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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 000-33043

OMNICELL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3166458**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

590 East Middlefield Road
Mountain View, CA 94043
(Address of registrant's principal executive offices, including zip code)

(650) 251-6100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 1, 2015, there were 36,246,944 shares of the registrant's common stock, $0.001 par value, outstanding.

OMNICELL, INC.

Form 10-Q

Quarterly Period Ended March 31, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OMNICELL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2015	December 31, 2014
	(Unaudited) (In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 139,553	$ 125,888
Accounts receivable, net of allowances of $1,226 and $1,279, respectively	88,107	82,763
Inventories, net	33,190	31,554
Prepaid expenses	16,811	23,518
Deferred tax assets	12,444	12,446
Other current assets	6,217	7,215
Total current assets	296,322	283,384
Property and equipment, net	34,373	36,178
Long-term net investment in sales-type leases	10,443	10,848
Goodwill	122,216	122,720
Intangible assets, net	81,279	82,667
Long-term deferred tax assets	1,330	1,144
Other long-term assets	24,963	23,273
Total assets	$ 570,926	$ 560,214
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,812	$ 19,432
Accrued compensation	17,064	19,874
Accrued liabilities	22,113	19,299
Deferred service revenue	23,301	25,167
Deferred gross profit	24,334	28,558
Total current liabilities	108,624	112,330
Long-term deferred service revenue	19,841	20,308
Long-term deferred tax liabilities	30,999	30,454
Other long-term liabilities	6,012	7,024
Total liabilities	165,476	170,116
Commitments and contingencies (Notes 10 & 11)		
Stockholders' equity:		
Common stock, $0.001 par value, 100,000 shares authorized; 43,930 and 43,540 shares issued; 36,211 and 35,816 shares outstanding, respectively	44	43
Treasury stock, at cost, 7,721 shares outstanding	(135,053)	(135,053)
Additional paid-in capital	476,405	457,436
Retained earnings	66,292	69,033
Accumulated other comprehensive income	(2,238)	(1,361)
Total stockholders' equity	405,450	390,098
Total liabilities and stockholders' equity	$ 570,926	$ 560,214

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(Unaudited) (In thousands, except per share data)	
Revenues:		
Product	$ 94,109	$ 82,580
Services and other revenues	22,112	19,184
Total revenues	116,221	101,764
Cost of revenues:		
Cost of product revenues	45,416	38,900
Cost of services and other revenues	9,120	8,369
Total cost of revenues	54,536	47,269
Gross profit	61,685	54,495
Operating expenses:		
Research and development	8,019	6,121
Selling, general and administrative	43,287	38,420
Total operating expenses	51,306	44,541
Income from operations	10,379	9,954
Interest and other (expense), net	(517)	(256)
Income before provision for income taxes	9,862	9,698
Provision for income taxes	3,544	3,504
Net income	$ 6,318	$ 6,194
Net income per share:		
Basic	$ 0.18	$ 0.18
Diluted	$ 0.17	$ 0.17
Weighted-average shares outstanding:		
Basic	36,024	35,225
Diluted	36,914	36,305

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(Unaudited) (In thousands)	
Net income	$ 6,318	$ 6,194
Other comprehensive income (loss), net of reclassification adjustments:		
Foreign currency translation adjustments	(877)	33
Other comprehensive income (loss)	(877)	33
Comprehensive income	$ 5,441	$ 6,227

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(Unaudited) (In thousands)	
Operating Activities		
Net income	$ 6,318	$ 6,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,711	4,612
Loss on disposal of fixed assets	4	191
Provision for receivable allowance	281	217
Share-based compensation expense	3,665	2,729
Income tax benefits from employee stock plans	822	2,017
Excess tax benefits from employee stock plans	(1,151)	(2,287)
Provision for excess and obsolete inventories	270	32
Deferred income taxes	361	(299)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,631)	(17,114)
Inventories	(1,906)	450
Prepaid expenses	6,707	2,505
Other current assets	1,124	(27)
Net investment in sales-type leases	285	(239)
Other long-term assets	(85)	176
Accounts payable	2,200	3,683
Accrued compensation	(2,810)	(7,586)
Accrued liabilities	2,718	(252)
Deferred service revenue	(2,333)	712
Deferred gross profit	(4,224)	5,149
Other long-term liabilities	(1,012)	254
Net cash provided by operating activities	11,314	1,117
Investing Activities		
Acquisition of intangible assets, intellectual property and patents	(103)	(139)
Software development for external use	(2,957)	(2,902)
Purchases of property and equipment	(1,048)	(2,551)
Net cash used in investing activities	(4,108)	(5,592)
Financing Activities		
Proceeds from issuances under stock-based compensation plans	6,224	9,624
Employees' taxes paid related to restricted stock units	(800)	(349)
Common stock repurchases	—	(4,069)
Excess tax benefits from employee stock plans	1,151	2,287
Net cash provided by financing activities	6,575	7,493
Effect of exchange rate changes on cash and cash equivalents	(116)	9
Net increase in cash and cash equivalents	13,665	3,027
Cash and cash equivalents at beginning of period	125,888	104,531
Cash and cash equivalents at end of period	$ 139,553	$ 107,558

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

OMNICELL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Business

Omnicell, Inc. was incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. Our major products are automated medication, supply control systems and medication adherence solutions which are sold in our principal market, which is the healthcare industry. Our market is primarily located in the United States and Canada. "Omnicell," "our," "us," "we," or the "Company" collectively refer to Omnicell, Inc. and its subsidiaries.

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly the financial position of the Company as of March 31, 2015 and December 31, 2014, the results of their operations, comprehensive income and cash flows for the three months ended March 31, 2015 and March 31, 2014. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes included in our annual report on Form 10-K for the year ended December 31, 2014. Our results of operations, comprehensive income and cash flows for the three months ended March 31, 2015 are not necessarily indicative of results that may be expected for the year ending December 31, 2015, or for any future period.

Principles of consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be different from the estimates. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, share-based compensation, inventory valuation, valuation of goodwill, purchased intangibles and long-lived assets, and accounting for income taxes.

Segment reporting change

In the first quarter of 2015, we modified the segment presentation to reflect the changes in how our Chief Operating Decision Maker ("CODM") reviews the segments and the overall business. With the increase in acquisitions in the last two years the CODM changed how the financial information was reviewed to exclude general corporate-level costs that are not specific to either of the reporting segments when evaluating the operating results of each segment. Corporate-level costs include expenses related to executive management, finance and accounting, human resources, legal, training and development, and certain administrative expenses.

The historical information presented has been retrospectively adjusted to reflect the modified segment reporting. Our CODM allocates resources and evaluates the performance of our segments using information about its revenues, gross profit and income from operations, excluding certain costs which are managed separately at the corporate level. We enhanced our segment reporting structure to match our operating structure based on how our Chief Operating Decision Maker ("CODM") views the business and allocates resources, beginning in the first quarter of 2015. Our CODM is our Chief Executive Officer. Retrospective adjustments of prior period financial information have been made to conform to the current period presentation. This change does not impact previously reported Condensed Consolidated Financial Statements. See Note 15, Segment Information, for additional information on our segment reporting change.

Concentration of credit risk

Financial instruments that may potentially subject us to concentrations of credit risk consist principally of cash equivalents and accounts receivable. Cash equivalents are maintained with several financial institutions and may exceed the amount of insurance provided on such balances. The majority of our accounts receivable are derived from sales to customers for commercial applications. We perform ongoing credit evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary but generally require no collateral. We maintain reserves for potential credit losses. Our products are broadly distributed and there were no customers that accounted for more than 10% of our accounts receivable as of March 31, 2015 and December 31, 2014. We believe that we have no significant concentrations of credit risk as of March 31, 2015.

Significant accounting policies

There have been no material changes in our significant accounting policies for the three months ended March 31, 2015, as compared to the significant accounting policies described in our annual report on Form 10-K for the year ended December 31, 2014.

Recently issued authoritative guidance

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides new guidance on the recognition of revenue and states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted, however, in April 2015, the FASB tentatively proposed a one-year deferral of the effective date. If the proposed deferral is approved, the new standard will become effective for us in the first quarter of fiscal 2018. We are currently evaluating the impact of the adoption of this accounting standard update on our consolidated financial position or results of operations.

There was no other recently issued authoritative guidance that has a material impact on our Condensed Consolidated Financial Statements through the reporting date.

Note 2. Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted-average number of shares outstanding during the period, less shares subject to repurchase. Diluted net income per share is computed by dividing net income for the period by the weighted-average number of shares, less shares subject to repurchase, plus, if dilutive, potential common stock outstanding during the period. Potential common stock includes the effect of outstanding dilutive stock options, restricted stock awards and restricted stock units computed using the treasury stock method. Since the impact is anti-dilutive, these shares were excluded from the calculations of diluted net income per share.

The calculation of basic and diluted net income per share is as follows:

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(In thousands, except per share data)	
Net income	$ 6,318	$ 6,194
Weighted-average shares outstanding — basic	36,024	35,225
Add: Dilutive effect of employee stock plans	890	1,080
Weighted-average shares outstanding — diluted	36,914	36,305
Net income per share — basic	$ 0.18	$ 0.18
Net income per share — diluted	$ 0.17	$ 0.17
Anti-dilutive weighted-average shares related to stock award plans	484	347

Note 3. Fair Value Measurements

For assets and liabilities measured at fair value, such amounts are based on an expected exit price representing the amount that would be received from the sale of an asset or paid to transfer a liability in a transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs used in valuation techniques are assigned a hierarchical level. The following methods were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the assets or liabilities, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3:* Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Assets Measured at Fair Value on a Recurring Basis

Cash equivalents. Cash equivalents consist of money market funds that are classified as Level 1, and have an original maturity of three months or less, and therefore the carrying amount is a reasonable estimate of fair value due to the short duration to maturity.

There have been no transfers between fair value measurement levels during the three months ended March 31, 2015. The following table summarizes our assets measured at fair value on a recurring basis using Level 1 inputs within the fair value hierarchy:

	March 31, 2015	December 31, 2014
	(In thousands)	
Cash	$ 59,458	$ 61,311
Cash equivalents	80,095	64,577
Total cash and cash equivalents	$ 139,553	$ 125,888

Net investment in sales-type leases. The carrying amount of our sales-type lease receivables is a reasonable estimate of fair value as the unearned interest income is immaterial.

Foreign Currency Risk Management

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which is the British Pound. In order to manage foreign currency risk, we enter into foreign exchange forward contracts to mitigate risks associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities of our foreign subsidiaries. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. By working only with major banks and closely monitoring current market conditions, we seek to limit the risk that counterparties to these contracts may be unable to perform. The foreign exchange forward contracts are measured at fair value and reported as other current assets or accrued liabilities on the Condensed Consolidated Balance Sheets. The derivative instruments we use to hedge this exposure are not designated as hedges. Any gains or losses on the foreign exchange forward contracts are recognized in earnings as Other Income/Expense in the period incurred in the Condensed Consolidated Statements of Operations. We do not enter into derivative contracts for trading purposes.

The aggregate notional amounts of the Company's outstanding foreign exchange contracts as of March 31, 2015 were $3.4 million. We did not have any outstanding foreign exchange contract as of March 31, 2014.

Note 4. Inventories

Inventories consist of the following components:

	March 31, 2015	December 31, 2014
	(In thousands)	
Raw materials	$ 7,827	$ 8,254
Work in process	461	64
Finished goods	24,902	23,236
Total inventories, net	$ 33,190	$ 31,554

Dependence on suppliers

We have a supply agreement with one primary supplier for construction and supply of several sub-assemblies and inventory management of sub-assemblies used in our hardware products. There are no minimum purchase requirements. The contract with our supplier may be terminated by either the supplier or by us without cause and at any time upon delivery of two months' notice. Purchases from this supplier were $10.0 million and $8.9 million for the three months ended March 31, 2015 and March 31, 2014, respectively.

Note 5. Property and Equipment

Property and equipment consist of the following assets:

	March 31, 2015	December 31, 2014
	(In thousands)	
Equipment	$ 42,124	$ 42,829
Furniture and fixtures	5,712	5,689
Leasehold improvements	8,672	8,701
Purchased software	29,058	28,920
Construction in progress	3,366	1,538
	88,932	87,677
Accumulated depreciation and amortization	(54,559)	(51,499)
Total property and equipment, net	$ 34,373	$ 36,178

Depreciation and amortization of property and equipment was $3.1 million and $2.5 million for the three months ended March 31, 2015 and March 31, 2014, respectively.

Note 6. Net Investment in Sales-Type Leases

The terms of our sales-type leases are generally up to five years in length. Sales-type lease receivables are collateralized by the underlying equipment. Net investment in sales-type leases consist of the following components:

	March 31, 2015	December 31, 2014
	(In thousands)	
Net minimum lease payments to be received	$ 17,022	$ 17,616
Less: unearned interest income portion	(1,068)	(1,131)
Net investment in sales-type leases	15,954	16,485
Less: short-term portion	(5,511)	(5,637)
Long-term net investment in sales-type leases	$ 10,443	$ 10,848

We evaluate our sales-type leases individually and collectively for impairment, and recorded no collective allowance for credit losses as of March 31, 2015 and $0.2 million as of December 31, 2014.

