

ModernGraham Valuation

Company Name:

Cerner Corporation

Company Ticker CERN

Date of Analysis

9/10/2015



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	Pass
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Fail
5. Earnings Growth		Pass
6. Moderate PEmg Ratio	PEmg < 20	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	Pass
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Fail
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.43
MG Growth Estimate	15.00%
MG Value	\$54.88
MG Value based on 3% Growth	\$20.67
MG Value based on 0% Growth	\$12.12
Market Implied Growth Rate	17.48%

MG Opinion

Current Price	\$61.95
% of Intrinsic Value	112.89%
Opinion	Overvalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.75
Graham Number	\$21.15
PEmg	43.46
Current Ratio	2.42
PB Ratio	5.65
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.77	Next Fiscal Year Estimate	\$1.43
Dec14	\$1.50	Dec14	\$1.19
Dec13	\$1.13	Dec13	\$0.99
Dec12	\$1.13	Dec12	\$0.87
Dec11	\$0.88	Dec11	\$0.70
Dec10	\$0.70	Dec10	\$0.57
Dec09	\$0.58	Dec09	\$0.48
Dec08	\$0.57	Dec08	\$0.41
Dec07	\$0.38	Dec07	\$0.31
Dec06	\$0.34	Dec06	\$0.26
Dec05	\$0.28	Dec05	\$0.19
Dec04	\$0.22	Dec04	\$0.15
Dec03	\$0.15	Dec03	\$0.11
Dec02	\$0.16	Dec02	\$0.09
Dec01	-\$0.15	Dec01	\$0.06
Dec00	\$0.37	Dec00	\$0.15
Dec99	-\$0.01	Dec99	\$0.04
Dec98	\$0.08	Balance Sheet Information Jun15	
Dec97	\$0.06	Total Current Assets	\$1,883,707,000
Dec96	\$0.03	Total Current Liabilities	\$777,851,000
Dec95	\$0.09	Long-Term Debt	\$567,312,000
		Total Assets	\$5,484,833,000
		Intangible Assets	\$1,978,467,000
		Total Liabilities	\$1,620,840,000
		Shares Outstanding (Diluted Average)	352,450,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [Cerner Corporation Analysis – June 2015 Update \\$CERN](#)
- [23 Companies in the Spotlight This Week – 3/9/15](#)
- [Cerner Corporation Quarterly Valuation – March 2015 \\$CERN](#)
- [22 Companies in the Spotlight This Week – 11/29/14](#)
- [Cerner Corporation Quarterly Valuation – November 2014 \\$CERN](#)

Other ModernGraham posts about related companies

- [Intuitive Surgical Inc. Analysis – September 2015 Update \\$ISRG](#)
- [Dentsply International Inc. Analysis – August 2015 Update \\$XRAY](#)
- [Becton Dickinson & Company Analysis – August 2015 Update \\$BDX](#)
- [Align Technology Analysis – Initial Coverage \\$ALGN](#)
- [Varian Medical Systems Inc Analysis – August 2015 Update \\$VAR](#)
- [Psychemedics Corporation Analysis – August 2015 Update \\$PMD](#)
- [C.R. Bard Inc. Analysis – August 2015 Update \\$BCR](#)
- [Thermo Fisher Scientific Inc. Analysis – 2015 Update \\$TMO](#)
- [Express Scripts Inc. Analysis – 2015 Update \\$ESRX](#)
- [HCA Holdings Inc. Analysis – Initial Coverage \\$HCA](#)