4Q19 Earnings Call

Peter Kuipers:

Good afternoon and welcome to the Omnicell fourth quarter and full year 2019 earnings call. Joining me today is Randall Lipps, Omnicell Founder, Chairman, President, and CEO.

This call will include forward-looking statements subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied. For a more detailed description of the risks that impact these forward-looking statements, please refer to the information in our press release today, in the Omnicell annual report on Form 10-K filed with the SEC on February 27, 2019, and in other more recent reports filed with the SEC. Please be aware that you should not place undue reliance on any forward-looking statements made today.

The date of this conference call is February 6th, 2020, and all forward-looking statements made on this call are based on the beliefs of Omnicell as of this date only. Future events or simply the passage of time may cause these beliefs to change. Finally, this conference call is the property of Omnicell, Inc., and any taping, other duplication or rebroadcast without the express written consent of Omnicell is prohibited.

Randall will provide an update on our business. After Randall's remarks, I will cover our results for 2019 and our guidance for 2020. Our 2019 fourth quarter and full year financial results are included in our earnings announcement which was released earlier today and is posted in the "Investor Relations" section of our website at omnicell.com. Included in our fourth quarter earnings release are a few slides that I will speak to later in our prepared remarks. Our prepared remarks will also be posted in this same section.

Let me now turn over the call to Randall.

Randall Lipps:

Good afternoon! 2019 was a record year for Omnicell.

Key financial results for the year include:

1. Record product bookings of $813 million, up 14% from 2018
2. Record product backlog of $588 million, up 23% from 2018
3. Record revenue of $897 million, up 14% from 2018
4. Record Non-GAAP EPS of $2.81, up 34% from 2018

We are very pleased with the strong results achieved in 2019. As discussed during our Investor Day at the American Society of Health System Pharmacists (ASHP) in December, and at the JPM conference in January, we believe that there are significant challenges in pharmacy that drive the demand for our solutions and that represent large market opportunities. We are committed to addressing and solving these challenges in pharmacy by investing in innovation and customer experience.

The strong growth in our business over the last several quarters is a testament that the vision of autonomous pharmacy is resonating with the industry. Through the vision of the autonomous pharmacy, a combination of Automation, Intelligence, and Expert Services, powered by a cloud data platform, Omnicell supports more efficient ways to manage medications across all care settings. We want to be the most compelling medication management automation and services company by accelerating pharmacy to perfection.

We are making significant strides to advance medication management through this vision – as evidenced in the solutions we debuted at ASHP. We have launched new innovations, service offerings, and partnerships that are driving greater value for our customers.

The continuing expansion of our business from a single solution to a platform of products and services is driving larger deal sizes across multiple products, and, we believe, more comprehensive, valuable and enduring relationships with our customers. We are pleased to highlight a number of our newest customer wins, including:

Minnesota-based **Fairview Health Services** has selected Omnicell's automation and intelligence solutions to streamline nurse-pharmacy workflow. Through this seven-year, sole source agreement, Fairview will be leveraging Omnicell's intelligence solutions to gain visibility and insight to their pharmacy supply chain. The health system's investment toward a fully autonomous pharmacy also includes adding XR2 Automated Central Pharmacy System and i.v.STATION to central pharmacy operations, as well as implementing Omnicell XT Automated Dispensing Systems and XT Anesthesia Workstation across its 13 hospital system in the Minneapolis metropolitan area.

Geisinger, one of the nation's most innovative health services organizations, serving millions of patients in Pennsylvania and New Jersey, has signed a six-year, sole source agreement to implement Omnicell's XT Automated Dispensing Systems across the health system. This investment follows a recent upgrade to XT Anesthesia Workstation in surgical suites.

We're seeing significant traction for our point-of-care automation workflow technology, with numerous health systems including **Duke University Hospital** and **Atrium Health** in North Carolina; **Cooper University Health Care** in New Jersey; **Benefis Health System** in Montana; and **Renown Health** in Nevada leveraging automation and data intelligence to support improved efficiency in patient care areas.

Allegheny General Hospital in Pittsburgh, PA, part of the Allegheny Health Network, has selected our Central Pharmacy IV Compounding Service. Sterile compounding is one of the biggest challenges for hospital pharmacy. They were impressed with our insourcing model, which combines technology and trained resources to support a safer, more accurate operation.