The minimum lease payments under sales-type leases are as follows:

	March 31, 2015
	(In thousands)
Remainder of 2015	$ 4,689
2016	5,053
2017	4,024
2018	2,383
2019	844
Thereafter	29
Total	$ 17,022

Note 7. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill are as follows:

	Automation and Analytics	Medication Adherence	Total
		(In thousands)	
Net balance as of December 31, 2014	$ 28,543	$ 94,177	$ 122,720
Foreign currency exchange rate fluctuations	—	(504)	(504)
Net balance as of March 31, 2015	$ 28,543	$ 93,673	$ 122,216

Intangible assets, net

	March 31, 2015				December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life (Years)
	(In thousands, except for years)							
Customer relationships	$ 60,150	$ (8,804)	$ 51,346	5 - 30	$ 60,150	$ (7,919)	$ 52,231	5 - 30
Acquired technology	27,580	(4,435)	23,145	3 - 20	27,580	(4,068)	23,512	3 - 20
Trade names	7,110	(1,777)	5,333	1 - 12	7,110	(1,576)	5,534	3 - 12
Patents	1,757	(302)	1,455	20	1,655	(265)	1,390	20
Total intangibles assets, net	$ 96,597	$ (15,318)	$ 81,279		$ 96,495	$ (13,828)	$ 82,667	

Capitalization of third-party costs associated with internally-developed patents was $0.1 million as of March 31, 2015, and $0.3 million as of December 31, 2014.

Amortization expense of intangible assets was $1.3 million and $1.1 million for the three months ended March 31, 2015 and March 31, 2014, respectively.

Total future amortization expense for intangible assets is as follows:

	March 31, 2015
	(In thousands)
Remainder of 2015	$ 3,212
2016	4,356
2017	4,268
2018	4,115
2019	4,064
Thereafter	61,264
Total	$ 81,279

Note 8. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2015	December 31, 2014
	(In thousands)	
Rebates and lease buyouts	$ 6,234	$ 6,512
Advance payments from customers	4,825	4,834
Group purchasing organization fees	2,989	3,475
Taxes payable	2,827	2,181
Other accrued liabilities	5,238	2,297
Total accrued liabilities	$ 22,113	$ 19,299

Note 9. Deferred Gross Profit

Deferred gross profit consists of the following:

	March 31, 2015	December 31, 2014
	(In thousands)	
Sales of medication and supply dispensing systems including packaging equipment [1]	$ 34,605	$ 36,947
Less: cost of revenues, excluding installation costs	(10,271)	(8,389)
Total deferred gross profit	$ 24,334	$ 28,558

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[1] Delivered and invoiced, pending installation.

Note 10. Commitments

Lease commitments

We lease our buildings under operating leases. Commitments under operating leases primarily relate to leasehold property and office equipment.

The minimum future payments on non-cancelable operating leases are as follows:

	March 31, 2015
	(In thousands)
Remainder of 2015	$ 5,048
2016	6,317
2017	5,600
2018	5,304
2019	5,323
Thereafter	14,977
Total minimum future lease payments	$ 42,569

Purchase obligations

We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These amounts are associated with agreements that are enforceable and legally binding. Our purchase obligations to our contract manufacturers and suppliers within the next year were $9.8 million as of March 31, 2015.

Note 11. Contingencies

Legal Proceedings

On September 12, 2014, MV Circuit Design, Inc., an Ohio company ("MV Circuit"), brought an action to correct the inventorship of certain patents owned by Omnicell, as well as related state-law claims against Omnicell in the Northern District of Ohio (Case No. 1:14-cv-02028-DAP) regarding allegations of fraud in the filing and prosecution of U.S. Patent Nos. 8,180,485, 8,773,270, 8,812,153, PCT/US2007/003765, PCT/US2011/063597, and PCT/US2011/0635505 (the "Action"). On November 14, 2014, we filed a Motion to Dismiss the Action. MV Circuit responded on January 29, 2015, and we replied in support of our Motion to Dismiss on February 17, 2015. On March 24, 2015, the Court issued an Order granting in part and denying in part the Motion to Dismiss. Specifically, the Court granted Omnicell's Motion to Dismiss with respect to Counts 4, 5, and 6 (declaratory judgments regarding PCT/US2007/003765, PCT/US2011/063597, and PCT/US2011/0635505) and count 13 (civil conspiracy). The Court denied the Company's Motion to Dismiss with respect to Count 9 (fraud), Count 7 (fraudulent concealment) and Count 8 (negligent misrepresentation). We Answered the Complaint on April 8, 2015. The Court held a Case Management Conference on April 22, 2015. At the Case Management Conference, the Court assigned this case to a "complex" track and ordered production of initial discovery regarding inventorship and sales of the relevant Omnicell products by June 22, 2015. The Court indicated it will defer issuing a schedule in the case until it holds another conference on July 14, 2015. We intend to defend the matter vigorously.

On March 19, 2015, a putative class action lawsuit was filed against the Company and two executive officers in the U.S. District Court for the Northern District of California, captioned Nelson v. Omnicell, Inc., et al., Case No. 3:15-cv-01280-HSG.The complaint purports to assert claims on behalf of a class of purchasers of the Company's stock between May 2, 2014 and March 2, 2015. It alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by purportedly making false and misleading statements regarding the existence of a "side letter" arrangement and the adequacy of internal controls that allegedly resulted in false and misleading financial statements. The Company and the individual defendants have not yet been served with the complaint. The Company believes that the claims have no merit and will defend the lawsuit vigorously.

As required under ASC 450, *Contingencies*, we accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss. We have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that any potential loss, while reasonably possible, is not probable. Further, any possible range of loss in these matters cannot be reasonably estimated at this time. We believe that we have valid defenses with respect to legal proceedings pending against us. However, litigation is inherently unpredictable, and it is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of this contingency or because of the diversion of management's attention and the creation of significant expenses.

Guarantees

As permitted under Delaware law and our certificate of incorporation and bylaws, we have agreed to indemnify our directors and officers against certain losses that they may suffer by reason of the fact that such persons are, were or become our directors or officers. The term of the indemnification period is for the director's or officer's lifetime and there is no limit on the potential amount of future payments that we could be required to make under these indemnification agreements. We have purchased a directors' and officers' liability insurance policy that may enable us to recover a portion of any future payments that we may be required to make under these indemnification agreements. Assuming the applicability of coverage and the willingness of the insurer to assume coverage and subject to certain retention, loss limits and other policy provisions, we believe it is unlikely that we will be required to pay any material amounts pursuant to these indemnification obligations. However, no assurances can be given that the insurers will not attempt to dispute the validity, applicability or amount of coverage without expensive and time-consuming litigation against the insurers.

Additionally, we undertake indemnification obligations in our ordinary course of business in connection with, among other things, the licensing of our products and the provision of our support services. In the ordinary course of our business, we have in the past and may in the future agree to indemnify another party, generally our business affiliates or customers, against certain losses suffered or incurred by the indemnified party in connection with various types of claims, which may include, without limitation, claims of intellectual property infringement, certain tax liabilities, our gross negligence or intentional acts in the performance of support services and violations of laws. The term of these indemnification obligations is generally perpetual. In general, we attempt to limit the maximum potential amount of future payments that we may be required to make under these indemnification obligations to the amounts paid to us by a customer, but in some cases the obligation may not be so limited. In addition, we have in the past and may in the future warrant to our customers that our products will conform to functional specifications for a limited period of time following the date of installation (generally not exceeding 30 days) or that our software media is free from material defects. Sales contracts for certain of our medication packaging systems often include limited warranties for up to six months, but the periodic activity and ending warranty balances we record have historically been immaterial.

From time to time, we may also warrant that our professional services will be performed in a good and workmanlike manner or in a professional manner consistent with industry standards. We generally seek to disclaim most warranties, including any implied or statutory warranties such as warranties of merchantability, fitness for a particular purpose, title, quality and non-infringement, as well as any liability with respect to incidental, consequential, special, exemplary, punitive or similar damages. In some states, such disclaimers may not be enforceable. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. We have not been subject to any significant claims for such losses and have not incurred any material costs in defending or settling claims related to these indemnification obligations. Accordingly, we believe it is unlikely that we will be required to pay any material amounts pursuant to these indemnification obligations or potential warranty claims and, therefore, no material liabilities have been recorded for such indemnification obligations as of March 31, 2015 and December 31, 2014.

Note 12. Income Taxes

We provide for income taxes for each interim period based on the estimated annual effective tax rate for the year, adjusting for discrete items in the quarter in which they arise. The annual effective tax rate before discrete items was 38.6% and 39.1% for the three months ended March 31, 2015 and March 31, 2014, respectively. The 2015 and 2014 annual effective tax rate differed from the statutory rate of 35.0% primarily due to the unfavorable impact of state income taxes, non-deductible equity charges, and other non-deductible expenditures, which were partially offset by the domestic production activities deduction.

Note 13. Stock Repurchases

During the three months ended March 31, 2015, we did not repurchase any shares under our stock repurchase programs.

In August 2012, our Board of Directors authorized a program to repurchase up to $50.0 million of common stock, of which approximately $45.1 million had been repurchased as of March 31, 2015. In November 2014, our Board of Directors authorized a program to repurchase up to $50.0 million of common stock. We expect to begin repurchasing shares under the 2014 Stock Repurchase Program upon the completion of the 2012 Stock Repurchase Program. Our stock repurchase programs have a total of $54.9 million remaining for future repurchases as of March 31, 2015, and neither program has an expiration date.

Note 14. Employee Benefits and Share-Based Compensation

Stock purchase plan

1997 Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan ("ESPP"), under which employees can purchase shares of our common stock based on a percentage of their compensation, but not greater than 15% of their earnings; provided, however, an eligible employees' right to purchase shares of our common stock may not accrue at a rate which exceeds $25,000 of the fair market value of such shares for each calendar year in which such rights are outstanding. The purchase price per share must be equal to the lower of 85% of the fair value of the common stock at the beginning of a 24-month offering period or the end of each six-month purchasing period.

At our 2009 Annual Meeting of Stockholders ("2009 Annual Meeting"), the stockholders approved an amendment to the ESPP, which added 2.6 million shares to the reserve for future issuance. There was a total of 0.4 million shares reserved for future issuance under the ESPP as of March 31, 2015. For the three months ended March 31, 2015, 0.2 million shares of common stock were purchased under the ESPP and an aggregate of 4.9 million shares were issued under the ESPP as of March 31, 2015.

The unrecognized compensation cost related to the shares to be purchased under our ESPP was approximately $3.1 million, and is expected to be recognized over a weighted-average period of 0.7 years as of March 31, 2015.

Stock award plans

2009 Equity Incentive Plan

There were 1.5 million shares of common stock reserved for future issuance under the 2009 Equity Incentive Plan, as amended (the "2009 Plan") as of March 31, 2015.

Performance-based restricted stock units

In 2011, we began incorporating performance-based restricted stock units ("PSUs") as an element of our executive compensation plans. In 2014, we granted 132,500 PSUs to our executive officers, all of which became eligible for vesting based on the achievement of a certain level of shareholder return for the period from January 1, 2014 through February 27, 2015. In 2015, we granted 60,000 PSUs to our executive officers, all, none or a portion of which may become eligible for vesting depending on the level of shareholder return for 2015 and eligible for further time-based vesting based on the ranking of our total shareholder return.

On March 3, 2015, the Compensation Committee confirmed 74.4% as the percentile rank of our 2014 total stockholder return. This resulted in 100% of the 2014 PSUs, or 132,500 shares, as eligible for further time-based vesting. The eligible performance based restricted stock unit awards will vest as follows: 25% of the eligible shares vested immediately on March 3, 2015 with the remaining eligible awards vesting in equal increments, semi-annually, over the subsequent three-year period beginning on June 15th and December 15th of the year after the date of grant and each subsequent year. Vesting is contingent upon continued service. Of the 132,500 shares eligible for time-based vesting under the 2014 PSUs, 33,124 shares vested during the quarter ended March 31, 2015.

On February 6, 2015, the Compensation Committee approved PSUs of 60,000 shares. If the minimum performance threshold is met as determined by the Compensation Committee in 2016, the eligible performance-based restricted stock unit awards will vest as follows: 25% of the eligible shares will vest immediately, with the remaining eligible awards vesting in equal increments, semi-annually, over the subsequent three year period beginning on June 15th and December 15th of the year after the date of grant and each subsequent year. Vesting is contingent upon continued service.

Share-based compensation expense

We account for share-based awards granted to employees and directors, including employee stock option awards, restricted stock, PSUs and RSUs issued pursuant to the 2009 Plan and employee stock purchases made under our ESPP using the estimate grant date fair value method of accounting in accordance with ASC 718, *Stock Compensation*. We value options and ESPP shares using the Black-Scholes-Merton option-pricing model. Restricted stock and time-based RSUs are valued at the grant date fair value of the underlying common shares. The PSUs are valued using the Monte Carlo simulation model.

The following table sets forth the total share-based compensation expense recognized in our Condensed Consolidated Statements of Income:

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(In thousands)	
Cost of product and service revenues	$ 517	$ 268
Research and development	434	369
Selling, general and administrative	2,714	2,092
Total share-based compensation expense	$ 3,665	$ 2,729

Stock options activity

A summary of the stock option activity under the 2009 Plan is presented below:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value[1]
	(In thousands, except per share data)			
Outstanding at December 31, 2014	2,672	$ 19.02	6.5	
Granted	151	33.73		
Exercised	(132)	15.69		
Expired	—	—		
Forfeited	(16)	22.60		
Outstanding at March 31, 2015	2,675	$ 19.98	6.6	$ 40,442
Exercisable at March 31, 2015	1,529	$ 16.11	5.0	$ 29,042
Vested and expected to vest at March 31, 2015	2,643	$ 19.88	6.5	$ 40,234

(1) Intrinsic value is calculated as the difference between the market value or closing price of our common stock as of the last trading day of the year as reported by the NASDAQ Global Select Market, and the exercise price of the option.

