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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 September 30, 2016

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 October 28, 2016, there were 36,518,362 shares of the registrant's common stock, $0.001 par value, outstanding.

OMNICELL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OMNICELL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2016	December 31, 2015
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,287	$ 82,217
Accounts receivable, net of allowances for doubtful accounts of $1,218 and $1,240, respectively	177,019	107,957
Inventories	74,125	46,594
Prepaid expenses	29,620	19,586
Other current assets	9,016	7,774
Total current assets	337,067	264,128
Property and equipment, net	41,034	32,309
Long-term investment in sales-type leases, net	18,756	14,484
Goodwill	311,420	147,906
Intangible assets, net	187,571	89,665
Long-term deferred tax assets	2,955	2,361
Other long-term assets	32,612	27,894
Total assets	$ 931,415	$ 578,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 36,715	$ 22,646
Accrued compensation	27,117	18,195
Accrued liabilities	32,809	30,133
Long-term debt, net, current	8,410	—
Deferred revenue, net	93,120	53,656
Total current liabilities	198,171	124,630
Long-term deferred revenue	17,096	17,975
Long-term deferred tax liabilities	61,576	21,822
Other long-term liabilities	12,173	11,932
Long-term debt, net	214,834	—
Total liabilities	503,850	176,359
Commitments and contingencies (Notes 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000 shares authorized; no shares issued	—	—
Common stock, $0.001 par value, 100,000 shares authorized; 45,656 and 44,739 shares issued; 36,511 and 35,594 shares outstanding, respectively	46	45
Treasury stock at cost, 9,145 shares outstanding	(185,074)	(185,074)
Additional paid-in capital	520,272	490,354
Retained earnings	100,239	99,793
Accumulated other comprehensive loss	(7,918)	(2,730)
Total stockholders' equity	427,565	402,388
Total liabilities and stockholders' equity	$ 931,415	$ 578,747

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Revenues:				
Product	$ 133,621	$ 100,941	$ 392,190	$ 284,204
Services and other revenues	43,116	24,293	128,458	70,039
Total revenues	176,737	125,234	520,648	354,243
Cost of revenues:				
Cost of product revenues	76,188	51,700	224,412	143,319
Cost of services and other revenues	19,041	9,831	56,766	28,074
Total cost of revenues	95,229	61,531	281,178	171,393
Gross profit	81,508	63,703	239,470	182,850
Operating expenses:				
Research and development	15,264	9,176	42,896	25,941
Selling, general and administrative	61,316	40,668	189,912	123,690
Gain on business combination	—	—	—	(3,443)
Total operating expenses	76,580	49,844	232,808	146,188
Income from operations	4,928	13,859	6,662	36,662
Other income (expense), net	(2,721)	(646)	(6,773)	(1,635)
Income (loss) before provision for income taxes	2,207	13,213	(111)	35,027
Provision (benefit) for income taxes	224	5,177	(557)	11,922
Net income	$ 1,983	$ 8,036	$ 446	$ 23,105
Net income per share:				
Basic	$ 0.05	$ 0.22	$ 0.01	$ 0.64
Diluted	$ 0.05	$ 0.22	$ 0.01	$ 0.63
Weighted-average shares outstanding:				
Basic	36,332	35,806	36,020	35,983
Diluted	37,079	36,613	36,695	36,870

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Net income	$ 1,983	$ 8,036	$ 446	$ 23,105
Other comprehensive income, net of reclassification adjustments:				
Unrealized gains on interest rate swap contracts	108	—	108	—
Foreign currency translation adjustments	(502)	(1,555)	(5,296)	(127)
Other comprehensive loss	(394)	(1,555)	(5,188)	(127)
Comprehensive income (loss)	$ 1,589	$ 6,481	$ (4,742)	$ 22,978