Bordeaux Centre Hospitaliere Universitair or CHU, serving the Bordeaux metropolitan area, and one of the top teaching hospitals in France with over 3,100 beds across 3 sites, has selected Omnicell to provide its central pharmacy robotic dispensing system, the largest ever implemented by Omnicell in France. Three large robots, working in a coordinated manner utilizing Omnicell's market leading ULM software, will store and retrieve medication upon demand via integration with the hospital pharmacy system for delivery to patient wards across the Bordeaux healthcare system.

Now I'd like to turn the call back over to Peter to discuss our 2019 results and our five year financial framework, as well as the guidance for 2020.

Peter Kuipers:
Thank you, Randall.

Our fourth quarter 2019 revenue of $248 million was up 17% over the fourth quarter of 2018 and up 9% from the third quarter of 2019. Our full year 2019 revenue of $897 million was up 14% from 2018. The year over year increases in revenue were largely due to an increase in XT series, XR2, and IV implementations, growth in annual service and maintenance revenue from a larger installed base of equipment, as well as increased Population Health Solutions revenue. As discussed in the past, our Population Health Solutions include medication synchronization, patient messaging, and certain other adherence solutions.

The fourth quarter Earnings per share in accordance with GAAP was $0.51, up from $0.36 per share in the fourth quarter of 2018, an increase of 42%. Our full year 2019 Earnings per share in accordance with GAAP was $1.43, up from $0.93 in 2018, representing an increase of 54%. The year over year increases in earnings per share is largely due to higher revenue.

In addition to GAAP financial results, we report our results on a Non-GAAP basis which excludes stock compensation expense, amortization of intangible assets associated with acquisitions, acquisition and restructuring related expenses, tax reform and restructuring income tax benefits and expenses, certain contingent gains and amortization of debt issuance costs. We use Non-GAAP financial statements in addition to GAAP financial statements because we believe it is useful for investors to understand the effects of amortization of acquisition-related costs and non-cash stock compensation expenses that are a component of our reported results, as well as certain events and acquisition and restructuring-related expenses which are unrelated to our ongoing operations. A full reconciliation of our GAAP to Non-GAAP results is included in our fourth quarter earnings press release and is posted on our website.

Fourth quarter 2019 Non-GAAP EPS was $0.77 per share, compared to $0.70 in the same period last year, representing a 10% increase. Full year 2019 Non-GAAP EPS was $2.81 per share, compared to $2.09 in 2018, representing a 34% increase. Similar to the increases in our GAAP EPS, the increases in earnings per share on a Non-GAAP basis is, again, largely due to growing revenue.

In addition to strong revenue and profitability growth there are additional indicators that demonstrate the momentum in, and the scaling of, our business:

1) First, product bookings for the full year 2019 increased by approximately 14% from 2018 to $813 Million. This was a record for the business and exceeded the high-point of our guidance range by approximately $23 million.
2) Second, product backlog as of December 31, 2019 increased by approximately 23% from December 31, 2018 to $588 million.
3) Third, Non-GAAP Gross margins exceeded 50% for the full year of 2019 and expanded by approximately 90 basis points from 2018.
4) Fourth, our Non-GAAP operating margin was 14.8% for total year 2019 and expanded by approximately 190 basis points from 2018.
5) Lastly, during the fourth quarter of 2019 we again entered into a record number of multi-million dollar commercial agreements. The vast majority of these multi-million dollar product bookings are with customers adopting multiple products on the Omnicell platform.

Our total product backlog as of December 31, 2019 was $588 million, up 23% from last year. Of this amount $471 million is considered short-term in nature and $117 million is considered long-term. As of December 31, 2018, our total backlog was $478 million, of which $375 million was considered short-term and $103 million was considered long-term.

Let's now move to the balance sheet and cash flow.

At December 31, 2019 our cash balance was $127 million, down from $137 million at September 30, 2019. During the fourth quarter of 2019 we repaid $30 million on our outstanding debt leaving a remaining outstanding funded debt balance of $50 million. As of December 31, 2019 the business was in a net cash position of $77 million, up from $57 million at September 30, 2019.

Cash flow from operations during the fourth quarter and year ended December 31, 2019 was $35 million and $145 million, respectively compared to $47 million and $104 million for the comparable periods last year. The increase in operating cash flows for the full year is primarily driven by increased net income and improvements in working capital.

