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Cerner Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And your first question comes from the line of Steve Halper with Thomas Weisel Partners. You may proceed.

Steve Halper – Thomas Weisel Partners LLC

Hi, good afternoon. The question is on the catch up first the catch up revenue is that on the GAAP statement that's included in the support and maintenance line?

Marc Naughton

The majority of it is, there is a little bit of systems, but most of it is on the services line, service and support.

Steve Halper – Thomas Weisel Partners LLC

Okay. The next question is, can you talk to us, where you stand on a cash basis, since the inception of the contract now that you have this gain?

Marc Naughton

Sure, relative to the cash collections to-date and now the total revenue we've taken including the catch up, we're pretty much matched dollar-for-dollar so our cash collections have been very close to what the revenue is, it's not slightly ahead of the revenue. You would have seen a little bit of impact on our referred revenue accounts this quarter, when we recognized this amount because it did hit that somewhat so, it is cash and I would –we did feel that it was appropriate for us to put it in our pro forma statement, but it is real revenue, it's revenue that would have been earned if we have the ability to estimate over the last two years, it is not we just make the points here that this is an out of period item at all, it is required to be recorded in Q4 when we show the basically we're able to substantiate our ability to estimate cost for the remainder of the contract, but its real revenue and we just thought it was appropriately conservative to reflect it on our pro forma statements.

Steve Halper – Thomas Weisel Partners LLC

Right. So, on a cash basis, is it profitable so far?

Marc Naughton

Clearly, our expectation of being somewhere around 20 plus percent operating margins on this business, yeah it is profitable.

Steve Halper – Thomas Weisel Partners LLC

Okay. And you said that the catch up is for the last two years, is that correct?

Marc Naughton

Basically, from the inception of the contract, which was late '06.

Steve Halper – Thomas Weisel Partners LLC

Okay. And last question is implied in the 2009 guidance, is there EPS profitability or operating profit baked into those assumptions from BT?

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