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OMNICELL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended September 30,	
	2016	2015
	(In thousands)	
Operating Activities		
Net income	$ 446	$ 23,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,905	18,457
(Gain) loss on disposal of fixed assets	(9)	114
Gain on business combination	—	(3,443)
Share-based compensation expense	14,063	11,267
Income tax benefits from employee stock plans	1,256	3,838
Excess tax benefits from employee stock plans	(1,560)	(3,942)
Deferred income taxes	(4,767)	(2,235)
Amortization of debt financing fees	1,192	—
Changes in operating assets and liabilities:		
Accounts receivable	(25,802)	(25,590)
Inventories	(7,745)	(12,898)
Prepaid expenses	(5,782)	5,937
Other current assets	(89)	1,019
Investment in sales-type leases	(5,296)	(3,220)
Other long-term assets	1,153	247
Accounts payable	5,573	(127)
Accrued compensation	(687)	(5,003)
Accrued liabilities	(1,901)	4,608
Deferred revenue	12,819	(5,369)
Other long-term liabilities	(2,299)	(833)
Net cash provided by operating activities	24,470	5,932
Investing Activities		
Purchases of intangible assets, intellectual property, and patents	(1,311)	(331)
Software development for external use	(10,569)	(9,445)
Purchases of property and equipment	(10,005)	(6,081)
Business acquisitions, net of cash acquired	(271,458)	(25,455)
Net cash used in investing activities	(293,343)	(41,312)
Financing Activities		
Proceeds from debt, net	247,051	—
Repayment of debt and revolving credit facility	(25,000)	—
Payment for contingent consideration	(3,000)	—
Proceeds from issuances under stock-based compensation plans	16,516	15,665
Employees' taxes paid related to restricted stock units	(1,917)	(2,285)
Common stock repurchases	—	(50,021)
Excess tax benefits from employee stock plans	1,560	3,942
Net cash provided (used) by financing activities	235,210	(32,699)
Effect of exchange rate changes on cash and cash equivalents	(1,267)	(52)
Net decrease in cash and cash equivalents	(34,930)	(68,131)
Cash and cash equivalents at beginning of period	82,217	125,888
Cash and cash equivalents at end of period	$ 47,287	$ 57,757
Supplemental cash flow information		
Cash paid for interest	$ 4,079	$ 94

Cash paid for taxes, net of refunds	$	7,223	$	7,027
Supplemental disclosure of non-cash investing activities				
Unpaid purchases of property and equipment	$	948	$	554
Non-cash activity business acquisition	$	—	$	7,386

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

OMNICELL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Organization and 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 Europe. "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 September 30, 2016 and December 31, 2015, the results of its operations, comprehensive income (loss) and cash flows for the three and nine months ended September 30, 2016 and September 30, 2015. 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 the Company's annual report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 26, 2016. The Company's results of operations, comprehensive income (loss) and cash flows for the three and nine months ended September 30, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016, 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.

On January 5, 2016, the Company completed the acquisition of all of the membership interests of Aesynt Holding Coöperatief U.A. ("Aesynt"). The significant accounting policies of Aesynt have been aligned to conform to such accounting policies of Omnicell, and the consolidated financial statements include the results of operations of Aesynt commencing as of the acquisition date.

Certain prior year amounts for the provision for excess and obsolete inventories and provision for receivables allowance have been reclassified/combined with inventories and accounts receivable within net cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows to conform to 2016 presentation. These changes are not material and do not impact previously disclosed net cash provided by operating activities, net cash used in investing activities, and net cash used by financing activities.

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 the Company's 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. The Company's critical accounting policies are those that affect its financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, share-based compensation, inventory valuation, accounts receivable and notes receivable (investment in sales-type leases), capitalized software development costs, valuation of goodwill and purchased intangibles and long-lived assets, fair value of assets acquired and liabilities assumed in business combinations, and accounting for income taxes.

Segment reporting

The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. The CODM allocates resources and evaluates the performance of the Company's segments using information about its revenues, gross profit, and income from operations. Such evaluation excludes general corporate-level costs that are not specific to either of the reportable

segments and are managed separately at the corporate level. Corporate-level costs include expenses related to executive management, finance and accounting, human resources, legal, training and development, and certain administrative expenses.