Free cash flow generated in the fourth quarter and year ended December 31, 2019 was $20 million and $83 million respectively, compared to $35 million and $50 million for the comparable periods last year. The increase in free cash flow for the full year is primarily due to the increases in operating cash flow mentioned earlier.

Accounts receivable days sales outstanding for the fourth quarter were 81 days, down 1 day from the previous quarter and down 4 days from December 31, 2018. The decrease in DSO from last quarter and the prior year is primarily due to higher sales and increased collections.

Inventories at December 31, 2019 were approximately $108 million, up $2 million from the previous quarter and up $7 million from December 31, 2018. The increase is primarily driven by growth demand for the XT series, XR2, and IV product line.

Our headcount was 2,698 at December 31, 2019, up 73 from the end of the previous quarter and up 222 from the same quarter last year. The increase reflects continued investment in the business to deliver product innovation, new offerings, and dynamic products as well as increases for manufacturing, implementation, and service personnel needed to support our business as it continues to expand. We expect this hiring trend to continue as we grow the business.

We would like to walk through the long term financial framework we presented at the Investor Day on December 10, 2019, at the ASHP conference, and at the JPM conference on January

15 earlier this year. Included in our fourth quarter earnings release are a few slides summarizing our long-term financial framework.

Slide #3 shows a summary of our organic revenue drivers. We believe that there are significant challenges in pharmacy that we discussed earlier today that drive the demand for our solutions and represent large market opportunities. Looking at our market and growth assumptions in our long term financial model we expect to continue to grow revenue organically over the next five years at a CAGR of approximately 10%-12%.

The three areas of focus for growth are as follows:

- Point of Care
- Central Pharmacy
- Retail, Institutional, and Payers

Looking at the 3 areas of market opportunity and growth we see the drivers for growth as follows.

For our Point of Care solutions we expect future revenue growth from the following:

- First, is expansion with existing customers as they continue to increase the utilization of our dispensing systems in more areas within their hospitals

- Second, is prior generation replacements or upgrades. Through 4Q19 we have received orders from customers representing approximately 23% of our legacy installed base of automated dispensing cabinets which is up from 11% as of the end of 2018. We expect to provide an update on this metric every quarter
- Third is competitive conversions and market share gains
- Fourth is innovation and new services solutions including Professional Services announced in December last year
- Given these drivers, we believe that this part of the business will grow at an organic CAGR of approximately 10% over the next 5 years.

Central Pharmacy is the next area of significant opportunity to digitize and automate pharmacy to help increase safety, reduce drug spend, and optimize labor. For our Central Pharmacy solutions we expect future and continued revenue growth from:
- Upgrades of prior generation robots in our installed base
- Carousel to robot replacements
- Greenfield opportunities
- Growth from innovation and new offerings
- Overall we believe that this part of the business will grow at an organic CAGR of approximately 17% over the next 5 years.

Finally, for our Retail and Institutional Pharmacy and Payer solutions we expect future and continued revenue growth from the following drivers:
- Growth in Population Health Solutions including software solutions, adherence packaging, and automation
- Growth from expected new innovation and service offerings
- Overall we believe that this part of the business will grow at an organic CAGR of approximately 10% over the next 5 years.

The estimated organic revenue growth in these three areas is supported by estimated large TAMs and is anchored by many sole source, long term agreements with large health systems, retail pharmacy chains, and payers in our customer base.

Let’s now move to long term Non-GAAP operating margin profitability. From a base line in 2019 of approximately 15% Non-GAAP operating margin we believe that we can increase non-GAAP operating margin to approximately 18% by 2024.

Slide #4 gives a summary of the drivers of Non-GAAP operating margin expansion. We expect the drivers of the Non-GAAP operating margin expansion to be:

- o Benefits from economies of scale including supply chain procurement savings and operating expense leverage
- o Benefits from long term customer agreements
- o Manufacturing and design savings
- o Process improvements and efficiencies, including benefits from infrastructure and other investments

We expect these benefits to be partly offset by reinvestments in:

- o Investing in innovation to support the growth opportunities we discussed
- o Customer success and experience investments including Professional Services, and
- o Infrastructure investments as we scale the business, including further investments in global PLM (Product Lifecycle Management), CRM, HR, and ERP systems

On slide #5 we summarized our objectives:

- We are committed to strong long-term organic revenue growth with a goal of $1,450-$1,550MM by 2024, representing a 5 year organic CAGR of approximately 10% to 12%.
- We are driving operating leverage with a goal of around 18% Non-GAAP operating margin by 2024
- We expect the business to deliver between 90% and 110% free cash flow conversion of GAAP net income through 2024 while investing in innovation, customer success, and supporting infrastructure