The weighted-average fair value per share of options granted during the three months ended March 31, 2015 and March 31, 2014 was $9.82 and $8.29, respectively. The intrinsic value of options exercised during the three months ended March 31, 2015 and March 31, 2014 was $2.4 million and $5.3 million, respectively.

As of March 31, 2015, total unrecognized compensation cost related to unvested stock options was $9.2 million, which is expected to be recognized over a weighted-average vesting period of 2.8 years.

Restricted stock activity

A summary of the restricted stock activity under the 2009 Plan is presented below:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Years	Aggregate Intrinsic Value
	(In thousands, except per share data)			
Restricted Stock Units				
Outstanding at December 31, 2014	399	$ 24.00	1.5	
Granted	44	33.97		
Vested	(26)	22.07		
Forfeited	(6)	21.73		
Outstanding and unvested at March 31, 2015	411	$ 25.21	1.4	$ 14,431
Expected to vest at March 31, 2015	399		1.4	$ 13,997

The weighted-average grant date fair value per share of RSUs granted during the three months ended March 31, 2015 and March 31, 2014 was $33.97 and $25.54, respectively. The total fair value of RSUs that vested during the three months ended March 31, 2015 and March 31, 2014 was $0.9 million and $0.9 million, respectively.

As of March 31, 2015, total unrecognized compensation expense related to RSUs was $9.0 million, which is expected to be recognized over the remaining weighted-average vesting period of 2.5 years.

	Number of Shares	Weighted-Average Grant Date Fair Value
	(In thousands, except per share data)	
Restricted Stock Awards		
Outstanding at December 31, 2014	36	$ 17.49
Granted	—	—
Vested	—	—
Forfeited	—	—
Outstanding and unvested at March 31, 2015	36	$ 17.49

No RSAs were granted nor vested during the three months ended March 31, 2015 and March 31, 2014.

As of March 31, 2015, total unrecognized compensation cost related to RSAs was $0.1 million, which is expected to be recognized over the remaining weighted-average vesting period of 0.2 years.

Performance-based restricted stock units activity

A summary of the performance-based restricted stock activity under the 2009 Plan is presented below:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Unit
	(In thousands, except per share data)	
Unvested at December 31, 2014	233	$ 17.96
Granted	60	29.56
Vested	(33)	21.26
Cancelled	—	—
Unvested at March 31, 2015	260	$ 20.23

The weighted-average grant date fair value per share of PSUs granted during the three months ended March 31, 2015 and March 31, 2014 was $29.56 and $16.59, respectively. The total fair value of PSUs that vested during the three months ended March 31, 2015 and March 31, 2014 was $1.2 million and $1.0 million, respectively.

As of March 31, 2015, total unrecognized compensation cost related to PSUs was approximately $3.1 million, which is expected to be recognized over the remaining weighted-average period of 1.3 years.

Preferred Stock

There were 5.0 million preferred shares authorized, and no preferred shares issued or outstanding as of March 31, 2015 and December 31, 2014.

Note 15. Segment Information

In the first quarter of 2014, we began to manage our business according to two product segments because many of our Acute Care and Non-Acute Care customers were converging to provide services across the continuum of care. We modified our segment reporting structure to match our operating structure based on how our CODM views the business and allocates resources. The two operating segments, which are the same as our reporting segments, are as follows:

Automation and Analytics

The Automation and Analytics segment is organized around the design, manufacturing, selling and servicing of medication and supply dispensing systems, pharmacy inventory management systems, and related software. Our Automation and Analytics products are designed to enable our customers to enhance and improve the effectiveness of the medication-use process, the efficiency of the medical-surgical supply chain, overall patient care and clinical and financial outcomes of medical facilities. Through modular configuration and upgrades, our systems can be tailored to specific customer needs.

Medication Adherence

The Medication Adherence segment includes primarily the manufacturing and selling of consumable medication blister cards, packaging equipment and ancillary products and services. These products are used to manage medication administration outside of the hospital setting and include medication adherence products sold under the brand name MTS Medication Technologies ("MTS"), Surgichem Limited ("Surgichem"), and under the Omnicell brand, and dispensing systems sold under the Omnicell brand. MTS products consist of proprietary medication packaging systems and related products for use by institutional pharmacies servicing long-term care, and correctional facilities or retail pharmacies serving patients in their local communities.

In the first quarter of 2015, we modified the segment presentation to reflect the changes in how our CODM reviews the segments and the overall business. With the increase in acquisitions in the last two years the CODM changed how the financial information was reviewed to exclude corporate-level costs that are not specific to either of the reporting segments when evaluating the operating results of each segment. Corporate-level costs include expenses related to executive management, finance and accounting, human resources, legal, training and development, and certain administrative expenses.

The historical information presented has been retrospectively adjusted to reflect the enhanced segment reporting. Our CODM allocates resources and evaluates the performance of our segments using information about its revenues, gross profit and income from operations, excluding certain costs which are managed separately at the corporate level. Except for goodwill, as discussed in Note 7, our assets are not discretely identified or allocated by segment.

The following table summarizes the financial performance of our reporting segments, including a reconciliation of income from segment operations to income from total operations:

	Three Months Ended					
	March 31, 2015			March 31, 2014		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
	(In thousands)					
Revenues	$ 92,779	$ 23,442	$ 116,221	$ 81,499	$ 20,265	$ 101,764
Cost of revenues	38,852	15,684	54,536	34,940	12,329	47,269
Gross profit	53,927	7,758	61,685	46,559	7,936	54,495
Operating expenses	28,589	6,341	34,930	25,102	4,651	29,753
Income from segment operations	$ 25,338	$ 1,417	$ 26,755	$ 21,457	$ 3,285	$ 24,742
Corporate costs			16,376			14,788
Income from operations			$ 10,379			$ 9,954

Significant customers

There were no customers that accounted for more than 10% of our total revenues for the three months ended March 31, 2015 and March 31, 2014.

Note 16. Credit Agreement

In September 2013, we entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, and the lenders from time to time party thereto. The Credit Agreement provides for a $75 million revolving credit facility with a $10 million letter of credit sub-limit. Loans under the Credit Agreement mature on September 25, 2018. The Credit Agreement permits us to request one or more increases in the aggregate commitments provided that such increases do not exceed $25 million in the aggregate. We expect to use the proceeds from any revolving loans under

the credit facility for general corporate purposes, including future acquisitions. Our obligations under the Credit Agreement are guaranteed by certain of our domestic subsidiaries and secured by substantially all of our and the subsidiary guarantors' assets. We have not yet drawn any funds under the credit facility to date.

Amounts drawn under the Credit Agreement bear interest, at our election, at a Eurodollar rate plus a margin of 1.75% per annum, or an alternate base rate equal to the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month plus 1.75%. We are required to pay a commitment fee of 0.25% per annum on the aggregate undrawn amount of the commitments under the credit facility.

On November 5, 2014, we entered into Amendment Number One (the "Amendment") to the Credit Agreement. The Amendment increases the amount of our common stock that may be repurchased by us in open market transactions authorized by our Board of Directors, together with any repurchases of our common stock from any consultants, employees, officers or directors of the Company or any of our subsidiaries following the death, disability, retirement or termination of employment of such employees, officers or directors, from $25 million to $50 million per year.

The Credit Agreement contains customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions. The Credit Agreement contains financial covenants that require us to, among other things, maintain a maximum consolidated total leverage ratio and a minimum consolidated fixed charge coverage ratio, in each case, as of the last day of each quarter. We were in full compliance with all covenants as of March 31, 2015.

Note 17. Subsequent Events

On April 21, 2015, Omnicell International, Inc. ("Omnicell International"), a wholly-owned subsidiary of Omnicell, Inc., completed its acquisition of Mach 4 Automatisierungstechnik GmbH ("Mach4") pursuant to the Agreement, dated February 26, 2015, by and among Apotheka Imedisa 2001 S.A., Holger Wallat, Dirk Rolf Beils and Peter Jansen (collectively, the "Selling Shareholders") and Omnicell International (the "Share Purchase Agreement"). Pursuant to the Share Purchase Agreement, Omnicell International purchased the entire registered share capital of Mach4 from the Selling Shareholders for aggregate consideration of approximately $16.5 million, of which $2.7 million was placed in an escrow fund, which will ultimately be distributed to the Selling Shareholders (subject to claims that Omnicell International may have against the escrow fund for indemnification and other claims following the closing) (the "Acquisition"). In addition, Omnicell International will pay approximately $0.9 million to Mach4 for the payoff of existing debt of Mach4. The final purchase price remains subject to certain adjustments as provided for in the Share Purchase Agreement.

On April 30, 2015, we closed our acquisition of Avantec Healthcare Limited ("Avantec") pursuant to a share purchase agreement (the "Avantec Share Purchase Agreement") among Omnicell, Inc. and the selling shareholders thereto (the "Avantec Selling Shareholders") for the purchase of the entire issued share capital of Avantec not already owned by Omnicell, Inc. We previously owned 15% of the company and accounted for it under the equity method. Avantec develops medication and supply automation products that complement our solutions for configurations suited to the United Kingdom marketplace, and has been the exclusive distributor of our medication and supply automation solutions since 2005 in the United Kingdom. As a result of the Acquisition, we paid the Avantec Selling Shareholders an amount equal to $10.2 million in cash, subject to certain adjustments provided for in the Avantec Share Purchase Agreement, and retained an additional $1.8 million of the purchase price which will ultimately be distributed to the Avantec Selling Shareholders (subject to claims that we may have against such funds for indemnification and other claims following the closing). In addition, the Avantec Selling Shareholders will be entitled to receive up to an additional $3.0 million upon the achievement of bookings milestones for 2015 and an additional $3.0 million upon the achievement of bookings milestones for 2016.

Both of these acquired companies will be in our Automation and Analytics segment. The valuations and related purchase price allocations for these acquisitions have not yet been completed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This quarterly report on Form 10-Q contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- *our expectations regarding our future product bookings, which consist of all firm orders, as evidenced by a contract and purchase order for equipment and software and, generally, by a purchase order for consumables. Equipment and software bookings are installable within 12 months and consumables are generally recorded as revenue within one month;*
- *the extent and timing of future revenues, including the amounts of our current backlog, which represents firm orders that have not completed installation and therefore have not been recognized as revenue;*
- *the size or growth of our market or market share;*
- *the opportunity presented by new products, emerging markets and international markets;*
- *our ability to align our cost structure and headcount with our current business expectations;*
- *the operating margins or earnings per share goals we may set;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our ability to generate cash from operations and our estimates regarding the sufficiency of our cash resources; and*
- *our ability to acquire companies, businesses, products or technologies on commercially reasonable terms and integrate such acquisitions effectively.*

In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. We discuss many of these risks in this quarterly report in greater detail in Part II - Section 1A. "Risk Factors" below. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this quarterly report. You should also read this quarterly report and the documents that we reference in this quarterly report and have filed as exhibits, completely and with the understanding that our actual future results may be materially different from what we expect. All references in this report to "Omnicell," "our," "us," "we," or the "Company" collectively refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries. The term "Omnicell, Inc.," refers only to Omnicell, Inc., excluding its subsidiaries.

Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

OVERVIEW

Our Business

We are a leading provider of comprehensive automation and business analytics software solutions for patient-centric medication and supply management across the entire healthcare continuum, from the acute care hospital setting to post-acute skilled nursing and long-term care facilities to the home. Our Omnicell Automation and Analytic customers worldwide utilize our medication automation, supply chain and analytics solutions to help enable them to increase operational efficiency, reduce errors, deliver actionable intelligence and improve patient safety.

Omnicell Medication Adherence solutions, including the MTS and Surgichem brands, provide innovative medication adherence packaging solutions that can help reduce costly hospital readmissions and enable institutional and retail pharmacies worldwide to maintain high accuracy and quality standards in medication dispensing and administration while optimizing productivity and controlling costs.

We sell our product and consumable solutions together with related service offerings. Revenue generated in the United States represented 84% of our total revenues for the three months ended March 31, 2015, and we expect our revenues from international operations to increase in future periods as we continue to grow our international business. We have not sold in the past, and have no future plans to sell our products either directly or indirectly, to customers located in countries that are identified as state sponsors of terrorism by the U.S. Department of State, and are subject to economic sanctions and export controls.

Operating Segments

Since the first quarter of 2014, we have managed our business according to two product segments, Automation and Analytics and Medication Adherence.

Automation and Analytics

The Automation and Analytics segment is organized around the design, manufacturing, selling and servicing of medication and supply dispensing systems, pharmacy inventory management systems, and related software. Our Automation and Analytics products are designed to enable our customers to enhance and improve the effectiveness of the medication-use process, the efficiency of the medical-surgical supply chain, overall patient care and clinical and financial outcomes of medical facilities. Through modular configuration and upgrades, our systems can be tailored to specific customer needs.

Medication Adherence

The Medication Adherence segment primarily includes the manufacturing and selling of consumable medication blister cards, packaging equipment and ancillary products and services. These products are used to manage medication administration outside of the hospital setting and include medication adherence products sold under the brand name MTS, Surgichem and the Omnicell brand. MTS products consist of proprietary medication packaging systems and related products for use by institutional pharmacies servicing long-term care, and correctional facilities or retail pharmacies serving patients in their local communities. Similarly, Surgichem is a provider of medication adherence packaging systems and solutions to the United Kingdom community and home care markets.