The operating results of the acquired Aesynt business are included in the Company's Automation and Analytics reportable segment.

Interest rate swap agreements

During the second quarter of 2016, the Company entered into interest rate swap agreements. The interest rate swap agreements, at their inception, qualified for and were designated as cash flow hedging instruments. In accordance with the Derivatives and Hedging Topic of the Accounting Standards Codification ("ASC"), the Company records its interest rate swaps on its condensed consolidated balance sheet at fair value. The effective portion of changes in fair value are recorded in accumulated other comprehensive loss and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion is recognized in earnings. Both at inception and on a quarterly basis, the Company performs an effectiveness test. For further information regarding these interest rate swap agreements, please refer to Note 4, "Derivative Financial Instruments" below.

Recently adopted authoritative guidance

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-05-Intangibles-Goodwill and Other-Internal-Use Software-Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance on determining whether a cloud computing arrangement contains a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The Company adopted ASU 2015-05 on a prospective basis beginning on January 1, 2016. The impact of ASU 2015-05 did not have a material impact on the Company's consolidated financial position or results of operations for the three and nine months ended September 30, 2016.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. This ASU changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. It applies to entities that measure inventory using a method other than last-in, first-out (LIFO) and the retail inventory method (RIM). The guidance is effective for fiscal years beginning after December 15, 2016. The adoption of this accounting standard update did not have a material impact on the Company's consolidated financial position or results of operations for the three and nine months ended September 30, 2016.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires adjustments to provisional amounts that are identified during the measurement period of a business combination to be recognized in the reporting period in which the adjustment amounts are determined. An acquirer is no longer required to revise comparative information for prior periods as if the accounting for the business combination had been completed as of the acquisition date. The provisions of ASU 2015-16 are effective for reporting periods beginning after December 15, 2015. The adoption of this accounting standard update did not have a material impact on the Company's consolidated financial position or results of operations for the three and nine months ended September 30, 2016.

Recently issued authoritative guidance

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provision of ASU No. 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments are reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently in the process of evaluating the impact of the adoption of ASU 2016-09 on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU requires changes in the presentation of certain items including but not limited to debt prepayment or debt extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies and distributions received from equity method investees. The new guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and should be applied prospectively. Early adoption is

permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact ASU 2016-15 will have on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. Historically, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. This amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is currently evaluating the impact ASU 2016-16 will have on its consolidated financial statements.

There was no other recently issued and effective authoritative guidance that is expected to have a material impact on the Company's Condensed Consolidated Financial Statements through the reporting date.

Note 2. Business Acquisitions

2016 Acquisition

On January 5, 2016, the Company completed the acquisition of all of the membership interests of Aesynt pursuant to a securities purchase agreement by and among the Company and Aesynt Holding Coöperatief U.A. for total cash consideration of $271.5 million, net of cash on hand at signing of $8.2 million. Aesynt is a provider of automated medication management systems, including central pharmacy dispensing robots with storage solutions, medication storage and dispensing carts and cabinets, I.V. sterile preparation robotics and software, including software related to medication management.

The Company accounted for the purchase of Aesynt in accordance with the authoritative guidance on business combinations; therefore, the tangible and intangible assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The following table represents the preliminary estimated allocation of the purchase price to the assets acquired and the liabilities assumed by the Company, reconciled to the purchase price transferred included in the Company's Condensed Consolidated Balance Sheet:

	(In thousands)
Cash	$ 8,164
Accounts receivable	44,084
Inventory	19,690
Other current assets	4,381
Total current assets	76,319
Property and equipment	10,389
Intangible assets	123,700
Goodwill	166,334
Other non-current assets	968
Total assets	377,710
Current liabilities	26,132
Deferred revenue, net	25,598
Non-current deferred tax liabilities	43,927
Other non-current liabilities	2,431
Total liabilities	98,088
Total purchase price	279,622
Total purchase price, net of cash received	$ 271,458