- Lastly, we are continuously evaluating potential acquisition opportunities for the right strategic and financial fit

Before we move to guidance, I want to acknowledge that you may have questions about the impact of coronavirus on our business. First and foremost, the safety and well-being of our people is our #1 priority. We are in close contact with our employees, customers and suppliers in China, and we are reviewing communications by government and healthcare organizations as we monitor the situation. At this point, given that we have a small employee presence and customer base in the region, and none of our suppliers are based in the Wuhan province or proximity, we do not expect, nor have we factored into our guidance, any meaningful operational or financial impact. That said, the situation is uncertain and rapidly evolving, so we will continue to monitor it closely and are evaluating various potential scenarios, so we believe that we are well-prepared.

Now moving to our full year 2020 guidance:

- We expect 2020 Product Bookings to be between $865 million and $900 million. The mid-point of this range represents approximately 9% growth over 2019. Measured from 2017 when using the mid-point of the guidance range for 2020 this represents a CAGR of approximately 16%.
- We expect 2020 Total Revenue to be between $1.0 billion and $1.02 billion. The mid-point of this range represents approximately 13% growth over 2019
- This breaks down as follows:
    - We expect 2020 Product Revenue to be between $752 and $768 million
    - We expect 2020 Service Revenue to be between $248 and $252 million
- Using the mid-points of the provided ranges we expect Non-GAAP operating margin for 2020 to be slightly below 16%, up from 14.8% in 2019
- We expect 2020 Non-GAAP EPS to be between $2.96 and $3.16 per share. The mid-point of this range represents approximately 9% growth over 2019. It’s important to note that as discussed in the 1Q19 earnings call that we had a non-operational benefit of $0.07 cents per share related to tax benefits realized from the exercise of employee stock options.
- For 2020 we are assuming an average effective blended tax rate of approximately 14% in our Non-GAAP EPS guidance range

For the first quarter of 2020 we are issuing the following guidance:

- Based largely on the ending product backlog from 4Q19 and the recurring revenue from services and consumables we expect Total Revenue to be between $221 and $227 million
- We expect Product Revenue to be between $163 and $168 million.
- We expect Service Revenue to be between $58 and $59 million.
- We expect Non-GAAP EPS to be between $0.52 and $0.57 per share.

As Randall mentioned we are very pleased with the strong results in 2019 and we look forward to continuing to deliver profitable results in 2020 as we continue to execute on the long term strategy.

With that, we would like to open the call for your questions.

Randall Lipps

2019 was a highly successful year for Omnicell! Our robust portfolio of solutions deliver meaningful outcomes for our customers and patients, and these strong results provide a substantial basis for us to execute on our long term strategy. As noted earlier and through discussions with our customers, we believe that there are significant challenges in pharmacy that drive the demand for our solutions and present large market opportunities. Via investments in innovation and by enhancing the customer experience, we continue to make advancements towards the vision of the autonomous pharmacy.

Once again, let me note, our remarkable Omnicell team is the backbone of our success. Thank you for continuing to execute and deliver on this winning strategy and we look forward to another great year in 2020.

Thank you everyone!

Omnicell, Inc.
2019 Fourth Quarter and Full Year Earnings Call

February 6, 2020

Safe Harbor Statement

To the extent any statements contained in this presentation 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, Omnicell’s projected long-term target revenues and revenue growth rate; long-term margins; free cash flow conversion; planned new products and capabilities; and statements about Omnicell’s strategy, objectives, and vision. 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 all care settings, (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, and growth of the clinical automation and workflow automation market generally, (vi) risks presented by the transition to selling more products on a subscription basis, (vii) potential of increasing competition, (viii) potential regulatory changes, and (ix) Omnicell's ability to improve sales productivity to grow product bookings. 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 presentation 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.

Use of Non-GAAP Financial Information

This presentation contains financial measures that are not calculated in accordance with GAAP. In addition to disclosing financial results that are determined in accordance with GAAP, we present and discuss future non-GAAP operating margin goals for our business.

