



COMPANY UPDATE / ESTIMATE CHANGE TARGET CHANGE / RATING CHANGE

Key Metrics

CERN - NASDAQ - as of	5/1/17	\$65.27
Price Target		\$68.00
52-Week Range	\$47.01 -	\$67.50
Diluted Shares Outstanding (mil.)		344.8
Market Cap. (\$mil)		\$22,506.2
1-Mo. Average Daily Volume		2,849,857
Institutional Ownership		81.6%
Debt/Total Capital (net)	Q117	0%
ROE		19.3%
Book Value / Share	Q1'17	\$13.69
Price / Book Value		4.8x
Indicated Dividend / Yield	\$0.00	0.0%
LTM EBITDA Margin		28.1%

non GAAP EPS FY 12/31*

	Prior	Current		Prior	Current
	2016A	2017E		2018E	2018E
1Q	\$0.53	\$0.59	A	\$0.65	\$0.66
2Q	\$0.58	\$0.63		\$0.70	\$0.71
3Q	\$0.59	\$0.62		\$0.69	\$0.70
4Q	\$0.61	\$0.69		\$0.76	\$0.77
Year	\$2.30	\$2.53		\$2.81	\$2.84
P/E	28.4x	25.9x			23.0x

Revenue (\$mil)*

	Prior	Current		Prior	Current
	2016A	2017E		2018E	2018E
1Q	\$1,138	\$1,260	A	\$1,341	\$1,362
2Q	\$1,215	\$1,324		\$1,443	\$1,432
3Q	\$1,184	\$1,297		\$1,411	\$1,413
4Q	\$1,257	\$1,376		\$1,499	\$1,501
Year	\$4,796	\$5,235		\$5,695	\$5,709

*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 Results Above Expectations; Increasing PT to \$68; Downgrading to Neutral on Price Appreciation

- Results.** Revenue of \$1.260 billion was up 11% y/y, beating our \$1.236 billion view and the consensus view of \$1.229 billion. Revenue beat expectations due to higher than expected system sales. System sales increased 14% y/y above the 3, 5, and 10 year CAGRs on improved tech resale and software licensing. Cerner beat our profitability view from higher overall software sales which have a significantly higher contribution margin despite taking an investment write down. Cerner reported Q1'17 EPS of \$0.59 vs. \$0.53 in the year ago period. This beat our estimate by a penny a share and the consensus view by \$0.02. Bookings increased a better than expected 7% y/y to \$1.25 billion which included strong new client wins with 37% of contracts signed coming from outside the Cerner EHR install base. Cerner's book-to-bill ratio declined to 1.28, its lowest figure since Q1'09. Backlog increased to a record \$16.01 billion, up 10% y/y, however this was also its lowest growth rate since Q1'09. Large healthcare systems increasingly selected a combined Cerner EHR and Revenue Cycle Management footprint, and moved more sites to Cerner from competitors. Population Health and Revenue Cycle experienced double digit growth. Cerner also had Ambulatory success and strength within CommunityWorks.
- Outlook.** Management guided Q2'17 revenue between \$1.265 billion to \$1.335 billion. Q2'17 EPS were guided to between \$0.60 and \$0.62. FY'17 revenue guidance was reiterated at \$5.1 billion to \$5.3 billion, while FY'17 EPS was reiterated at \$2.44-\$2.56. We have largely maintained our outlook. We adjust our Q2'17 EPS estimate to \$0.61 vs. our prior \$0.63 view, while our FY'17 EPS estimate is adjusted lower by a penny to \$2.52. Our FY'18 EPS estimate improves to \$2.84 from \$2.81.
- Valuation.** We raise our FYE'18 price target to \$68 from \$62 on our improved FY'18 EPS outlook. We obtain our price target by multiplying our FYE'18 EPS estimate of \$2.84 by a forward multiple of 24x, which is above our prior 22x multiple but remains near the low end of Cerner's historical valuation range.
- Opinion.** Downgrading to Neutral on price appreciation.

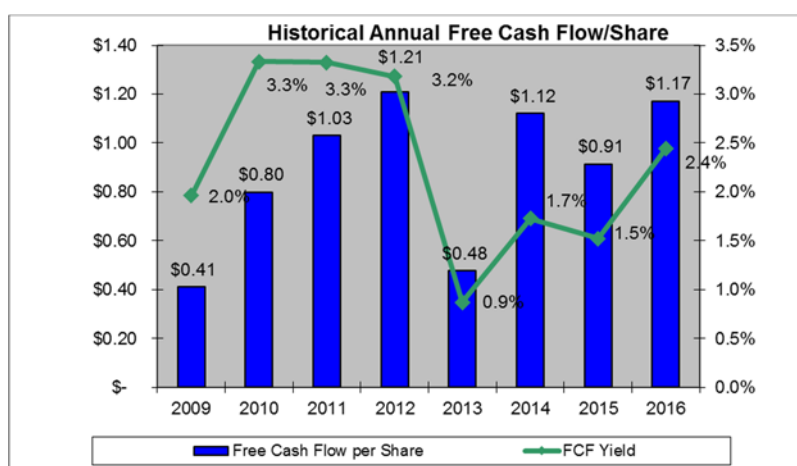
Note Important Disclosures on Pages 6 - 7
Note Analyst Certification on Page 6

