



## Omnicell Sets the Record Straight on GlassHouse Research Report

July 15, 2019

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--Jul. 15, 2019-- Omnicell, Inc. (NASDAQ: OMCL) today issued the following statement in response to a report issued on July 11, 2019 by self-proclaimed short-seller GlassHouse Research:

Omnicell is a leading provider of medication management solutions and adherence tools for healthcare systems and pharmacies. We have been operating with integrity since our founding nearly three decades ago. A recent report by GlassHouse Research makes numerous false and misleading statements about our company, all designed to diminish our stock price for the enrichment of GlassHouse.

Our financial statements are prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). As is noted in the proxy, the Company's financial statements are audited annually by one of the big four accounting firms. Further, the Audit Committee of the Board of Directors regularly reviews Omnicell's processes, controls, and financial statements with management and the Company's auditors.

Omnicell has grown significantly over the past five years through the launch of new product lines and services and several strategic acquisitions. The GlassHouse report demonstrates a lack of understanding of our business model, the impact of our significant business expansion and the application of required accounting under U.S. GAAP.

- **Omnicell's revenue is properly recognized and accounted for in accordance with U.S. GAAP, including ASC606 and ASC842.** Our revenue recognition policies and controls are carefully and thoughtfully applied and are intended to prevent premature revenue recognition. We recognize revenue upon documented customer acceptance of installation for the majority of our products. Neither the timing of invoice nor customer payment affect the timing of revenue recognition for these products. We invoice products upon shipment and increase both accounts receivable and deferred revenue at that time. Deferred revenue is reduced as installation is accepted and revenue is then recognized. The timing of customer payment after acceptance can vary and accounts receivable is not reduced until payment is received. As our deal sizes have grown, some customers accept product installation in batches over multiple time periods, but do not pay as quickly as installations are completed. Therefore, as order sizes increase, accounts receivable can grow disproportionately to deferred revenue as each are impacted by different activities. In addition, over the last several years the Company's software revenue has significantly increased as Omnicell's business has evolved. Software revenue by nature does not flow through deferred revenue.
- **DSO has increased as a result of the evolution of our business and following the adoption of new accounting standards.** As mentioned earlier, our business has grown and we have expanded our product and service offerings; our average deal size has increased in both dollar amount and complexity. For example, average deal size of our bookings from the top 10 accounts in the fourth quarter of 2018 averaged \$10.3 million, compared to \$2.7 million in the fourth quarter of 2015. As is typical with the large hospital networks and similar organizations that purchase our products, payment cycles can be elongated. While this increases DSO, the timing of cash collections has no impact on revenue recognition. As GlassHouse acknowledges, our customers are creditworthy and have a long and consistent track record of paying their outstanding balances, underscored by the fact that our write-offs have been less than 0.5% of revenue per year since 2014.
- **Inventory levels have increased as a result of the requirements to service our increasingly diverse product lines and growing installed base.** Omnicell regularly reviews its inventory levels and considers its value in accordance with U.S. GAAP. We have a large installed base of equipment and maintain sufficient inventory levels required to meet customers' expectations of continued support of prior-generation automation. In addition, multiple new products that we have launched or added to our offering through strategic acquisitions over the past several years have materially increased our inventory, as our products now have less commonality of manufacturing and service parts compared to our prior offerings.
- **Capitalized software development costs have increased as we have invested in more platform features and software-based services.** We have made these investments to enhance products and increase the value of our platform for our customers, and we continue to invest in the platform and solution set to support the growth of our business. Capitalized software development costs are documented and accounted for in accordance with U.S. GAAP.
- **We account for our sales commissions in accordance with U.S. GAAP.** In 2018, we adopted ASC340-40, which requires the Company to capitalize prepaid commissions as long-term assets and amortize them over a period that covers the maintenance portion of the contract, including expected renewal periods. Prior to the adoption of ASC340-40, all prepaid commissions were recorded as current and expensed at the time automation products were installed. As a result of adopting the new standard, the amortization of commissions better matches the corresponding revenue. The impact of

this change was disclosed in our Form 10-K filed with the U.S. Securities and Exchange Commission on February 27, 2019.

We have a long history of operating with integrity and adhering to the highest ethical and professional standards. We remain focused on and committed to enhancing value for our shareholders and executing our strategy to deliver improved outcomes for healthcare providers and patients.

### **Omnicell to Release Second Quarter 2019 Earnings Results on July 25, 2019**

Omnicell will hold a conference call on Thursday, July 25, 2019 at 1:30 p.m. PT to discuss second quarter 2019 financial results. The conference call can be monitored by dialing 1-800-696-5518 within the U.S. or 1-706-758-4883 for all other locations. The Conference ID # is 5149909. Internet users can access the conference call at <http://ir.omnicell.com/communications/events-presentations>. A replay of the call will be available on Thursday, July 25, 2019 at approximately 4:30 p.m. PT and will be available until 11:59 p.m. PT on August 24, 2019. The replay access numbers are 1-855-859-2056 within the U.S. and 1-404-537-3406 for all other locations, Conference ID # is 5149909.

### **Forward-Looking Statements**

To the extent any statements contained in this release deal with information that is not historical, these statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. As such, they are subject to the occurrence of many events outside Omnicell's control and are subject to various risk factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such statements include, but are not limited to, statements about Omnicell's strategy, vision and long-term objectives; investments in new products and solutions; and expectations of future financial and operational performance. Risks that contribute to the uncertain nature of the forward-looking statements include (i) Omnicell's ability to take advantage of the growth opportunities in medication management across the spectrum of healthcare settings from hospital to home, (ii) Omnicell's ability to develop and commercialize new products, including the XR2 Automated Central Pharmacy System and the IVX Workflow semi-automated workflow solution, and enhance existing products, (iii) Omnicell's ability to deliver on our vision of the Autonomous Pharmacy and the impact that advanced automation, data intelligence, and expert services will have on patient care, (iv) unfavorable general economic and market conditions, (v) risks to growth and acceptance of Omnicell's products and services, including competitive conversions, (vi) growth of the clinical automation and workflow automation market generally, (vii) potential of increasing competition, (viii) potential regulatory changes, (ix) Omnicell's ability to improve sales productivity to grow product bookings, and (x) Omnicell's ability to acquire companies, businesses, or technologies and successfully integrate such acquisitions. These and other risks and uncertainties are described more fully in Omnicell's most recent filings with the Securities and Exchange Commission ("SEC"). Prospective investors are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements contained in this press release speak only as of the date on which they were made. Omnicell undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made.

### **About Omnicell**

Since 1992, Omnicell has been inspired to create safer and more efficient ways to manage medications across all care settings. Through our industry-leading medication management platform that spans the continuum of care, Omnicell is developing a vision for a fully automated infrastructure, powered by a cloud data platform that supports improved patient care, fewer errors, enhanced safety, and new opportunities for growth.

Omnicell's vision for the Autonomous Pharmacy integrates a comprehensive set of solutions across three key areas: Automation solutions designed to digitize and streamline workflows; Intelligence that provides actionable insights to better understand medication usage and improve pharmacy supply chain management; and Work - expert services that serve as an extension of pharmacy operations to support improved efficiency, regulatory compliance, and patient outcomes.

Over 5,500 facilities worldwide use Omnicell automation and analytics solutions to help increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. More than 40,000 institutional and retail pharmacies across North America and the United Kingdom leverage Omnicell's innovative medication adherence solutions designed to improve patient engagement and adherence to prescriptions, helping to reduce costly hospital readmissions.

For more information about Omnicell, Inc. please visit [www.omnicell.com](http://www.omnicell.com).

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