Non-GAAP measurements do not represent and should not be considered as alternatives to GAAP measurements, and our calculations thereof may not be comparable to similarly entitled measures reported by other companies. Our target non-GAAP operating margins exclude, among other things, projected share-based compensation expense and amortization of acquired intangible assets, and as such these projections are limited in their utility for evaluating our future operating results in accordance with GAAP. We are not providing reconciliations for the forward-looking non-GAAP financial measures included in this presentation due to the inherent difficulty in forecasting and quantifying certain amounts that would be necessary for such reconciliations, including adjustments that could be made, the amount of which, based on historical experience, could be significant.

Purpose
There is a better way

Mission
Be the care provider’s most trusted partner

Vision
Accelerate pharmacy to perfection

$485 Billion[1] Gross Medication Spend with Suboptimal Outcomes

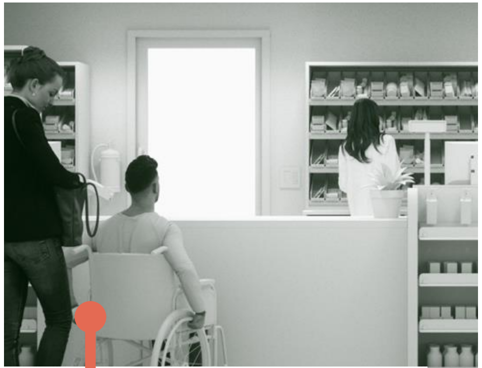
Central Pharmacy

25,000 [2]
errors annually in hospitals dispensing 5M doses

0.5% [2]
non-IV dispensing errors

Clean Room

6% – 10% [3]
mean error rate in IV compounding



Retail Pharmacy

4 Errors/Day [4]
pharmacy dispensing 250 Rx daily

1.7% [4]
dispensing errors in outpatient pharmacy

Home

30%-35%[6]
med-related readmission

1. The Global Use of Medicine in 2019 and Outlook to 2023. (January 2019). IQVIA INSTITUTE for Human Data Science. Gross spend estimate before any rebates/discounts.
2. Poon, China, Churchill, et al. Ann Intern Med 2006; 145(6):426-434
3. Flynn, Pearson & Barker. Am J Health-Syst Pharm 1997; 54.904-12
4. Flynn, Barker, Carnahan Am J Pharm Assoc 2003: 43:191-200
5. 5. Brody J. New York Times, April 2017
6. ASCP The Consultant Pharmacist. October 2017

Profitable Organic Growth through Disciplined Execution

Revenue ($ million)

$897 — 2019

~10%-12% CAGR

$1,450-$1,550 — 2024 Goal

Point of Care

~10% CAGR

- Expansion
- Prior Generation Replacement Cycle
- Competitive Conversions
- Innovation
- Services

Central Pharmacy

~17% CAGR

- Prior Generation Replacement Cycle
- Carousel to Robot
- Greenfield
- Innovation
- Services

