

CERNER CORP /MO/
Form 10-Q
November 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: October 1, 2016

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-15386

CERNER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 43-1196944

(State or other jurisdiction of (I.R.S. Employer Identification
incorporation or organization) Number)

2800 Rockcreek Parkway 64117
North Kansas City, MO

(Address of principal executive offices) (Zip Code)

(816) 201-1024

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding at October 27, 2016

Common Stock, \$0.01 par value per share 339,496,327 shares

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Part I. Financial Information

Item 1. Financial Statements

CERNER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

As of October 1, 2016 (unaudited) and January 2, 2016

(In thousands, except
share data)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 431,497	\$ 402,122
Short-term investments	261,185	111,059
Receivables, net	985,164	1,034,084
Inventory	19,705	15,788
Prepaid expenses and other	300,764	264,780
Total current assets	1,998,315	1,827,833
Property and equipment, net	1,476,126	1,309,214
Software development costs, net	690,972	562,559
Goodwill	848,452	799,182
Intangible assets, net	591,447	688,058
Long-term investments	143,859	173,073
Other assets	199,356	202,065
Total assets	\$ 5,948,527	\$ 5,561,984
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 219,531	\$ 215,510
Current installments of long-term debt and capital lease obligations	36,619	41,797
Deferred revenue	308,713	278,443
Accrued payroll and tax withholdings	204,774	184,225
Other accrued expenses	58,423	57,891
Total current liabilities	828,060	777,866
Long-term debt and capital lease obligations	535,920	563,353
	292,769	324,516

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Deferred income taxes and other liabilities			
Deferred revenue	13,743		25,865
Total liabilities	1,670,492		1,691,600
Shareholders' Equity:			
Common stock, \$.01 par value, 500,000,000 shares authorized, 353,581,189 shares issued at October 1, 2016 and 350,323,367 shares issued at January 2, 2016	3,536		3,503
Additional paid-in capital	1,205,075		1,075,782
Retained earnings	3,944,636		3,457,843
Treasury stock, 14,109,095 shares at October 1, 2016 and 10,364,691 shares at January 2, 2016	(790,465))	(590,390)
Accumulated other comprehensive loss, net	(84,747))	(76,354)
Total shareholders' equity	4,278,035		3,870,384
Total liabilities and shareholders' equity	\$ 5,948,527		\$ 5,561,984

See notes to condensed consolidated financial statements (unaudited).

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CERNER CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended October 1, 2016 and October 3, 2015

(unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	2016	2015	2016	2015
Revenues:				
System sales	\$301,252	\$325,084	\$913,710	\$899,762
Support, maintenance and services	861,085	783,878	2,561,474	2,295,075
Reimbursed travel	22,220	18,925	63,470	55,136
Total revenues	1,184,557	1,127,887	3,538,654	3,249,973
Costs and expenses:				
Cost of system sales	93,275	105,760	296,336	309,761
Cost of support, maintenance and services	67,475	65,898	204,313	186,668
Cost of reimbursed travel	22,220	18,925		