Strategy

The healthcare market is experiencing a period of substantive change. The adoption of electronic healthcare records, new regulatory constraints, and changes in the reimbursement structure have caused healthcare institutions to re-examine their operating structures, re-prioritize their investments, and seek efficiencies. We believe our customers' evolving operating environment creates challenges for any supplier, but also affords opportunities for suppliers that are able to partner with customers to help them meet the changing demands. We have and intend to continue to invest in the strategies which we believe have generated and will continue to generate our revenue and earnings growth, while supporting our customers' initiatives and needs. These strategies include:

- **Development of differentiated products.** We invest in the development of products that we believe bring patient safety and workflow efficiency to our customers' operations that they cannot get from other competing solutions. These differentiators may be as small as how a transaction operates or information provided on a report or as large as the entire automation of a workflow that would otherwise be completed manually. We intend to continue our focus on differentiating our products, and we carefully assess our investments regularly as we strive to ensure those investments provide the solutions most valuable to our customers.

- **Deliver our solutions to new markets**. Areas of healthcare where work is done manually may benefit from our existing solutions. These areas include hospitals that continue to utilize manual operations, healthcare segments of the U.S. market outside hospitals and markets outside the United States. We weigh the cost of entering these new markets against the expected benefits and focus on the markets that we believe are most likely to adopt our products.

- **Expansion of our solutions through acquisitions and partnerships.** Our acquisitions have generally been focused on automation of manual workflows or data analytics, which is the enhancement of data for our customers' decision-making processes. We believe that expansion of our product lines through acquisition and partnerships to meet our customers changing and evolving expectations is a key component to our historical and future success.

Our investments have been consistent with the strategies outlined above. To differentiate our solutions from others available in the market, we began shipping a refresh of our product line in 2011, which we market as G4. The G4 refresh

included multiple new products and an upgrade product that allowed existing customers to augment their installations to obtain the most current technology that we provide. The G4 product refresh has been a key contributor to our growth, with 65% of our automation and analytics installed base ordering upgrades to their existing systems since the announcement of G4. In addition to enhanced capabilities, we have focused on attaining the highest quality and service measurements for G4 in the industry, while marketing the solution to new and existing customers. Our research and development efforts today are designed to bring new products to market beyond the G4 product line that we believe will meet customer needs in years to come.

Consistent with our strategy to enter new markets, we have made investments in our selling, general and administrative expenses to expand our sales team and market to new customers. Our international efforts have focused primarily on four markets: the United Kingdom where we sell medication adherence products through a direct sales team and automation and analytics products through a distributor, Germany where we sell medication adherence products through a direct sales team, Middle Eastern countries of the Arabian Peninsula where new healthcare facility construction is taking place, and in China, where we launched a Mandarin version of our automated dispensing systems in 2011. In the third quarter of 2012, we purchased 15% of the outstanding equity of Avantec Healthcare Limited ("Avantec"), our United Kingdom automation and analytics products distributor, for approximately $0.9 million in cash to accelerate the adoption of medication and supply automation. In connection with the investment, we have the right, under certain circumstances, to appoint a member to this company's board of directors as well as certain other voting rights and, therefore, we believe we have the ability to exert significant influence over this distributor's operations. Subsequent to March 31, 2015, we acquired the entire issued share capital of Avantec not already owned by the Company. Our proportionate equity share of the income of this distributor, recognized in interest and other income, net, was immaterial for the three months ended March 31, 2015. We have also expanded our sales efforts to medication adherence customers in the United States which has allowed us to sell our automated dispensing solutions and other products to this market.

Expansion of our solutions through acquisitions and partnerships include our acquisition of MTS in 2012, our acquisition of Surgichem in August 2014 and our acquisitions of Mach 4 Automatisierungstechnik GmbH (“Mach4”) and Avantec in April 2015. Surgichem is a provider of medication adherence products in the United Kingdom. Mach4 is a provider of automated medication management systems to retail and hospital pharmacy customers primarily in Europe, with additional installations in China, the Middle East and Latin America. Avantec develops medication and supply automation products that complement our solutions for configurations suited to the United Kingdom marketplace, and has been the exclusive United Kingdom distributor for our medication and supply automation solutions since 2005. We have also developed relationships with major providers of hospital information management systems with the goal of enhancing the interoperability of our products with their systems. We believe that enhanced interoperability will help reduce implementation costs, time, and maintenance for shared clients, while providing new clinical workflows designed to enhance efficiency and patient safety.

We believe that the success of our three leg strategy of differentiated products, expansion into new markets, and acquisition and partnership in future periods will be based on, among other factors:

- Our expectation that the overall market demand for healthcare services will increase as the population grows, life expectancies continue to increase and the quality and availability of healthcare services increases;

- Our expectation that the environment of increased patient safety awareness, increased regulatory control, increased demand for innovative products that improve the care experience and increased need for workflow efficiency through the adoption of technology in the healthcare industry will make our solutions a priority in the capital budgets of healthcare facilities; and

- Our belief that healthcare customers will continue to value a consultative customer experience from their suppliers.

Among other financial measures, we utilize product bookings to assess the current success of our strategies. Product bookings consist of all firm orders, as evidenced by a contract and purchase order for equipment and software, and by a purchase order for consumables. Equipment and software bookings are installable within twelve months and generally recorded as revenue upon customer acceptance of the installation. Consumables are recorded as revenue upon shipment to a customer or receipt by the customer, depending upon contract terms. Consumable bookings are generally recorded as revenue within one month.

In addition to product solution sales, we provide services to our customers. Our healthcare customers expect a high degree of partnership involvement from their technology suppliers throughout their ownership of the products. We provide extensive installation planning and consulting as part of every product sale and included in the initial price of the solution. Our customers' medication control systems are mission critical to their success and our customers require these systems to be functional at all times. To help assure the maximum availability of our systems, our customers typically purchase maintenance and support contracts in one, two or five year increments. As a result of the growth of our installed base of customers, our

service revenues have also grown. We strive to provide the best service possible, as measured by third-party rating agencies and by our own surveys, to assure our customers continue to seek service maintenance from us. Our liabilities include current and long-term deferred service revenue of $43.1 million and $45.5 million as of March 31, 2015 and December 31, 2014, respectively. Our deferred service revenue will be amortized to service revenue as the service contracts are executed.

The growth in our Automation and Analytics revenue for the three months ended March 31, 2015 was driven primarily by our success in consistently growing the number of our customer installations. Installed customers in the United States grew from 1,806 hospitals as of March 31, 2014 to 1,955 hospitals as of March 31, 2015. To a lesser extent, but of equal importance, revenue growth was also driven by our success in upgrading installed customers to newer G4 technology, which is in line with our strategy of striving to deliver differentiated innovation in our solutions. Our larger installed base has provided growth opportunities for follow on sales and increased service contracts and, as a result, our service revenues have also grown for the three months ended March 31, 2015.

The growth in our Medication Adherence revenue was driven primarily by increased adoption of multi-medication adherence solutions used by patients in assisted living or home care in Europe for the three months ended March 31, 2015. This growth is in line with our strategy to deliver solutions to markets outside the United States. On a geographic basis, the United States market did not contribute to, nor erode, the growth in our Medication Adherence business as the population of patients living in nursing homes in the United States has remained relatively constant over the past year.

In the future, we expect our strategies to evolve as the business environment of our customers evolves, but for our focus to remain on improving healthcare with solutions that help change the practices in ways that improve patient and provider outcomes. We expect our investment in differentiated products, new markets, and acquisitions and partnerships to continue. In 2015, we also intend to manage our business to operating profit margins similar to those achieved in 2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We regularly review our estimates and assumptions, which are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions. We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements:

- Revenue recognition;
- Accounts receivable and notes receivable (net investment in sales-type leases);
- Valuation and impairment of goodwill, intangible assets and other long-lived assets;
- Excess and obsolete inventory reserve;
- Valuation of share-based awards; and
- Accounting for income taxes.

There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the three months ended March 31, 2015 as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2014.

Recently issued authoritative guidance

Refer to Note 1, Summary of Significant Accounting Policies, of the Notes to Condensed Consolidated Financial Statements in this quarterly report for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial positions and cash flows.

RESULTS OF OPERATIONS

Total Revenues

	Three Months Ended			
		Change in		
	March 31, 2015	$	%	March 31, 2014
	(Dollars in thousands)			
Product revenues	$ 94,109	$ 11,529	14%	$ 82,580
Percentage of total revenues	*81%*			*81%*
Service and other revenues	22,112	2,928	15%	19,184
Percentage of total revenues	*19%*			*19%*
Total revenues	$ 116,221	$ 14,457	14%	$ 101,764

Product revenues represented 81% of total revenues for both the three months ended March 31, 2015 and March 31, 2014. Product revenues increased due to increased sales for both our Automation and Analytics segment of $8.4 million and Medication Adherence segment of $3.1million. Service and other revenues represented 19% of total revenues for both the three months ended March 31, 2015 and March 31, 2014. Service and other revenues include revenues from service and maintenance contracts and rentals of automation systems. Service and other revenues primarily increased due to an increase from our Automation and Analytics segment of $2.9 million.

Our international sales represented 16% and 8% of total revenues for the three months ended March 31, 2015 and March 31, 2014, respectively, and are expected to be affected by foreign currency exchange rates fluctuations. We are unable to predict the extent to which revenue in future periods will be impacted by changes in foreign currency exchange rates.

We anticipate our revenues will continue to increase in 2015 compared to the same periods in 2014, as we fulfill our existing orders, and based on our growth in bookings in 2014, some of which will be recognized as revenue in 2015. Our ability to continue to grow revenue is dependent on our ability to continue to obtain orders from customers, our ability to produce quality consumables to fulfill customer demand, the volume of installations we are able to complete, our ability to meet customer needs by providing a quality installation experience, and our flexibility in manpower allocations among customers to complete installations on a timely basis. The timing of our product revenues for equipment is primarily dependent on when our customers' schedules allow for installations.

Financial Information by Segment

Revenues

	Three Months Ended			
		Change in		
	March 31, 2015	$	%	March 31, 2014
Revenues:	(Dollars in thousands)			
Automation and Analytics	$ 92,779	$ 11,280	14%	$ 81,499
Percentage of total revenues	*80%*			*80%*
Medication Adherence	23,442	3,177	16%	20,265
Percentage of total revenues	*20%*			*20%*
Total revenues	$ 116,221	$ 14,457	14%	$ 101,764

Automation and Analytics revenues increased due to an increase in product revenues of $8.4 million primarily due to the increase of $6.2 million in Automation Dispensing Cabinets and related software sales, and $2.4 million in all other product lines. Service and other revenues increased by $2.9 million due to higher service renewal fees driven primarily by an increase in installed customer base.

Medication Adherence revenues increased due to an increase in product revenues of $3.2 million primarily driven by the inclusion of Surgichem operations since its acquisition in August 2014. Service and other revenues remained relatively flat compared to the prior year.

Cost of Revenues and Gross Profit

	Three Months Ended			
		Change in		
	March 31, 2015	$	%	March 31, 2014
Cost of revenues:	(Dollars in thousands)			
Automation and Analytics	$ 38,852	$ 3,912	11 %	$ 34,940
As a percentage of related revenues	*42%*			*43%*
Medication Adherence	15,684	3,355	27 %	12,329
As a percentage of related revenues	*67%*			*61%*
Total cost of revenues	$ 54,536	$ 7,267	15 %	$ 47,269
As a percentage of total revenues	*47%*			*46%*
Gross profit:				
Automation and Analytics	$ 53,927	$ 7,368	16 %	$ 46,559
Automation and Analytics gross margin	*58%*			*57%*
Medication Adherence	7,758	(178)	(2)%	7,936
Medication Adherence gross margin	*33%*			*39%*
Total gross profit	$ 61,685	$ 7,190	13 %	$ 54,495
Total gross margin	*53%*			*54%*

Cost of revenues is primarily comprised of three general categories: (i) standard product costs which accounts for the majority of the product cost of revenues that are provided to customers, and are inclusive of purchased material, labor to build the product and overhead costs associated with production; (ii) installation costs as we install our equipment at the customer site, and include costs of the field installation personnel, including labor, travel expense, and other expenses; and (iii) other costs including variances in standard costs and overhead, scrap costs, rework, warranty, provisions for excess and obsolete inventory and amortization of software development costs.

Automation and Analytics

Cost of revenues increased by $3.9 million, $3.4 million of which was attributable to product costs and $0.5 million attributable to service costs. Both increases were a result of higher volume of revenue. Of the $3.4 million increase in product costs, $1.8 million is attributed to a different mixture of customers, products and overall growth in product sales, $0.9 million is attributable to more product installation costs associated with higher revenue, and $0.6 million is in other costs, primarily driven by software amortization. Cost of service revenues increased by $0.5 million due to an increase in support headcount to service a larger installed base, in addition to an increase in expenses related to the refurbishment of returned materials.

Gross profit increased due to an increase in product and service revenues while gross margin remained consistent as cost of sales as a percentage of revenues remained consistent with the prior year.

Medication Adherence

Cost of revenues increased by $3.1 million in product costs and $0.3 million in service costs. Product costs increased due to higher levels of revenue and due to higher production scrap rates and higher overtime. Cost of service sales increased by $0.3 million due to the seasonality of some expenses.

Gross profit decreased due to production inefficiencies and the inclusion of Surgichem operations, and gross margin slightly decreased as cost of sales as a percentage of revenues slightly increased driven by higher product costs.