ADDITIONAL DISCUSSION

New client contracts were strong again as 37% of bookings were from new customers outside of the core Millennium EHR install base, above that of Q1'16 on continued market share gains within the current EHR replacement cycle and strong growth in revenue cycle, population health, ambulatory and other new markets across the continuum of care. ITWorks failed to add a new client in the quarter, however management expects this activity to pick up in the 2H'17 along with RevWorks. Both outsourcing solutions have increased hiring needs ahead of larger expected deal activity later this year. Operating cash flow totaled \$303 million with free cash flow of \$144.4 million, down y/y on changes in working capital, however we expect free cash flow to trend upward throughout FYE'18. Total cash & investments was \$609 million vs. \$465 million last quarter, while total debt was reduced to \$550 million vs. \$564 million. Cerner has \$100 million remaining on its repurchase authorization as no share repurchases were made during the quarter.

Revenue (Figures in Millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Licensed Software	\$ 239	\$ 272	\$ 239	\$ 255	\$ 254	\$ 268	\$ 325	\$ 345	\$ 388	\$ 453	\$ 564	\$549
Technology Resale	147	158	170	172	152	177	245	392	263	273	330	274
Subscription / Transaction	64	76	91	95	99	106	136	166	197	220	388	442
Professional Services	305	383	440	444	397	455	550	686	851	1,093	1,237	1,445
Managed Services	76	110	145	200	247	294	351	417	479	549	858	982
Support & Maintenance	297	340	398	472	493	518	551	604	662	725	976	1,016
Total Revenue (Before Travel)	\$1,128	\$1,339	\$1,483	\$1,638	\$1,642	\$1,818	\$2,158	\$2,610	\$2,840	\$3,313	\$4,353	\$4,708
Revenue Mix (%)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Licensed Software	21%	20%	16%	16%	15%	15%	15%	13%	14%	14%	13%	12%
Technology Resale	13%	12%	11%	11%	9%	10%	11%	15%	9%	8%	8%	6%
Subscription / Transaction	6%	6%	6%	6%	6%	6%	6%	6%	7%	7%	9%	9%
Professional Services	27%	29%	30%	27%	24%	25%	26%	26%	30%	33%	28%	31%
Managed Services	7%	8%	10%	12%	15%	16%	16%	16%	17%	17%	20%	21%
Support & Maintenance	26%	25%	27%	29%	30%	28%	26%	23%	23%	22%	22%	22%
Total Revenue (Before Travel)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue Y/Y Growth	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Licensed Software	12%	14%	-12%	7%	0%	6%	21%	6%	12%	17%	25%	-3%
Technology Resale	30%	7%	7%	1%	-12%	16%	39%	60%	-33%	4%	21%	-17%
Subscription / Transaction	146%	19%	20%	4%	4%	7%	29%	22%	19%	12%	76%	14%
Professional Services	22%	26%	15%	1%	-11%	15%	21%	25%	24%	28%	13%	17%
Managed Services	52%	45%	32%	38%	24%	19%	20%	19%	15%	15%	56%	14%
Support & Maintenance	23%	14%	17%	19%	4%	5%	6%	10%	10%	10%	35%	4%
Total Revenue (Before Travel)	26%	19%	11%	10%	0%	11%	19%	21%	9%	17%	31%	8%

Source: Company reports



Source: Company reports

OUTLOOK

Management guided to Q2 bookings of \$1.3 billion to \$1.5 billion, the mid-point of which would represent flat bookings y/y on a difficult comparison. However, this lower than expected booking growth rate is offset by a higher percentage of current year revenue expected from backlog. Backlog reached a record \$16 billion. We tweak our outlook only modestly. Our Q2 revenue view decreases slightly, this is offset by higher system sales which boosts our gross margin view. However, we again expect higher operating expenses to weigh on any gross margin leverage. We adjust our Q2'17 EPS estimate to \$0.61 vs. our prior \$0.63 view. Our FY'17 EPS estimate is adjusted lower by a penny to \$2.52 as we expect an improved 2H'17 to offset Q2 weakness. Our FY'18 EPS estimate improves to \$2.84 from \$2.81. This is a result of our higher revenue view, slight margin improvement, and a lower share count. We do not include a lower tax rate into our assumption at this time, which could provide significant upside if ultimately approved.

