 9,585 | 18,084 | 10,744 | 10,096 | 11,242 | 11,036 | 23,296 | 23,681 | 32,299 | 23,789 | 15,788 | 14,740 | 19,013 | 14,550 |
| Prepaid expenses and other | 42,685 | 60,315 | 61,878 | 69,553 | 106,791 | 83,272 | 94,232 | 113,572 | 175,488 | 209,278 | 264,780 | 303,229 | 288,833 | 323,703 |
| Deferred income taxes, net | 8,109 | 2,423 | 10,368 | 1,402 | 8,055 | 3,836 | 46,795 | 38,620 | 91,614 | 22,075 | - | - | - | - |
| Total current assets | 651,631 | 751,030 | 818,564 | 858,873 | 1,146,335 | 1,146,061 | 1,502,313 | 1,790,506 | 1,761,708 | 2,348,786 | 1,827,833 | 1,619,361 | 1,826,110 | 2,012,226 |
| Property and equipment, net | 292,608 | 357,942 | 462,839 | 483,399 | 509,178 | 498,829 | 488,996 | 569,708 | 792,781 | 924,260 | 1,309,214 | 1,552,524 | 1,569,023 | 1,593,999 |
| Software development costs, net | 172,548 | 187,788 | 200,380 | 218,811 | 233,265 | 244,848 | 248,750 | 267,307 | 347,077 | 420,199 | 562,559 | 719,209 | 751,705 | 784,347 |
| Goodwill | 116,142 | 128,819 | 143,924 | 146,666 | 151,479 | 161,374 | 211,826 | 247,616 | 307,422 | 320,538 | 799,182 | 844,200 | 845,842 | 849,876 |
| Intangible assets, net | 60,448 | 54,428 | 46,854 | 51,925 | 33,719 | 38,468 | 75,366 | 132,045 | 144,132 | 126,636 | 688,058 | 566,047 | 542,715 | 522,584 |
| Long-term investments | - | - | - | 105,300 | - | 264,467 | 359,324 | 509,467 | 554,873 | 231,147 | 173,073 | 109,374 | 77,206 | 236,077 |
| Other assets | 10,252 | 16,426 | 17,395 | 16,014 | 74,591 | 68,743 | 113,783 | 187,819 | 190,371 | 158,999 | 202,065 | 219,248 | 190,607 | 59,533 |
| Total assets | 1,303,629 | 1,496,433 | 1,689,956 | 1,880,988 | 2,148,567 | 2,422,790 | 3,000,358 | 3,704,468 | 4,098,364 | 4,530,565 | 5,561,984 | 5,629,963 | 5,803,208 | 6,058,642 |
| Current liabilities: | | | | | | | | | | | | | | |
| Accounts payable | 65,377 | 79,735 | 79,812 | 93,667 | 36,893 | 65,035 | 85,545 | 141,212 | 145,019 | 160,285 | 215,510 | 238,134 | 207,001 | 259,092 |
| Current installments of long-term debt and capital leases obligations | 28,743 | 20,242 | 14,260 | 30,116 | 25,014 | 24,837 | 39,722 | 59,582 | 54,107 | 67,460 | 41,797 | 26,197 | 17,398 | 18,493 |
| Deferred revenue | 79,890 | 93,699 | 98,802 | 107,554 | 137,095 | 109,351 | 153,139 | 189,652 | 209,746 | 209,655 | 278,443 | 311,839 | 338,074 | 325,790 |
| Accrued payroll and tax withholdings | 66,002 | 77,914 | 65,011 | 67,266 | 80,093 | 86,921 | 109,227 | 125,253 | 147,986 | 140,230 | 184,225 | 211,554 | 208,467 | 184,893 |
| Other accrued expenses | 20,078 | 40,584 | 30,238 | 42,620 | 79,008 | 19,788 | 51,087 | 64,413 | 83,574 | 56,685 | 57,891 | 57,677 | 62,599 | 53,440 |
| Total current liabilities | 260,090 | 312,174 | 288,123 | 341,223 | 358,103 | 305,932 | 438,720 | 580,112 | 640,432 | 634,315 | 777,866 | 845,401 | 833,539 | 841,708 |
| Long-term debt and capital lease obligations | 194,265 | 187,391 | 177,606 | 111,370 | 95,506 | 67,923 | 86,821 | 136,557 | 111,717 | 62,868 | 563,353 | 537,552 | 532,747 | 524,922 |
| Deferred income taxes and other liabilities | 72,922 | 58,731 | 68,738 | 100,546 | 98,372 | 126,215 | 150,229 | 143,212 | 170,392 | 256,601 | 324,516 | 306,263 | 311,540 | 323,062 |
| Deferred revenue | 14,533 | 14,557 | 21,775 | 15,554 | 15,788 | 17,303 | 13,787 | 10,937 | 8,159 | 10,813 | 25,865 | 12,800 | 12,506 | 13,446 |
| Total liabilities | 541,810 | 572,853 | 556,242 | 568,693 | 567,769 | 517,373 | 689,557 | 870,818 | 930,700 | 964,597 | 1,691,600 | 1,702,016 | 1,690,332 | 1,703,138 |
| Shareholders' Equity: | | | | | | | | | | | | | | |
| Common stock | 785 | 784 | 801 | 810 | 826 | 1,665 | 1,696 | 1,721 | 3,443 | 3,470 | 3,503 | 3,537 | 3,545 | 3,557 |
| Additional Paid-in Capital | 325,119 | 376,595 | 451,876 | 491,080 | 557,545 | 616,988 | 723,490 | 842,490 | 812,853 | 933,446 | 1,075,782 | 1,230,913 | 1,254,544 | 1,301,373 |
| Retained earnings | 430,262 | 544,315 | 671,440 | 860,098 | 1,053,563 | 1,290,835 | 1,597,462 | 1,994,694 | 2,393,048 | 2,918,481 | 3,457,843 | 4,094,327 | 4,245,101 | 4,424,784 |
| Treasury stock | - | - | - | (28,002) | (28,002) | - | - | - | (28,251) | (245,333) | (590,390) | (1,290,665) | (1,290,665) | (1,290,665) |
| Accumulated other comp. loss, net | 4,367 | 600 | 8,311 | (12,977) | (3,254) | (4,191) | (11,967) | (5,255) | (13,429) | (44,096) | (76,354) | (110,165) | (99,649) | (83,545) |
| Noncontrolling interest | 1,286 | 1,286 | 1,286 | 1,286 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Total shareholders' equity | 761,819 | 923,580 | 1,133,714 | 1,312,295 | 1,580,798 | 1,905,417 | 2,310,801 | 2,833,650 | 3,167,664 | 3,565,968 | 3,870,384 | 3,927,947 | 4,112,876 | 4,355,504 |
| Total liabilities and shareholders' equity | 1,303,629 | 1,496,433 | 1,689,956 | 1,880,988 | 2,148,567 | 2,422,790 | 3,000,358 | 3,704,468 | 4,098,364 | 4,530,565 | 5,561,984 | 5,629,963 | 5,803,208 | 6,058,642 |