We do not anticipate any significant fluctuations in gross profit and gross margin beyond normal fluctuations caused by changes in product mix for our Automation and Analytics and Medication Adherence segments during 2015.

Operating Expenses and Income from Operations

	Three Months Ended			
		Change in		
	March 31, 2015	$	%	March 31, 2014
Operating expenses:	(Dollars in thousands)			
Research and development	$ 8,019	$ 1,898	31 %	$ 6,121
As a percentage of total revenues	*7%*			*6%*
Selling, general and administrative	43,287	4,867	13 %	38,420
As a percentage of total revenues	*37%*			*38%*
Total operating expenses	$ 51,306	$ 6,765	15 %	$ 44,541
As a percentage of total revenues	*44%*			*44%*
Income from operations:				
Automation and Analytics	$ 25,338	$ 3,881	18 %	$ 21,457
Operating margin	*27%*			*26%*
Medication Adherence	1,417	(1,868)	(57)%	3,285
Operating margin	*6%*			*17%*
Corporate Expenses	16,376	$ 1,588	11 %	14,788
Total income from operations	$ 10,379	$ 425	8 %	$ 9,954
Total operating margin	*9%*			*10%*

The increase in research and development expenses in our Automation and Analytics and Medication Adherence segments was primarily attributable to a $0.8 million increase in head-count and personnel related costs, a $0.5 million increase in consulting expenses and a $0.3 million increase in prototype expenses. In our Medication Adherence segment, research and development increased primarily due to increased consulting in support of product software enhancements of $0.3 million.

We expect research and development expenses to increase in 2015 as we continue to invest in new products and services, and increase as a percentage of total revenues from approximately 6% in 2014 to approximately 8% in 2015. The amount of research and development expenses can fluctuate based on the amount of prototype expenses for hardware and/or the amount of capitalized software development costs.

Selling, general and administrative expenses increased due to increases from our Automation and Analytics segment of $1.9 million, from our Medication Adherence segment of $1.4 million. The increase from our Automation and Analytics segment was primarily attributable to increased headcount in marketing adding $0.3 million and increased headcount in sales adding $1.6 million. The increase from our Medication Adherence segment was the result of $0.3 million from the inclusion of Surgichem operations, with the remainder incurred from clinical studies and an increase in headcount specifically within our marketing and international businesses. The increase in corporate expenses was primarily related to the investigation of a whistleblower claim of $1.2 million with the remainder to support the growing business.

We anticipate selling, general and administrative expenses as a percentage of total revenues to be stable throughout 2015; however this estimate could be impacted by ongoing business development activities and external macro-economic factors.

Operating income from our Automation and Analytics segment increased due to an increase in product and service revenues while operating margin increased as a result of lower cost of sales and operating expenses compared to the overall growth of revenues.

Operating income from our Medication Adherence segment decreased due to production inefficiencies and higher operating expenses.

Provision for Income Taxes

	Three Months Ended			
		Change in		
	March 31, 2015	$	%	March 31, 2014
	(Dollars in thousands)			
Provision for income taxes	$ 3,544	$ 40	1%	$ 3,504
Effective tax rate on earnings	*39%*			*39%*

Our annual effective tax rate before discrete items was 38.6% and 39.1% for the three months ended March 31, 2015 and March 31, 2014, respectively.

The decrease in the estimated annual effective tax rate for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to the decrease in the state effective tax rate, offset by an increase in non-deductible equity charges.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash

We entered into a Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, and the lenders from time to time which provides for a $75 million revolving credit facility to be used for general corporate purposes, including future acquisitions. The Credit Agreement permits us to request one or more increases in the aggregate commitment provided such increases do not exceed $25 million in the aggregate.

On November 5, 2014, we entered into Amendment Number One (the "Amendment") to the Credit Agreement. The Amendment increases the amount of our common stock that may be repurchased by us in open market transactions authorized by our Board of Directors, together with any repurchases of our common stock from any consultants, employees, officers or directors of the Company or any of our subsidiaries following the death, disability, retirement or termination of employment of such employees, officers or directors, from $25 million to $50 million per year. The Credit Agreement contains customary affirmative and negative covenants, and financial covenants that require us to, among other things, maintain a maximum consolidated total leverage ratio and a minimum consolidated fixed charge coverage ratio, in each case, as of the last day of each quarter. For additional details, please refer to Note 16, Credit Agreement, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

As of March 31, 2015, we were in full compliance with all covenants, and there was no outstanding balance on the credit facility.

Uses of Cash

Our future uses of cash are expected to be primarily for working capital, capital expenditures and other contractual obligations. We also expect a continued use of cash for potential acquisition and acquisition assessment activities.

Our stock repurchase programs have a total of $54.9 million remaining for future repurchases as of March 31, 2015, which may result in additional use of cash. See Note 13, Stock Repurchases, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report. We had cash and cash equivalents of $136.5 million and $125.9 million as of March 31, 2015 and December 31, 2014, respectively.

Based on our current business plan and revenue backlog, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations, cash generated from the exercise of employee stock options and purchases under our employee stock purchase plan, along with the availability of funds under our $75 million Credit Agreement, will be sufficient to meet our cash needs for working capital, capital expenditures, potential acquisitions, and other contractual obligations for at least the next twelve months. For periods beyond the next twelve months, we also anticipate that our net operating cash flows plus existing balances of cash and cash equivalents will suffice to fund the continued growth of our business.

Cash Flows

The following table summarizes, for the periods indicated, selected items in our Condensed Consolidated Statements of Cash Flows:

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 11,314	$ 1,117
Investing activities	(4,108)	(5,592)
Financing activities	6,575	7,493
Effect of exchange rate changes on cash and cash equivalents	(116)	9
Net increase (decrease) in cash and cash equivalents	$ 13,665	$ 3,027

Operating activities

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results and the timing of other liability payments.

Net cash provided by operating activities was $11.3 million for the three months ended March 31, 2015, primarily as a result of $6.3 million in net income adjusted for non-cash items, including depreciation and amortization expense of $5.7 million and share-based compensation expense of $3.7 million, and an increase in accrued liabilities of $2.7 million. These amounts were partially offset by an increase in accounts receivable of $5.6 million, an increase in inventories of $1.9 million, a decrease in deferred gross profit of $4.2 million and a decrease in deferred service revenue of $2.3 million.

Net cash provided by operating activities was $1.1 million for the three months ended March 31, 2014, primarily as a result of $6.2 million in net income adjusted for non-cash items, including depreciation and amortization expense of $4.6 million and share-based compensation expense of $2.7 million and an increase in deferred gross profit of $5.1 million. These amounts were partially offset by an increase in accounts receivable, net of $17.1 million.

Investing activities

Net cash used in investing activities was $4.1 million for the three months ended March 31, 2015, primarily due to payments of $1.1 million for property and equipment and $3.0 million to develop software for external use.

Net cash used in investing activities was $5.6 million for the three months ended March 31, 2014 and was due to payments of $2.6 million for property and equipment and $2.9 million to develop software for external use.

Financing activities

Net cash provided by financing activities was $6.6 million for the three months ended March 31, 2015 as a result of $6.2 million in proceeds from employee stock option exercises and $1.2 million in excess tax benefits from employee stock plans, offset by $0.8 million in employees' taxes paid related to restricted stock units.

Net cash provided by financing activities was $7.5 million for the three months ended March 31, 2014 as a result of $9.6 million in net proceeds from sales of common stock through employee stock plans, $2.3 million in tax benefits from employee stock plans, partially offset by $4.1 million in repurchases of our common stock.

Contractual Obligations

There have been no significant changes during the three months ended March 31, 2015 to the contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our annual report on Form 10-K for the year ended December 31, 2014.

We had $52.4 million in contractual commitments to third parties for non-cancelable operating leases, commitments to contract manufacturers and suppliers and other purchase commitments as of March 31, 2015 as follows:

	Payments Due by Period				
	Total	Remainder of 2015	2016 and 2017	2018 and 2019	2020 and Thereafter
			(In thousands)		
Operating leases [1]	$ 42,569	$ 5,048	$ 11,917	$ 10,627	$ 14,977
Purchase obligations [2]	9,838	9,838	—	—	—
Total [3]	$ 52,407	$ 14,886	$ 11,917	$ 10,627	$ 14,977

(1) Commitments under operating leases relate primarily to leasehold property and office equipment.

(2) We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These amounts are associated with agreements that are enforceable and legally binding. The amounts under such contracts are included in the table above because we believe that cancellation of these contracts is unlikely and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.

(3) We have recorded $5.9 million for uncertain tax positions under long-term liabilities as of March 31, 2015 in accordance with U.S. GAAP. As these liabilities do not reflect actual tax assessments, the timing and amount of payments we might be required to make will depend upon a number of factors. Accordingly, as the timing and amount of payment cannot be estimated, $5.9 million in uncertain tax position liabilities have not been included in the table above.

See Note 10, Commitments, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

Off-Balance Sheet Arrangements

As of March 31, 2015, we had no off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) of the Securities Exchange Act of 1934, as amended, and the instructions thereto.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures during the three months ended March 31, 2015 as compared to the market risk exposures disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7A, of our annual report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in this report was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

Limitations on Effectiveness of Controls

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control system is designed to

provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. GAAP. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended March 31, 2015.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 11, Contingencies, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer and the market price of our common stock could decline.

In assessing these risks, you should also refer to other information contained in this quarterly report on Form 10-Q, including our Condensed Consolidated Financial Statements and related Notes. We have marked with an asterisk (*) those risks described below that reflect substantive changes from, or additions to, the risks described in our annual report on Form 10-K for the year ended December 31, 2014.

Unfavorable economic and market conditions, a decreased demand in the capital equipment market and uncertainty regarding the rollout of government legislation in the healthcare industry could adversely affect our operating results.

Customer demand for our products is significantly linked to the strength of the economy. If decreases in demand for capital equipment caused by weak economic conditions and decreased corporate and government spending, including any effects of fiscal budget balancing at the federal level, deferrals or delays of capital equipment projects, longer time frames for capital equipment purchasing decisions or generally reduced expenditures for capital solutions occurs, we will experience decreased revenues and lower revenue growth rates and our operating results could be materially and adversely affected.

Additionally, as the U.S. Federal government implements healthcare reform legislation, and as Congress, regulatory agencies and other state governing organizations continue to review and assess additional healthcare legislation and regulations, there may be an impact on our business. Healthcare facilities may decide to postpone or reduce spending until the implications of such healthcare enactments are more clearly understood, which may affect the demand for our products and harm our business.

The medication management and supply chain solutions market is highly competitive and we may be unable to compete successfully against new entrants and established companies with greater resources and/or existing business relationships with our current and potential customers.

The medication management and supply chain solutions market is intensely competitive. We expect continued and increased competition from current and future competitors, many of which have significantly greater financial, technical, marketing and other resources than we do. Our current direct competitors in the medication management and supply chain solutions market include Becton Dickenson (through its acquisition of CareFusion Corporation) (which includes Pyxis, Rowa, and PhACTs), Aesynt Inc. (through the acquisition of McKesson Hospital Automation, Inc. by Francisco Partners), AmerisourceBergen Corporation (through its acquisition of MedSelect, Inc. and Automed), Cerner Corporation, Talyst, Inc., Emerson Electronic Co. (through its acquisition of medDispense, L.P.), Swisslog Holding AG, which has entered into an agreement to be acquired by KUKA, WaveMark Inc., ParExcellence Systems, Inc., Vanas n.v., and Lawson Software, Inc. . Our current direct competitors in the medication packaging solutions market include Drug Package, Inc., AutoMed Technologies, Inc. (a subsidiary of AmerisourceBergen Corporation), Manchac Technologies, LLC (through its Dosis product line) and RX Systems, Inc. in the United States, Jones Packaging Ltd., Synergy Medical Systems, Manrex Ltd, and WebsterCare outside the United States.

The competitive challenges we face in the medication management and supply chain solutions market include, but are not limited to, the following:

- certain competitors may offer or have the ability to offer a broader range of solutions in the marketplace that we are unable to match;
- certain competitors may develop alternative solutions to the customer problems our products are designed to solve that may provide a better customer outcome or a lower cost of operation;

- certain competitors may develop new features or capabilities for their products not previously offered that could compete directly with our products;
- competitive pressures could result in increased price competition for our products and services, fewer customer orders and reduced gross margins, any of which could harm our business;
- current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, including larger, more established healthcare supply companies, such as the acquisition of CareFusion Corporation by Becton Dickenson Corporation, thereby increasing their ability to develop and offer a broader suite of products and services to address the needs of our prospective customers;
- our competitive environment is currently experiencing a significant degree of consolidation which could lead to competitors developing new business models that require us to adapt how we market, sell or distribute our products;
- other established or emerging companies may enter the medication management and supply chain solutions market with products and services that are preferred by our current and potential customers based on factors such as features, capabilities or cost;
- our competitors may develop, license or incorporate new or emerging technologies or devote greater resources to the development, promotion and sale of their products and services than we do;
- certain competitors have greater brand name recognition and a more extensive installed base of medication and supply dispensing systems or other products and services than we do, and such advantages could be used to increase their market share;
- certain competitors may have existing business relationships with our current and potential customers, which may cause these customers to purchase medication and supply dispensing systems or automation solutions from these competitors; and
- our competitors may secure products and services from suppliers on more favorable terms or secure exclusive arrangements with suppliers or buyers that may impede the sales of our products and services.

Any reduction in the demand for or adoption of our medication and supply systems, related services, or consumables would reduce our revenues.