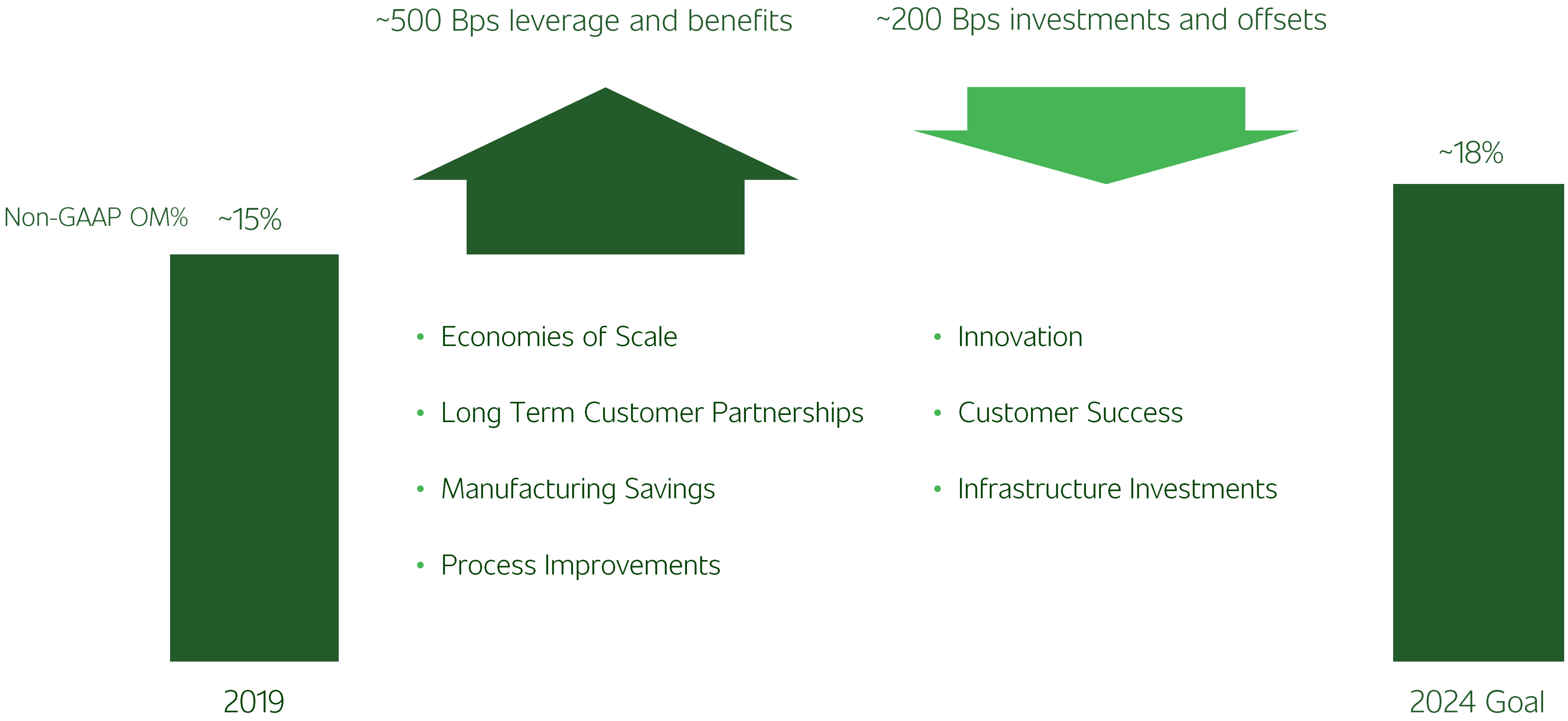
Retail, Institutional, Payer

~10% CAGR

- Population Health Solutions
- Innovation
- Services

	2019	2024 Goal
Non-GAAP OM%	~15%	~18%

Levers to Drive ~18% Non-GAAP Operating Margins



Balancing Near Term Execution With Long Term Vision

Revenue

2024 Organic Revenue Goal $1,450-$1,550M

Operating Leverage

2024 Non-GAAP Operating Margin Goal ~18%

Free Cash Flow

Free Cash Flow Conversion Goal 90%-110% of GAAP Net Income

M&A

Strategic Acquisitions Remain Part of the Strategy

Omnicell, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Product revenues	$ 187,125	$ 154,591	$ 659,602	$ 569,595
Services and other revenues	61,167	57,159	237,425	217,714
Total revenues	248,292	211,750	897,027	787,309
Cost of revenues:				
Cost of product revenues	94,825	82,718	344,914	312,360
Cost of services and other revenues	29,864	26,849	115,201	102,619
Total cost of revenues	124,689	109,567	460,115	414,979
Gross profit	123,603	102,183	436,912	372,330
Operating expenses:				
Research and development	19,093	16,989	68,644	64,843
Selling, general, and administrative	82,328	66,264	289,916	263,095
Total operating expenses	101,421	83,253	358,560	327,938
Income from operations	22,182	18,930	78,352	44,392
Interest and other income (expense), net	(212)	(2,314)	(4,419)	(8,776)
Income before provision for income taxes	21,970	16,616	73,933	35,616
Provision for (benefit from) income taxes	(125)	1,823	12,595	(2,113)
Net income	$ 22,095	$ 14,793	$ 61,338	$ 37,729
Net income per share:				
Basic	$ 0.53	$ 0.37	$ 1.48	$ 0.96
Diluted	$ 0.51	$ 0.36	$ 1.43	$ 0.93
Weighted-average shares outstanding:				
Basic	41,993	39,913	41,462	39,242
Diluted	43,327	41,465	42,943	40,559