Cerner management stated they have not experienced any weakness from the election or the Republican agenda to repeal ACA and we believe the transition to value-based care will continue long-term with bipartisan support for HCIT initiatives. However, with the second attempt on healthcare reform expected, any uncertainty could weigh on CERN shares. Cerner and the HCIT industry growth remains attractive relative to other industries within the Technology sector and we believe the company remains well positioned among peers to gain share.

VALUATION

We downgrade shares of CERN to a Neutral rating from a Long term Buy rating. Our FYE'18 price target increases to \$68 from \$62 previously. CERN shares have increased 38% YTD. In our opinion, despite increasing our price target by 10% there is less potential upside in Cerner shares following the positive Q1 report and recent share price appreciation. We obtain our price target by multiplying our FYE'18 EPS estimate of \$2.84 by a forward multiple of 24x, which is above our prior 22x multiple but below the current 25x forward multiple and remains near the low end of its five year historical range. We believe the recent move higher is appropriate given Cerner's improved results and industry leadership position. However, potential near term risk surrounding the repeal of the Affordable Care Act remains a headline risk that could weigh on shares if passed. Cerner and HCIT industry growth remain above that of the overall Technology sector and we believe the company is well positioned among peers to gain market share. We would seek to recommend CERN if shares pullback with no fundamental change in operating metrics.

Potential investor catalysts include a second attempt by the Republican administration to repeal and replace the Affordable Care Act. We believe CERN shares could be vulnerable to a selloff if passed or headlines suggest it could pass. We could potentially seek to upgrade shares in this scenario given our view that HCIT is instrumental in bringing down the cost of healthcare and improving the quality of care longer term. The next major catalyst for the stock will be in July when the Veterans Health Administration will announce its decision to keep its in-house EHR, Vista, or switch to a commercial offering of which, we believe, Cerner is a leading contender similar to its success in winning the Department of Defense bid. This would represent the largest EHR deal in history as the VA has over 1,200 healthcare sites and serves ~9 million veterans.