Our medication and supply dispensing systems represent only one approach to managing the distribution of pharmaceuticals and supplies at acute healthcare facilities and our medication packaging systems represent only one way of managing medication distribution at non-acute care facilities. A significant portion of domestic and international healthcare facilities still use traditional approaches in some form that do not include fully automated methods of medication and supply management. As a result, we must continuously educate existing and prospective customers about the advantages of our products, which requires significant sales efforts and can cause longer sales cycles. Despite our significant efforts and extensive time commitments in sales to healthcare facilities, we cannot be assured that our efforts will result in sales to these customers.

In addition, our medication and supply dispensing systems and our more complex automated packaging systems typically represent a sizable initial capital expenditure for healthcare organizations. Changes in the budgets of these organizations and the timing of spending under these budgets can have a significant effect on the demand for our medication and supply dispensing systems and related services. These budgets are often supported by cash flows that can be negatively affected by declining investment income and influenced by limited resources, increased operational and financing costs, macroeconomic conditions such as unemployment rates and conflicting spending priorities among different departments. Any decrease in expenditures by healthcare facilities or increased financing costs could decrease demand for our medication and supply dispensing systems and related services and reduce our revenues.

Changing customer requirements could decrease the demand for our products and services and our new product solutions may not achieve market acceptance.

The medication management and supply chain solutions market is characterized by evolving technologies and industry standards, frequent new product introductions and dynamic customer requirements that may render existing products obsolete or less competitive. The medication management and supply chain solutions market could erode rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to meet changing customer requirements. The process of developing products and services such as those we offer is extremely complex and is expected to become increasingly more complex and expensive in the future as new

technologies are introduced. If we are unable to enhance our existing products or develop new products to meet changing customer requirements, and bring such enhancements and products to market in a timely manner, demand for our products could decrease.

We cannot provide assurance that we will be successful in marketing any new products or services that we introduce, that new products or services will compete effectively with similar products or services sold by our competitors, or that the level of market acceptance of such products or services will be sufficient to generate expected revenues and synergies with our other products or services. Deployment of new products or services often requires interoperability with other Omnicell products or services as well as with healthcare facilities' existing information management systems. If these products or services fail to satisfy these demanding technological objectives, our customers may be dissatisfied and we may be unable to generate future sales.

The healthcare industry faces financial constraints and consolidation that could adversely affect the demand for our products and services.

The healthcare industry has faced, and will likely continue to face, significant financial constraints. U.S. government legislation such as the American Recovery and Reinvestment Act of 2009, the Patient Protection and Affordable Care Act of 2010, the Budget Control Act of 2011, and other health reform legislation may cause customers to postpone purchases of our products due to reductions in federal healthcare program reimbursement rates and/or needed changes to their operations in order to meet the requirements of legislation. Our automation solutions often involve a significant financial commitment from our customers and, as a result, our ability to grow our business is largely dependent on our customers' capital and operating budgets. To the extent legislation promotes spending on other initiatives or healthcare providers spending declines or increases more slowly than we anticipate, demand for our products and services could decline.

Many healthcare providers have consolidated to create larger healthcare delivery organizations in order to achieve greater market power. If this consolidation continues, it would increase the size of certain target customers, which could increase the cost, effort and difficulty in selling our products to such target customers, or could cause our existing customers or potential new customers to begin utilizing our competitors' products if such customers are acquired by healthcare providers that prefer our competitors' products to ours. In addition, the resulting organizations could have greater bargaining power, which may lead to price erosion.

We may not be able to successfully integrate acquired businesses or technologies into our existing business, which could negatively impact our operating results.*

As a part of our business strategy we may seek to acquire businesses, technologies or products in the future. For example, in August 2014, we acquired Surgichem Limited and in April 2015, we acquired Mach4 and the remaining interest of Avantec that we did not already own.. We cannot provide assurance that any acquisition or any future transaction we complete will result in long-term benefits to us or our stockholders, or that our management will be able to integrate or manage the acquired business effectively. Acquisitions entail numerous risks, including difficulties associated with the integration of operations, technologies, products and personnel that, if realized, could harm our operating results. Risks related to potential acquisitions include, but are not limited to:

- difficulties in combining previously separate businesses into a single unit and the complexity of managing a more dispersed organization as sites are acquired;
- complying with international labor laws that may restrict our ability to right-size organizations and gain synergies across acquired operations;
- the substantial costs that may be incurred and the substantial diversion of management's attention from day-to-day business when evaluating and negotiating such transactions and then integrating an acquired business;
- discovery, after completion of the acquisition, of liabilities assumed from the acquired business or of assets acquired that are broader in scope and magnitude or are more difficult to manage than originally assumed;
- failure to achieve anticipated benefits such as cost savings and revenue enhancements;
- difficulties related to assimilating the products or key personnel of an acquired business;
- failure to understand and compete effectively in markets in which we have limited previous experience; and
- difficulties in integrating newly acquired products and solutions into a logical offering that our customers understand and embrace.

Successful integration of acquired operations, products and personnel into Omnicell may place a significant burden on the combined company's management and internal resources. We may also experience difficulty in effectively integrating the different cultures and practices of any acquired entity. The challenges of integrating acquired entities could disrupt the combined company's ongoing business, distract its management focus from other opportunities and challenges, and increase expenses and working capital requirements. The diversion of management attention and any difficulties encountered in the transition and integration process could harm our business, financial condition and operating results.

Demand for our consumable medication packages is time-sensitive and if we are not able to supply the demand from our institutional and retail pharmacy customers on schedule and with quality packaging products, they may utilize alternative means to distribute medications to their customers.

Approximately 16% of our revenue is generated from the sale of consumable medication packages, which are produced in our St. Petersburg, Florida facilities on a continuous basis and shipped to our institutional pharmacy and retail pharmacy customers shortly before they are required by those customers. The demands placed on institutional pharmacies and retail pharmacies by their customers represent real time requirements of those customers. Our customer agreements for the sale of consumable medication packages are typically short-term in nature and typically do not include any volume commitments on the part of the customer. Although our packaging may be considered the preferred method of maintaining control of medications during the medication distribution and administration process, institutional and retail pharmacies have alternative methods of distributing medications, including bulk and alternative packaging, and medication adherence packaging may be supplied by our competitors. To the extent that we are unable to supply quality packaging to our customers in a timely manner, that demand will be met via alternative distribution methods, including consumable medication packaging sold by our competitors, and our revenue will decline. Any disruption in the production capabilities of our St. Petersburg facilities will adversely affect our ability to ship our consumable medication packages and would reduce our revenue.

Our international operations may subject us to additional risks that can adversely affect our operating results.

We currently have operations outside of the United States, including sales efforts centered in Canada, Europe, the Middle East and Asia-Pacific regions and supply chain efforts in Asia. We intend to continue to expand our international operations, particularly in certain markets that we view as strategic, including China and the Middle East. Our international operations subject us to a variety of risks, including:

- our reliance on distributors for the sale and post-sale support of our automated dispensing systems outside the United States and Canada;
- the difficulty of managing an organization operating in various countries;
- political sentiment against international outsourcing of production;
- reduced protection for intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes;
- changes in foreign regulatory requirements;
- the requirement to comply with a variety of international laws and regulations, including privacy, labor, import, export, environmental standards, tax, anti-bribery and employment laws and changes in tariff rates;
- fluctuations in currency exchange rates and difficulties in repatriating funds from certain countries;
- additional investment, coordination and lead-time necessary to successfully interface our automation solutions with the existing information systems of our customers or potential customers outside of the United States; and
- political unrest, terrorism and the potential for other hostilities in areas in which we have facilities.

If we are unable to anticipate and address these risks properly, our business or operating results will be harmed.

If we experience delays in installations of our medication and supply dispensing systems or our more complex medication packaging systems, resulting in delays in our ability to recognize revenue, our competitive position, results of operations and financial condition could be harmed.

The purchase of our medication and supply dispensing systems or our more complex medication packaging systems is often part of a customer's larger initiative to re-engineer its pharmacy and their distribution and materials management systems. As a result, our sales cycles are often lengthy. The purchase of our systems often entail larger strategic purchases by customers that frequently require more complex and stringent contractual requirements and generally involve a significant commitment of management attention and resources by prospective customers. These larger and more complex transactions often require the input and approval of many decision-makers, including pharmacy directors, materials managers, nurse managers, financial managers, information systems managers, administrators, lawyers and boards of directors. For these and other reasons, the sales cycle associated with the sale of our medication and supply dispensing systems is often lengthy and subject to a number of delays over which we have little or no control. A delay in, or loss of, sales of our medication and supply dispensing systems could have an adverse effect upon our operating results and could harm our business.

In addition, and in part as a result of the complexities inherent in larger transactions, the time between the purchase and installation of our systems can range from two weeks to one year. Delays in installation can occur for reasons that are often outside of our control. We have also experienced fluctuations in our customer and transaction size mix, which makes our ability to forecast our product bookings more difficult. Because we recognize revenue for our medication and supply dispensing systems and our more complex medication packaging systems only upon installation at a customer's site, any delay in installation by our customers will also cause a delay in the recognition of the revenue for that system.

Government regulation of the healthcare industry could reduce demand for our products, or substantially increase the cost to produce our products.

The manufacture and sale of our current products are not regulated by the United States Food and Drug Administration, or the Drug Enforcement Administration ("DEA"). However, our current products, and any future products, may be regulated in the future by these or other federal agencies due to future legislative and regulatory initiatives or reforms. Direct regulation of our business and products by the FDA, DEA or other federal agencies could substantially increase the cost to produce our products and increase the time required to bring those products to market, reduce the demand for our products and reduce our revenues. In addition, healthcare providers and facilities that use our equipment and dispense controlled substances are subject to regulation by the DEA. The failure of these providers and facilities to comply with DEA requirements, including the Controlled Substances Act and its implementing regulations, could reduce demand for our products and harm our competitive position, results of operations and financial condition. Pharmacies are regulated by individual state boards of pharmacy that issue rules for pharmacy licensure in their respective jurisdictions. State boards of pharmacy do not license or approve our medication and supply dispensing systems; however, pharmacies using our equipment are subject to state board approval. The failure of such pharmacies to meet differing requirements from a significant number of state boards of pharmacy could decrease demand for our products and harm our competitive position, results of operations and financial condition. Similarly, hospitals must be accredited by The Joint Commission in order to be eligible for Medicaid and Medicare funds. The Joint Commission does not approve or accredit medication and supply dispensing systems; however, disapproval of our customers' medication and supply dispensing management methods and their failure to meet The Joint Commission requirements could decrease demand for our products and harm our competitive position, results of operations and financial condition.

While we have implemented a Privacy and Use of Information Policy and adhere to established privacy principles, use of customer information guidelines and related federal and state statutes, we cannot assure you that we will be in compliance with all federal and state healthcare information privacy and security laws that we are directly or indirectly subject to, including, without limitation, the Health Insurance Portability and Accountability Act of 1996. Among other things, this legislation required the Secretary of Health and Human Services to adopt national standards governing the conduct of certain electronic health information transactions and protecting the privacy and security of personally identifiable health information maintained or transmitted by "covered entities," which include pharmacies and other healthcare providers with which we do business.

The standards adopted to date include, among others, the "Standards for Privacy of Individually Identifiable Health Information," which restrict the use and disclosure of personally identifiable health information by covered entities, and the "Security Standards," which require covered entities to implement administrative, physical and technical safeguards to protect the integrity and security of certain electronic health information. Under HIPAA, we are considered a "business associate" in relation to many of our customers that are covered entities, and as such, most of these customers have required that we enter into written agreements governing the way we handle and safeguard certain patient health information we may encounter in providing our products and services and may impose liability on us for failure to meet our contractual obligations. Further, pursuant to changes in HIPAA under the American Recovery and Reinvestment Act of 2009 ("ARRA"), we are now also covered under HIPAA similar to other covered entities and in some cases, subject to the same civil and criminal penalties as a covered entity. A number of states have also enacted privacy and security statutes and regulations that, in some cases, are more stringent than HIPAA and may also apply directly to us. If our past or present operations are found to violate any of these laws, we may be subject to fines, penalties and other sanctions.

During November 2012, an Omnicell electronic device containing medication dispensing cabinet log files from three health system customers was stolen from an Omnicell employee's locked vehicle. The files on this device contained certain protected patient health information related to medication dispensing transactions from our medication dispensing cabinets over a one to three-week period, downloaded by the employee while troubleshooting software for the hospitals. This loss resulted in a putative class action complaint being filed against us and certain of our customers in the United States District Court for the District of New Jersey in March 2013 alleging breach of state security notification laws, violations of state consumer fraud laws, fraud, negligence and conspiracy relating to the theft of an Omnicell electronic device containing medication dispensing cabinet log files, including certain patient health information, described above and subsequent notification of this unauthorized disclosure of personal health information. In December 2013, the court issued an order dismissing the plaintiff's complaint

without prejudice. The plaintiff failed to file an appeal of the court's decision by the January 27, 2014 deadline. There is no guarantee that, if we are involved in any similar litigation in the future, such an outcome will result. Any similar unauthorized disclosure of personal health information could cause us to experience contractual indemnification obligations under business associate agreements with certain customers, litigation against us, reputational harm and a reduction in demand from our customers. To the extent that this disclosure is deemed to be a violation of HIPAA or other privacy or security laws, we may be subject to significant fines, penalties and other sanctions. As of the date of this Form 10-Q filing, the Company has not received correspondence from the Office for Civil Rights of the U.S. Department of Health & Human Services with respect to this matter.