Source: Company data

RISKS & CONSIDERATIONS

Risks to our valuation include but are not limited to:

- Changes in macro economic conditions or government regulations that affect HCIT spending
- Product related liabilities and liabilities from system errors and warranties
- Disruption of data center or customer support centers
- Heavy reliance on significant sales to existing customers
- Risks resulting from international business including foreign currency exchange effects
- New disruptive technologies enter the marketplace or the introduction of defective products
- Increased competition from large cap companies may reduce product pricing and/or profitability
- Retaining key personnel
- Reliance on third party suppliers
- Poor integration of newly acquired businesses
- Breach of security could impact the company for a significant period of time
- Legal proceedings involving intellectual property rights and other business activities
- Regulatory, political and tax implications from government bodies including additional modifications of the Health Insurance Portability and Accountability Act (HIPAA), Health Information Technology for Economic and Clinical Health Act (HITECH), Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act

Additional information is available upon request.

Analyst Certification

I, Stephen Turner, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



| Rating | Hilliard Lyons Recommended Issues | | Investment Banking Provided in Past 12 Mo. | |
|--------------|--------------------------------------|------------------------|---|------------|
| | # of Stocks Covered | % of Stocks Covered | Banking | No Banking |
| Buy | 36 | 29% | 14% | 86% |
| Hold/Neutral | 79 | 63% | 5% | 95% |
| Sell | 10 | 8% | 0% | 100% |

As of 7 July 2017

Other Disclosures

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