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 industry leading market position. Cerner's digital healthcare systems reside in 25% 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	Q2'17E	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	\$ 349,759	\$ 319,327	\$ 371,626	\$ 1,360,568	\$ 1,414,991
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	945,105	960,110	986,151	3,809,602	4,214,676
Reimbursed travel	39,051	30,432	32,453	44,692	55,308	70,109	89,886	71,938	88,545	22,392	20,000	20,000	20,000	82,392	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	1,314,864	1,299,437	1,377,777	5,252,563	5,709,667
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	120,967	115,650	132,267	469,293	509,250
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	78,892	72,768	75,778	303,628	324,646
Cost of reimbursed travel	39,051	30,432	32,453	44,692	55,308	70,109	89,886	71,938	88,545	22,392	20,000	20,000	20,000	82,392	80,000
Total costs	290,970	281,198	320,356	441,672	608,197	514,722	604,377	749,916	779,114	198,991	219,859	208,418	228,044	855,313	913,896
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	554,873	543,165	564,200	2,208,283	2,383,962
Software development	246,970	266,677	265,988	278,429	292,153	327,690	379,014	523,544	534,604	141,675	147,265	149,435	155,689	594,064	646,417
General and administrative	95,881	122,054	123,570	137,126	151,988	294,377	318,389	329,140	318,389	83,405	88,753	87,712	89,555	349,426	386,756
Amort. Acq. related intangibles								(2,731)	9,899	1,846	1,800	1,800	1,800	7,246	6,200
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	1,012,550	990,530	1,039,288	4,014,331	4,337,231
Operating earnings	166,167	308,848	384,236	489,277	609,774	624,966	826,049	1,063,133	1,133,137	288,522	302,314	308,907	338,489	1,238,231	1,372,436
Other income, net	1,377	675	2,879	9,896	16,046	12,042	11,090	245	7,421	(1,116)	500	500	500	384	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	302,814	309,407	338,989	1,238,615	1,374,436
Income taxes	(57,653)	(105,490)	(134,269)	(174,323)	(205,054)	(208,307)	(270,842)	(322,265)	(350,117)	(89,610)	(96,900)	(99,010)	(108,476)	(393,997)	(438,259)
Net earnings	109,891	204,033	252,846	324,850	420,766	428,701	566,297	741,113	790,441	197,796	205,913	210,397	230,512	844,618	936,176
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	\$ 2.52	\$ 2.84
Diluted weighted avg. shares	326,892	335,528	332,258	347,508	351,356	352,223	350,387	350,841	343,653	336,190	335,750	334,500	334,000	335,110	331,759
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%	5.0%	6.0%	5.5%	7.5%	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%	9.8%	11.5%	12.0%	10.7%	10.6%
Total revenues	18.7%	-0.2%	10.7%	19.1%	21.0%	9.2%	16.9%	30.0%	8.4%	10.8%	8.1%	9.7%	9.5%	9.5%	8.7%
Cost of system sales	13.8%	-5.3%	18.4%	34.2%	44.1%	-29.3%	3.9%	37.0%	-4.2%	12.5%	6.3%	24.0%	14.3%	13.9%	8.5%
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%	13.3%	7.8%	2.1%	9.0%	6.9%
Sales and client service	24.0%	-3.1%	13.3%	17.1%	17.1%	14.5%	18.7%	29.9%	13.5%	12.1%	10.1%	9.3%	8.0%	9.8%	8.0%
Software development	16.8%	-2.1%	-0.3%	4.7%	4.9%	12.2%	15.7%	38.1%	2.1%	9.1%	12.8%	12.8%	9.8%	11.1%	8.8%
General and administrative	17.5%	8.0%	1.2%	11.0%	10.8%	93.7%	-22.2%	39.0%	3.4%	3.2%	5.7%	8.0%	7.7%	6.2%	10.7%
Total COGS	14.2%	-5.0%	13.9%	37.9%	37.7%	-15.4%	17.4%	24.1%	3.9%	13.3%	7.0%	13.9%	6.1%	9.8%	6.8%
Total Expenses	21.3%	-1.7%	5.9%	13.8%	22.4%	11.4%	32.5%	32.5%	10.0%	10.5%	10.1%	9.8%	8.3%	9.7%	8.4%
Total costs and expenses	19.5%	-2.4%	7.6%	16.9%	19.9%	11.2%	12.7%	30.5%	9.0%	10.9%	9.3%	10.8%	7.8%	9.6%	8.0%
Operating earnings	13.2%	10.7%	24.4%	27.3%	24.6%	2.5%	32.2%	28.7%	6.6%	10.2%	4.5%	6.2%	15.3%	9.3%	10.8%
Net earnings	27.4%	8.1%	23.9%	28.5%	29.5%	18.1%	16.0%	28.6%	6.7%	8.4%	3.4%	2.7%	11.8%	6.9%	10.8%
Diluted Non-GAAP EPS	21.7%	7.6%	25.1%	22.8%	28.1%	17.8%	16.7%	28.4%	9.2%	11.6%	5.9%	5.9%	13.8%	9.3%	12.7%
Diluted weighted avg. shares	4.7%	0.5%	-1.0%	4.6%	1.1%	0.2%	-0.5%	0.1%	-2.0%	-2.8%	-2.4%	-3.0%	-1.7%	-2.5%	-1.0%
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%	26.6%	24.6%	27.0%	25.9%	24.8%
Support, maintenance and services	60.5%	68.0%	68.5%	65.9%	64.1%	68.5%	69.6%	69.4%	71.8%	72.8%	71.9%	73.9%	71.6%	72.5%	73.8%
Cost of system sales	14.1%	11.2%	11.9%	13.5%	16.0%	10.4%	9.2%	9.7%	8.6%	8.0%	9.2%	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%	6.0%	5.6%	5.5%	5.8%	5.7%
Sales and client service	41.9%	41.5%	40.9%	38.9%	37.6%	39.5%	40.1%	40.1%	41.9%	43.3%	42.2%	41.8%	41.0%	42.0%	41.8%
Software development	17.9%	16.0%	14.4%	12.6%	11.0%	11.3%	11.1%	11.8%	11.1%	11.2%	11.2%	11.5%	11.3%	11.3%	11.3%
General and administrative	7.0%	7.3%	6.7%	6.2%	5.7%	10.1%	6.7%	7.2%	6.9%	6.6%	6.8%	6.8%	6.5%	6.7%	6.8%
Total COGS	21.1%	16.8%	17.3%	20.0%	22.8%	17.7%	17.8%	16.9%	16.2%	15.8%	16.7%	16.0%	16.6%	16.3%	16.0%
Gross Margin	78.9%	83.2%	82.7%	80.0%	77.2%	82.3%	82.2%	83.1%	83.8%	84.2%	83.3%	84.0%	83.4%	83.7%	84.0%
Total Expenses	66.8%	64.7%	61.9%	57.7%	54.3%	60.8%	58.0%	59.1%	59.9%	61.2%	60.2%	60.1%	58.8%	60.0%	59.8%
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%	76.0%
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%	24.0%
Net Profit Margin	8.0%	12.2%	13.7%	14.7%	15.8%	17.1%	16.9%	16.8%	16.5%	15.7%	15.7%	16.2%	16.7%	16.1%	16.4%

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
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
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
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
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
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
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
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
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
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
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
Long-term investments	-	-	-	105,300	-	264,467	359,324	509,467	554,873	231,147	173,073	109,374	77,206
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Treasury stock	-	-	-	(28,002)	(28,002)	-	-	-	(28,251)	(245,333)	(590,390)	(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)
Noncontrolling interest	1,286	1,286	1,286	1,286	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
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

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	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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