In addition, we cannot predict the potential impact of future HIPAA standards and other federal and state privacy and security laws that may be enacted at any time on our customers or on Omnicell. These laws could restrict the ability of our customers to obtain, use or disseminate patient information, which could reduce the demand for our products or force us to redesign our products in order to meet regulatory requirements.

Covenants in our credit agreement restrict our business and operations in many ways and if we do not effectively manage our compliance with these covenants, our financial conditions and results of operations could be adversely affected.

In September 2013, we entered into a $75 million revolving credit facility pursuant to a Credit Agreement, by and among Omnicell, Wells Fargo Bank, National Association, as administrative agent, and the lenders from time to time party thereto ("Credit Agreement"). In November 2014, we amended the Credit Agreement to increase the number of shares of common stock that may be repurchased pursuant to stock repurchase programs authorized by our Board of Directors. The Credit Agreement contains various customary covenants that limit our ability and/or our subsidiaries' ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations or other persons;
- issue redeemable preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans, investments, acquisitions (including acquisitions of exclusive licenses) and capital expenditures;
- enter into agreements that restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

The Credit Agreement also includes, among other financial covenants, financial covenants that require us to maintain a maximum total leverage ratio and minimum fixed charge coverage ratio. Our ability to comply with these financial covenants may be affected by events beyond our control. Our failure to comply with any of the covenants could result in a default under the Credit Agreement, which could permit the administrative agent or the lenders to declare all or part of any outstanding borrowings to be immediately due and payable, or to refuse to permit additional borrowings under the revolving credit facility, which could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions to take advantage of certain business opportunities that may be presented to us. In addition, if we are unable to repay those amounts, the administrative agent and the lenders under the Credit Agreement could proceed against the collateral granted to them to secure that debt, which would seriously harm our business.

If we are unable to recruit and retain skilled and motivated personnel, our competitive position, results of operations and financial condition could be harmed.

Our success is highly dependent upon the continuing contributions of our key management, sales, technical and engineering staff. We believe that our future success will depend upon our ability to attract, train and retain highly skilled and motivated personnel. As more of our products are installed in increasingly complex environments, greater technical expertise will be required. As our installed base of customers increases, we will also face additional demands on our customer service and support personnel, requiring additional resources to meet these demands. We may experience difficulty in recruiting qualified personnel. Competition for qualified technical, engineering, managerial, sales, marketing, financial reporting and other personnel can be intense and may not be successful in attracting and retaining qualified personnel. Competitors have in the past attempted, and may in the future attempt, to recruit our employees.

In addition, we have historically used stock options, restricted stock units and other forms of equity compensation as key components of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. The effect of managing share-based compensation expense and minimizing shareholder dilution from the issuance of new shares may make it less favorable for us to grant stock options, restricted stock units or other forms of equity compensation, to employees in the future. In order

to continue granting equity compensation at competitive levels, we must seek stockholder approval for any increases to the number of shares reserved for issuance under our equity incentive plans, such as the share increase for which we are seeking approval for at our 2015 Annual Meeting of Stockholders, and we cannot assure you that we will receive such approvals in the future. Any failure to receive approval for current or future proposed increases could prevent us from granting equity compensation at competitive levels and make it more difficult to attract, retain and motivate employees. Further, to the extent that we expand our business or product lines through the acquisition of other businesses, any failure to receive any such approvals could prevent us from securing employment commitments from such newly acquired employees. Failure to attract and retain key personnel could harm our competitive position, results of operations and financial condition.

In the past, we have experienced substantial fluctuations in customer demand, and we cannot be sure that we will be able to respond proactively to future changes in customer demand.

Our ability to adjust to fluctuations in our revenue while still achieving or sustaining profitability is dependent upon our ability to manage costs and control expenses. If our revenue increases or decreases rapidly, we may not be able to manage these changes effectively. Future growth is dependent on the continued demand for our products, the volume of installations we are able to complete, our ability to continue to meet our customers' needs and provide a quality installation experience and our flexibility in manpower allocations among customers to complete installations on a timely basis.

Regarding our expenses, our ability to control expense is dependent on our ability to continue to develop and leverage effective and efficient human and information technology systems, our ability to gain efficiencies in our workforce through the local and worldwide labor markets and our ability to grow our outsourced vendor supply model. Our expense growth rate may equal or exceed our revenue growth rate if we are unable to streamline our operations, or fail to reduce the costs or increase the margins of our products. In addition, we may not be able to reduce our expenses to keep pace with any reduction in our revenue, which could harm our results of operations and financial position.

If we are unable to successfully interface our automation solutions with the existing information systems of our customers, they may choose not to use our products and services.

For healthcare facilities to fully benefit from our automation solutions, our systems must interface with their existing information systems. This may require substantial cooperation, incremental investment and coordination on the part of our customers and may require coordination with third-party suppliers of the existing information systems. There is little uniformity in the systems currently used by our customers, which complicates the interfacing process. If these systems are not successfully interfaced, our customers could choose not to use or to reduce their use of our automation solutions, which would harm our business. Also, these information systems are impacted by regulatory forces, such as the HITECH Act, Meaningful Use Stages, and HIPAA Omnibus Rules, and may evolve their interoperability functionality accordingly. We expect to comply with the mandatory standards and certifications that enable us to continuously interoperate with partner information system, but such symbiotic evolution in a changing regulatory environment can at times create an execution risk.

Additionally, our competitors may enter into agreements with providers of hospital information management systems that are designed to increase the interoperability of their respective products. To the extent our competitors are able to increase the interoperability of their products with those of the major hospital information systems providers, customers who utilize such information systems may choose not to use our products and services. In addition, hospital information systems providers may choose to develop their own solutions that could compete with ours. Furthermore, we expect the importance of interoperability to increase in the next few years. Regulations such as the HITECH Act Meaningful Use Stage 3 are expected to heavily focus on evidence and outcomes. Given our role in care delivery process, the data generated by our products may be a key input for assessing and reporting on clinical outcomes. This may elevate interoperability with information systems to a relative importance to our customers creating a business opportunity and risk.

Our failure to protect our intellectual property rights could negatively affect our ability to compete.

Our success depends in part on our ability to obtain patent protection for technology and processes and our ability to preserve our trademarks, copyrights and trade secrets. We have pursued patent protection in the United States and foreign jurisdictions for technology that we believe to be proprietary and for technology that offers us a potential competitive advantage for our products. We intend to continue to pursue such protection in the future. Our issued patents relate to various features of our medication and supply dispensing systems and our packaging systems. We cannot assure you that we will file any patent applications in the future, and that any of our patent applications will result in issued patents or that, if issued, such patents will provide significant protection for our technology and processes. As an example, in September 2014, an action was brought against us, to, among other matters, correct the inventorship of certain patents owned by us. For additional details, see Note 11, Contingencies, in this quarterly report. Furthermore, we cannot assure you that others will not develop technologies that are similar or superior to our technology or that others will not design around the patents we own. All of our system software is copyrighted and subject to the protection of applicable copyright laws. Despite our efforts to protect our proprietary

rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary, which could harm our competitive position.

Our quarterly operating results may fluctuate and may cause our stock price to decline.

Our quarterly operating results may vary in the future depending on many factors that include, but are not limited to, the following:

- our ability to successfully install our products on a timely basis and meet other contractual obligations necessary to recognize revenue;
- the size, product mix and timing of orders for our medication and supply dispensing systems, and our medication packaging systems, and their installation and integration;
- the overall demand for healthcare medication management and supply chain solutions;
- changes in pricing policies by us or our competitors;
- the number, timing and significance of product enhancements and new product announcements by us or our competitors;
- the timing and significance of any acquisition or business development transactions that we may consider or negotiate and the revenues, costs and earnings that may be associated with these transactions;
- the relative proportions of revenues we derive from products and services;
- fluctuations in the percentage of sales attributable to our international business;
- our customers' budget cycles;
- changes in our operating expenses and our ability to stabilize expenses;
- expenses incurred to remediate product quality or safety issues;
- our ability to generate cash from our accounts receivable on a timely basis;
- the performance of our products;
- changes in our business strategy;
- macroeconomic and political conditions, including fluctuations in interest rates, tax increases and availability of credit markets; and
- volatility in our stock price and its effect on equity-based compensation expense.

Due to all of these factors, our quarterly revenues and operating results are difficult to predict and may fluctuate, which in turn may cause the market price of our stock to decline.

If we are unable to maintain our relationships with group purchasing organizations or other similar organizations, we may have difficulty selling our products and services to customers represented by these organizations.

A number of group purchasing organizations, including Amerinet, Inc., Federal Supply Schedule, First Choice Management Services, Healthcare Purchasing Alliance, LLC, HealthTrust Purchasing Group, L.P., Magnet, MedAssets Performance Management Solutions, Novation LLC, Premier Healthcare Alliance, L.P. and Resource Optimization & Innovation, LLC have negotiated standard contracts for our products on behalf of their member healthcare organizations. Members of these group purchasing organizations may purchase under the terms of these contracts, which obligate us to pay the group purchasing organization a fee. We have also contracted with the United States General Services Administration, allowing the Department of Veteran Affairs, the Department of Defense and other Federal Government customers to purchase our products. These contracts enable us to more readily sell our products and services to customers represented by these organizations. Some of our contracts with these organizations are terminable at the convenience of either party. The loss of any of these relationships could impact the breadth of our customer base and could impair our ability to meet our revenue targets or increase our revenues. These organizations may not renew our contracts on similar terms, if at all, and they may choose to terminate our contracts before they expire, any of which could cause our revenues to decline.

If we are unable to maintain our relationships with major institutional pharmacies, we may experience a decline in the sales of blister cards and other consumables sold to these customers.

The institutional pharmacy market consists of significant national suppliers of medications to non-acute care facilities, smaller regional suppliers, and very small local suppliers. Although none of these customers comprised more than 10% of our total revenues for the three months ended March 31, 2015, they may, in some periods, comprise up to 16% of our consumables revenues. If these larger national suppliers were to purchase consumable blister card components from alternative sources, or if alternatives to blister cards were used for medication control, our revenues would decline.

Our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could cause our stock price to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm attesting to the effectiveness of internal control. If we fail to maintain effective internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting.

If the market price of our common stock continues to be highly volatile, the investment value of our common stock may decline.*

Our common stock traded between $30.71 and $35.44 per share during the three months ended March 31, 2015. The market price for shares of our common stock has been and may continue to be highly volatile. In addition, our announcements or external events may have a significant impact on the market price of our common stock. These announcements or external events may include:

- changes in our operating results;
- developments in our relationships with corporate customers;
- changes in the ratings of our common stock by securities analysts;
- announcements by us or our competitors of technological innovations or new products;
- announcements by us or our competitors of acquisitions of businesses, products or technologies; or
- general economic and market conditions.

Furthermore, the stock market as a whole from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for technology companies. These broad market fluctuations may cause the market price of our common stock to decline irrespective of our performance. In addition, sales of substantial amounts of our common stock in the public market could lower the market price of our common stock.

In addition, stockholders have initiated class action lawsuits against companies following periods of volatility in the market prices of these companies' stock. For example, on March 19, 2015, a putative class action lawsuit was filed against Omnicell and two of our executive officers (the "Defendants") in the U.S. District Court for the Northern District of California purporting to assert claims on behalf of a class of purchasers of Omnicell stock between May 2, 2014 and March 2, 2015. For additional information, see Note 11, Contingencies, in this quarterly report.

Circumstances may arise that could prevent the timely reporting of our financial information, which could harm our stock price and quotation on the NASDAQ Global Select Market.

On March 17, 2015, we announced that we were delaying the filing of our Annual Report on Form 10-K for the year ended December 31, 2014 beyond the automatic 15-day extension period permitted under the rules of the Securities and Exchange Commission because of the internal investigation that we commenced following receipt of a notice from an Omnicell employee on February 27, 2015 alleging, among other matters, the existence of a "side letter" arrangement with an Omnicell customer for certain discounts and Omnicell products that were to be provided at no cost, but which were not reflected in the final invoices paid by such customer.

Because we were unable to timely file this Annual Report on Form 10-K, on March 18, 2015, we received an expected written notification (the "Notice") from the NASDAQ OMX Group, Inc. ("Nasdaq") indicating that Omnicell was not in compliance with Nasdaq Listing Rule 5250(c)(1) for continued listing, due to the delay in filing our Annual Report on Form 10-K for the period ended December 31, 2014 beyond the extended filing due date. Under the Nasdaq continued listing rules, we had 60 calendar days from the date of the letter to either file this Annual Report on Form 10-K or submit a plan to regain compliance.

During the period between the date this Annual Report on Form 10-K was due and the date of this filing, our stock price experienced some volatility. We have concluded the investigation causing the delay of the filing of this Annual Report our Form 10-K for the year ended December 31, 2014. Even though the results of the investigation led the Company to determine that effective internal control over financial reporting was maintained in all material respects and that there are no changes required to be made to the Company's Consolidated Financial Statements, we cannot assure you that similar circumstances will not arise in the future that will cause us to delay the filing of our periodic financial reports, which could harm our stock price and, if such delay were to continue for a period of time, impact our continued listing on the NASDAQ Global Select Market.

We depend on a limited number of suppliers for our products and our business may suffer if we were required to change suppliers to obtain an adequate supply of components, equipment and raw materials on a timely basis.