Omnicell, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, in thousands)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 127,210	$ 67,192
Accounts receivable and unbilled receivables, net	218,362	196,238
Inventories	108,011	100,868
Prepaid expenses	14,478	20,700
Other current assets	15,177	12,136
Total current assets	483,238	397,134
Property and equipment, net	54,246	51,500
Long-term investment in sales-type leases, net	19,750	17,082
Operating lease right-of-use assets	56,130	—
Goodwill	336,539	335,887
Intangible assets, net	124,867	143,686
Long-term deferred tax assets	14,142	15,197
Prepaid commissions	48,862	46,143
Other long-term assets	103,036	74,613
Total assets	$ 1,240,810	$ 1,081,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 46,380	$ 38,038
Accrued compensation	44,155	41,660
Accrued liabilities	55,567	43,047
Deferred revenues, net	90,894	81,835
Total current liabilities	236,996	204,580
Long-term deferred revenues	7,083	10,582
Long-term deferred tax liabilities	39,090	41,484
Long-term operating lease liabilities	50,669	—
Other long-term liabilities	11,718	9,562
Long-term debt	50,000	135,417
Total liabilities	395,556	401,625
Total stockholders' equity	845,254	679,617
Total liabilities and stockholders' equity	$ 1,240,810	$ 1,081,242

Omnicell, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Year Ended December 31,	
	2019	2018
Operating Activities		
Net income	$ 61,338	$ 37,729
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,559	51,350
Loss on disposal of property and equipment	445	133
Share-based compensation expense	34,049	28,885
Deferred income taxes	(1,339)	(5,705)
Amortization of operating lease right-of-use assets	10,562	—
Amortization of debt issuance costs	2,204	2,292
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	(21,540)	(6,192)
Inventories	(8,123)	(6,763)
Prepaid expenses	2,909	(308)
Other current assets	(2,010)	1,170
Investment in sales-type leases	(3,699)	(1,680)
Prepaid commissions	(2,719)	(4,711)
Other long-term assets	4,528	(7,077)
Accounts payable	7,893	(9,154)
Accrued compensation	2,495	14,419
Accrued liabilities	3,045	8,223
Deferred revenues	5,445	3,020
Operating lease liabilities	(10,040)	—
Other long-term liabilities	6,006	(1,665)
Net cash provided by operating activities	145,008	103,966
Investing Activities		
Software development for external use	(45,770)	(30,677)
Purchases of property and equipment	(15,894)	(23,697)
Net cash used in investing activities	(61,664)	(54,374)
Financing Activities		
Repayment of debt and revolving credit facility	(90,000)	(77,000)
Payments for debt issuance costs	(2,321)	—
At the market offering, net of offering costs	37,806	39,567
Proceeds from issuances under stock-based compensation plans	40,706	30,611
Employees' taxes paid related to restricted stock units	(9,670)	(6,775)
Net cash used in financing activities	(23,479)	(13,597)
Effect of exchange rate changes on cash and cash equivalents	153	(1,227)
Net increase in cash and cash equivalents	60,018	34,768
Cash and cash equivalents at beginning of period	67,192	32,424
Cash and cash equivalents at end of period	$ 127,210	$ 67,192

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(Unaudited, in thousands, except per share data and percentage)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Reconciliation of GAAP revenues to non-GAAP revenues:				
GAAP revenues	$ 248,292	$ 211,750	$ 897,027	$ 787,309
Non-GAAP revenues	$ 248,292	$ 211,750	$ 897,027	$ 787,309
Reconciliation of GAAP gross profit to non-GAAP gross profit:				
GAAP gross profit	$ 123,603	$ 102,183	$ 436,912	$ 372,330
GAAP gross margin	*49.8%*	*48.3%*	*48.7%*	*47.3%*
Share-based compensation expense	1,454	1,289	5,648	4,635
Amortization of acquired intangibles	2,035	3,091	8,182	11,366
Severance and other expenses	—	186	—	186
Non-GAAP gross profit	$ 127,092	$ 106,749	$ 450,742	$ 388,517
Non-GAAP gross margin	*51.2%*	*50.4%*	*50.2%*	*49.3%*
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:				
GAAP operating expenses	$ 101,421	$ 83,253	$ 358,560	$ 327,938
GAAP operating expenses % to total revenues	*40.8%*	*39.3%*	*40.0%*	*41.7%*
Share-based compensation expense	(7,420)	(6,745)	(28,401)	(24,250)
Amortization of acquired intangibles	(2,690)	(2,937)	(10,581)	(12,330)
Severance and other expenses	(795)	(1,157)	(1,715)	(4,337)
Non-GAAP operating expenses	$ 90,516	$ 72,414	$ 317,863	$ 287,021
Non-GAAP operating expenses % to total non-GAAP revenues	*36.5%*	*34.2%*	*35.4%*	*36.5%*
Reconciliation of GAAP income from operations to non-GAAP income from operations:				
GAAP income from operations	$ 22,182	$ 18,930	$ 78,352	$ 44,392
GAAP operating income % to total revenues	*8.9%*	*8.9%*	*8.7%*	*5.6%*
Share-based compensation expense	8,874	8,034	34,049	28,885
Amortization of acquired intangibles	4,725	6,028	18,763	23,696
Severance and other expenses	795	1,343	1,715	4,523
Non-GAAP income from operations	$ 36,576	$ 34,335	$ 132,879	$ 101,496
Non-GAAP operating income % to total non-GAAP revenues	*14.7%*	*16.2%*	*14.8%*	*12.9%*

