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## Cerner Corporation F1Q09 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator's instruction) Your first question comes from the line of Charles Rhyee - Oppenheimer.

#### Charles Rhyee - Oppenheimer

I wanted to really talk about the managed services business here. Obviously, it hinges a lot of talk from a lot of the vendors on providing sort of hosting options, subscription pricing and things like that and as I look at the managed services business here for you guys, can you give the sense on the strength of the, you talked about the strength in bookings in the quarter. Can you give a sense on the share of the bookings in the quarter coming from managed services?

#### Marc Naughton

Yes, this is Marc. That is a kind of statement between the 15% and 20% to 25%. That is quite a little bit towards the higher end of that range during the quarter, pretty consistent with what we have been seeing though.

#### Charles Rhyee - Oppenheimer

Okay, so then when we look at the shortfall in system sales line, I mean, have you seen any sort of a shift in clients really looking for the managed service option in which case we are going to see stretching of the revenue recognition? In other words, how much maybe the shortfall in system sales would you might attribute to maybe greater managed services?

#### Marc Naughton

Really the key, Charles, for our managed services is it does not replace software with some type of the subscription approach or any different type of revenue. We do a normal revenue deal, normal license deal which basically they buy the license. They own the license. There are services to implement and the only difference is rather than selling equipment for them to run it, we enter into a hosting agreement where we provide the services and the location and do the hosting. So, the reality is managed services booking actually normally will draw with some level of license software as well. In this quarter, that was not necessarily as much the case as normal. A lot of the sales this quarter were back into the base which a lot of those people have already laid in some level of software. So, the enhancement and managed services did not drive a lot of license software. Going forward, our pipeline is showing us an up tick in license software as well as managed service opportunities.

#### Michael G. Valentine

Charles, this is Mike. Just to add a few comments to it, what you also see is about 90% of our net new footprint clients will go with a managed services hosted option. It is actually our lead with preferred option has become the same for our prospects. Within that contract, we generally give them a high degree of predictability of what it will cost, what their future would cost them if they expand the software so that would be the direct linkage back in the software. They understand what the hosting fees would look like for their future software roadmap.

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