Although we generally use parts and components for our products with a high degree of modularity, certain components are presently available only from a single source or limited sources. We rely on a limited number of suppliers for

the raw materials that are necessary in the production of our consumable medication packages. We have generally been able to obtain adequate supplies of all components and raw materials in a timely manner from existing sources, or where necessary, from alternative sources of supply. We engage multiple single source third-party manufacturers to build several of our sub-assemblies. The risk associated with changing to alternative vendors, if necessary, for any of the numerous components used to manufacture our products could limit our ability to manufacture our products and harm our business. Due to our reliance on a few single source partners to build our hardware sub-assemblies and on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages, a reduction or interruption in supply from our partners or suppliers, or a significant increase in the price of one or more components could have an adverse impact on our business, operating results and financial condition. In certain circumstances, the failure of any of our suppliers or us to perform adequately could result in quality control issues affecting end users' acceptance of our products. These impacts could damage customer relationships and could harm our business.

The conflict minerals provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act could result in additional costs and liabilities.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established new disclosure and reporting requirements for those companies that use "conflict minerals" mined from the Democratic Republic of Congo and adjoining countries, whether or not these products are manufactured by third parties. These new requirements could affect the sourcing of materials used in our products as well as the companies we use to manufacture our products. In circumstances where conflict minerals in our products are found to be sourced from the Democratic Republic of the Congo or surrounding countries, we may take actions to change materials or designs to reduce the possibility that our purchase of conflict minerals may fund armed groups in the region. These actions could add engineering and other costs to the manufacture of our products.

We expect to incur costs to design and implement a process to discover the origin of the tantalum, tin, tungsten and gold used in our products, including components we purchase from third parties, and to audit our conflict minerals disclosures. Our reputation may also suffer if we have included conflict minerals originating in the Democratic Republic of the Congo or surrounding countries in our products.

Our U.S. government lease agreements are subject to annual budget funding cycles and mandated unilateral changes, which may affect our ability to enter into such leases or to recognize revenue and sell receivables based on these leases.

U.S. government customers that lease our equipment typically sign contracts with five-year payment terms that are subject to one-year government budget funding cycles. Further, the government has in certain circumstances mandated unilateral changes in its Federal Supply Services contract that could render our lease terms with the government less attractive. In our judgment and based on our history with these accounts, we believe these receivables are collectible. However, in the future, the failure of any of our U.S. government customers to receive their annual funding, or the government mandating changes to the Federal Supply Services contract could impair our ability to sell lease equipment to these customers or to sell our U.S. government receivables to third-party leasing companies. In addition, the ability to collect payments on unsold receivables could be impaired and may result in a write-down of our unsold receivables from U.S. government customers. The balance of our unsold leases to U.S. government customers was $12.0 million as of March 31, 2015.

If we fail to manage our inventory properly, our revenue, gross margin and profitability could suffer.

Managing our inventory of components and finished products is a complex task. A number of factors, including, but not limited to, the need to maintain a significant inventory of certain components that are in short supply or that must be purchased in bulk to obtain favorable pricing, the general unpredictability of demand for specific products and customer requests for quick delivery schedules, may result in us maintaining large amounts of inventory. Other factors, including changes in market demand, customer requirements and technology, may cause our inventory to become obsolete. Any excess or obsolete inventory could result in inventory write-downs, which in turn could harm our business and results of operations.

Intellectual property claims against us could harm our competitive position, results of operations and financial condition.

We expect that developers of medication and supply dispensing systems and medication packaging systems, will be increasingly subject to infringement claims as the number of products and competitors in our industry grows and the functionality of products in different industry segments overlaps. In the future, third parties may claim that we have infringed upon their intellectual property rights with respect to current or future products. We do not carry special insurance that covers intellectual property infringement claims; however, such claims may be covered under our traditional insurance policies. These policies contain terms, conditions and exclusions that make recovery for intellectual property infringement claims difficult to guarantee. Any infringement claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management's attention and resources, cause product shipment delays or require us to enter into royalty or licensing

agreements. These royalty or licensing agreements, if required, may not be available on terms acceptable to us, or at all, which could harm our competitive position, results of operations and financial condition.

Our software products are complex and may contain defects, which could harm our reputation, results of operations and financial condition.

We market products that contain software and products that are software only. Although we perform extensive testing prior to releasing software products, these products may contain undetected errors or bugs when first released. These may not be discovered until the product has been used by customers in different application environments. Failure to discover product deficiencies or bugs could require design modifications to previously shipped products or cause delays in the installation of our products and unfavorable publicity or negatively impact system shipments, any of which could harm our business, financial condition and results of operations.

Product liability claims against us could harm our competitive position, results of operations and financial condition.

Our products provide medication management and supply chain management solutions for the healthcare industry. Despite the presence of healthcare professionals as intermediaries between our products and patients, if our products fail to provide accurate and timely information or operate as designed, customers, patients or their family members could assert claims against us for product liability. Moreover, failure of health-care facility employees to use our products for their intended purposes could result in product liability claims against us. Litigation with respect to product liability claims, regardless of any outcome, could result in substantial cost to us, divert management's attention from operations and decrease market acceptance of our products. We possess a variety of insurance policies that include coverage for general commercial liability and technology errors and omissions liability. We attempt to mitigate these risks through contractual terms negotiated with our customers. However, these policies and protective contractual terms may not be adequate against product liability claims. A successful claim brought against us, or any claim or product recall that results in negative publicity about us, could harm our competitive position, results of operations and financial condition. Also, in the event that any of our products is defective, we may be required to recall or redesign those products.

We are dependent on technologies provided by third-party vendors, the loss of which could negatively and materially affect our ability to market, sell, or distribute our products.

Some of our products incorporate technologies owned by third parties that are licensed to us for use, modification, and distribution. If we lose access to third-party technologies, or we lose the ongoing rights to modify and distribute these technologies with our products, we will have to devote resources to independently develop, maintain and support the technologies ourselves, pay increased license costs, or transition to another vendor. Any independent development, maintenance or support of these technologies by us or the transition to alternative technologies could be costly, time consuming and could delay our product releases and upgrade schedules. These factors could negatively and materially affect our ability to market, sell or distribute our products.

Complications in connection with our ongoing business information system upgrades, including those required to transition acquired entities onto information systems already utilized, and those implemented to adopt new accounting standards, may impact our results of operations, financial condition and cash flows.

We continue to upgrade our enterprise-level business information system with new capabilities and transition acquired entities onto information systems already utilized in the company. In 2014, we replaced legacy Enterprise Requirements Planning systems utilized in the acquired MTS business with systems currently in use in other parts of Omnicell. In 2015, we intend to replace the legacy enterprise Requirements Planning systems utilized in Surgichem with systems currently in use in other parts of Omnicell. Based upon the complexity of some of the upgrades, there is risk that we will not see the expected benefit from the implementation of these upgrades in accordance with their anticipated timeline and will incur costs in addition to those we have already planned for. In addition, in future years, we may need to begin efforts to comply with final converged accounting standards to be established by the FASB and the International Accounting Standards Board ("IASB") for revenues, leases and other components of our financial reporting. These new standards could require us to modify our accounting policies. We further anticipate that integration of these and possibly other new standards may require a substantial amount of management's time and attention and require integration with our enterprise resource planning system. The implementation of the system and the adoption of future new standards, in isolation as well as together, could result in operating inefficiencies and financial reporting delays, and could impact our ability to record certain business transactions timely. All of these potential results could adversely impact our results of operations, financial condition and cash flows.

Outstanding employee stock options have the potential to dilute stockholder value and cause our stock price to decline.

We grant stock options to certain of our employees as incentives to join Omnicell or as an on-going reward and retention vehicle. We had options outstanding to purchase approximately 2.7 million shares of our common stock, at a

weighted-average exercise price of $19.98 per share as of March 31, 2015. If some or all of these shares are sold into the public market over a short time period, the price of our common stock may decline, as the market may not be able to absorb those shares at the prevailing market prices. Such sales may also make it more difficult for us to sell equity securities in the future on terms that we deem acceptable.

Changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in the United States and other foreign jurisdictions. Our future effective tax rates could be affected by several factors, many of which are outside of our control, including: changes in the mix of earnings with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. We regularly assess the likelihood of adverse outcomes to determine the adequacy of our provision for taxes. We are also subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results.

Catastrophic events may disrupt our business and harm our operating results.

We rely on our network infrastructure, data centers, enterprise applications, and technology systems for the development, marketing, support and sales of our products, and for the internal operation of our business. These systems are susceptible to disruption or failure in the event of a major earthquake, fire, flood, cyber-attack, terrorist attack, telecommunications failure, or other catastrophic event. Many of these systems are housed or supported in or around our corporate headquarters located in Northern California, near major earthquake faults, and where a significant portion of our research and development activities and other critical business operations take place. Other critical systems, including our manufacturing facilities for our consumable medication packages, are housed in St. Petersburg, Florida in communities that have been subject to significant tropical storms. Disruptions to or the failure of any of these systems, and the resulting loss of critical data, which is not quickly recoverable by the effective execution of disaster recovery plans designed to reduce such disruption, could cause delays in our product development, prevent us from fulfilling our customers' orders, and could severely affect our ability to conduct normal business operations, the result of which would adversely affect our operating results.

Anti-takeover provisions in our charter documents and under Delaware law, and any stockholders' rights plan we may adopt in the future, make an acquisition of us, which may be beneficial to our stockholders, more difficult.

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our company more difficult, even if a change in control would be beneficial to the stockholders. Our anti-takeover provisions include provisions in our certificate of incorporation providing that stockholders' meetings may only be called by our Board of Directors and provisions in our bylaws providing that the stockholders may not take action by written consent and requiring that stockholders that desire to nominate any person for election to our Board of Directors or to make any proposal with respect to business to be conducted at a meeting of our stockholders be submitted in appropriate form to our Secretary within a specified period of time in advance of any such meeting. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, our Board of Directors approves the transaction. Our Board of Directors may use these provisions to prevent changes in the management and control of our company. Also, under applicable Delaware law, our board of directors may adopt additional anti-takeover measures in the future.

The stockholder rights plan adopted by our Board of Directors in February 2003 expired by its terms in February 2013. Our Board of Directors could adopt a similar plan in the future if it determines that such action is in the best interests of our stockholders. Such a plan may have the effect of discouraging, delaying or preventing a change in control of our company that may be beneficial to our stockholders.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock Repurchase Programs

We had no stock repurchase activity in the first quarter of 2015.

In August 2012, our Board of Directors authorized a program to repurchase up to $50.0 million of common stock beginning in 2012, of which approximately $45.1 million has been repurchased as of March 31, 2015. In November 2014, our Board of Directors authorized a program to repurchase up to $50.0 million of common stock. We expect to begin repurchasing shares under the 2014 Stock Repurchase Program upon the completion of the 2012 Stock Repurchase Program. Our stock repurchase programs do not obligate us to acquire any specific number of shares, and shares may be repurchased in privately negotiated and/or open market transactions, including plans complying with Rule 10b5-1 of the Exchange Act. Our stock repurchase programs have a total of $54.9 million remaining for future repurchases as of March 31, 2015, and neither program has an expiration date.

Refer to Note 13, Stock Repurchases, of the Notes to Condensed Consolidated Financial Statements in this quarterly report for information regarding our authorized Stock Repurchase Programs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The information required by this Item is set forth in the Exhibit Index that follows the signature page of this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OMNICELL, INC.

Date: May 8, 2015

By: /s/ ROBIN G. SEIM

Robin G. Seim,
Chief Financial Officer and Executive Vice President Finance,
International and Manufacturing

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated By Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Share Purchase Agreement, dated February 26, 2015, among Apotheka Imedisa 2001 S.A., Holger Wallat, Dirk Rolf Beils, Peter Jansen and Omnicell International, Inc.	8-K	000-33043	2.1	3/2/2015
3.1	Amended and Restated Certificate of Incorporation of Omnicell, Inc.	S-1	333-57024	3.1	3/14/2001
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Omnicell, Inc.	10-Q	000-33043	3.2	8/9/2010
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock	10-K	000-33043	3.2	3/28/2003
3.4	Bylaws of Omnicell, Inc., as amended	10-Q	000-33043	3.3	8/9/2007
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4				
4.2	Form of Common Stock Certificate	S-1	333-57024	4.1	3/14/2001
10.1*	2015 Executive Officer Annual Base Salaries	8-K	000-33043	10.1	2/2/2015
10.37	Agreement for Lease relating to Two Omega Drive, River Bend Technology Centre, Iram, dated January 14, 2015, between Omega Technologies Limited and MTS Medication Technologies Limited and Omnicell, Inc.	10-K	000-33043	10.37	3/30/2015
31.1+	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
31.2+	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
32.1+	Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350) (1)				
101.INS+	XBRL Instance Document				
101.SCH+	XBRL Taxonomy Extension Schema Document				
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB+	XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document				

+ Filed herewith.

(*) Indicates a management contract, compensation plan or arrangement.

(1) This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 31.1

CERTIFICATION

I, Randall A. Lipps, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omnicell, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2015

/s/ Randall A. Lipps

Randall A. Lipps

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Robin G. Seim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omnicell, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2015

/s/ Robin G. Seim

Robin G. Seim

Chief Financial Officer and Executive Vice President Finance, International and Manufacturing

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Randall A. Lipps, the President and Chief Executive Officer of Omnicell, Inc. (the "Company") and Robin G. Seim, the Chief Financial Officer and Executive Vice President Finance, International and Manufacturing of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015, to which this Certification is attached as Exhibit 32.1 ("the Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 8th day of May, 2015.

/s/ Randall A. Lipps	/s/ Robin G. Seim
Randall A. Lipps	Robin G. Seim
President and Chief Executive Officer	Chief Financial Officer and Executive Vice President Finance, International and Manufacturing

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Omnicell, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."