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(Unaudited, in thousands, except per share data and percentage)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Reconciliation of GAAP net income to non-GAAP net income:				
GAAP net income	$ 22,095	$ 14,793	$ 61,338	$ 37,729
Tax benefit for restructuring activity	—	—	—	(4,205)
Tax impact of IP restructuring	(2,192)	—	7,432	—
Share-based compensation expense	8,874	8,034	34,049	28,885
Amortization of acquired intangibles	4,725	6,028	18,763	23,696
Severance and other expenses [(a)]	1,281	1,916	3,920	6,816
Contingent gain	—	—	—	(2,456)
Tax effect of the adjustments above [(b)]	(1,261)	(1,668)	(4,762)	(5,891)
Non-GAAP net income	$ 33,522	$ 29,103	$ 120,740	$ 84,574
Reconciliation of GAAP net income per share - diluted to non-GAAP net income per share - diluted:				
Shares - diluted GAAP	43,327	41,465	42,943	40,559
Shares - diluted Non-GAAP	43,327	41,465	42,943	40,559
GAAP net income per share - diluted	$ 0.51	$ 0.36	$ 1.43	$ 0.93
Tax benefit for restructuring activity	—	—	—	(0.10)
Tax impact of IP restructuring	(0.05)	—	0.17	—
Share-based compensation expense	0.20	0.18	0.79	0.72
Amortization of acquired intangibles	0.11	0.15	0.44	0.58
Severance and other expenses	0.03	0.05	0.09	0.17
Contingent gain	—	—	—	(0.06)
Tax effect of the adjustments above [(b)]	(0.03)	(0.04)	(0.11)	(0.15)
Non-GAAP net income per share - diluted	$ 0.77	$ 0.70	$ 2.81	$ 2.09
Reconciliation of GAAP net income to non-GAAP Adjusted EBITDA[(c)]:				
GAAP net income	$ 22,095	$ 14,793	$ 61,338	$ 37,729
Share-based compensation expense	8,874	8,034	34,049	28,885
Interest (income) and expense, net	(587)	907	1,378	5,855
Depreciation and amortization expense	14,034	13,860	53,559	51,350
Severance and other expenses	1,281	1,916	3,920	6,816
Contingent gain	—	—	—	(2,456)
Income tax expense (benefit)	(125)	1,823	12,595	(2,113)
Non-GAAP Adjusted EBITDA	$ 45,572	$ 41,333	$ 166,839	$ 126,066

(a) For the three months ended December 31, 2019, other expenses include $0.4 million and $0.1 million of amortization of debt issuance cost related to prior acquisitions and credit facilities amendments, respectively, and $0.8 million of tax restructuring costs. For the year ended December 31, 2019, other expenses include $1.6 million and $0.6 million of amortization of debt issuance cost related to prior acquisitions and credit facilities amendments, respectively, and $1.7 million of tax restructuring costs. For the three months ended December 31, 2018, other expenses included $0.4 million and $0.2 million of amortization of debt issuance cost related to prior acquisitions and credit facilities amendments, respectively, and $0.4 million of tax restructuring costs. For the year ended December 31, 2018, other expenses included $1.6 million and $0.7 million of amortization of debt issuance cost related to prior acquisitions and credit facilities amendments, respectively, and $0.9 million of tax restructuring costs.

(b) Tax effects calculated for all adjustments except tax benefits and expenses, and share-based compensation expense, using an estimated annual effective tax rate of 21% for both fiscal years 2019 and 2018.

(c) Defined as earnings before interest income and expense, taxes, depreciation and amortization, share-based compensation, as well as excluding certain non-GAAP adjustments.