The goodwill arising from this acquisition is primarily attributed to sales of future products and services and the assembled workforce of Aesynt. The Aesynt acquisition created one of the broadest product portfolio in the industry with significant offerings in automated dispensing systems, central pharmacy robotics, I.V. robotics and enterprise analytics. Goodwill has been assigned to the Automation & Analytics segment and is not deductible for tax purposes. Goodwill is not

being amortized but is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with authoritative guidance. Since the acquisition, the Company adjusted the preliminary value assigned to goodwill by $1.5 million to reflect measurement period adjustments related to account receivable, inventory and current liabilities of $0.8 million, $0.4 million and $0.3 million respectively.

Identifiable intangible assets (preliminary) acquired and their respective estimated remaining useful lives over which each asset will be amortized areas are as follows:

	Fair value	Weighted average useful life
	(In thousands)	(In years)
Customer relationships	$ 58,200	14-16
Developed technology	38,800	8
Backlog	20,200	1-3
In-process research and development ("IPR&D") (1)	3,900	-
Non-compete	1,800	3
Trade names	800	1
Total purchased intangible assets	$ 123,700	

(1) The amortization of the in-process R&D assets begin when the in-process R&D projects are complete.

Customer relationships represent the fair value of the underlying relationships and agreements with Aesynt's customers, acquired developed technology represents the fair value of Aesynt products that have reached technological feasibility and were part of Aesynt's product offerings at the date of acquisition, backlog represents the fair value of sales order backlog at the date of acquisition, non-compete intangible asset represents the fair value of non-compete agreements with former key members of Aesynt's management, and trade name represents the fair value of brand and name recognition associated with the marketing of Aesynt's products and services. In-process research and development ("IPR&D") represents the fair value of incomplete Aesynt research and development projects that had not reached technological feasibility as of the date of acquisition. Incremental costs incurred for those projects are expensed as incurred in research and development.

The fair value of trade names, acquired developed technology, and acquired IPR&D was determined based on an income approach using the relief-from-royalty method at the royalty rates of 0.5%, 4% to 8% and 12.5%, respectively. The fair value of customer relationships, backlog, and non-compete intangible assets were determined based on an income approach using the discounted cash flow method, at the discounted rates of 13%, 10% and 13%, respectively. The intangible assets, except customer relationship and IPR&D, are being amortized over their estimated useful lives using the straight line method of amortization. The customer relationship intangible asset is being amortized using a double-declining method of amortization as such method better represents the economic benefits to be obtained. In accordance with authoritative guidance, the IPR&D is accounted for as an indefinite-lived intangible asset until completion or abandonment of the associated research and development efforts. IPR&D is tested for impairment during the period it is considered an indefinite lived asset. IPR&D related projects are expected to be completed in two to three years. As of September 30, 2016, none of the IPR&D projects have been completed, and they have progressed as previously estimated.

The Company incurred approximately $9.3 million in acquisition-related costs related to the Aesynt acquisition of which $2.9 million and $6.4 million was recognized in three and nine months ended December 31, 2015 and September 30, 2016, respectively. These costs are included in selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations.

Revenues and losses from operations since the acquisition date through September 30, 2016 for Aesynt were $119.9 million and $(30.6) million, respectively. Losses from operations includes the amortization of intangible assets of $20.9 million for the period presented.

Pro forma financial information for 2016 and 2015 acquisitions

The following table presents certain unaudited pro forma information for illustrative purposes only, for the nine months ended September 30, 2016 and 2015 as if Aesynt had been acquired on January 1, 2015. The pro forma information is not indicative of what would have occurred had the acquisitions taken place on January 1, 2015. The unaudited pro forma information combines the historical results of the acquisitions with the Company's consolidated historical results and includes certain adjustments reflecting the estimated impact of fair value adjustments for the respective periods. The pro forma adjustments include the impact of fair value adjustment related to deferred revenue, inventory fair value adjustment,

amortization of intangible assets, stock-based compensation expense, interest expense and amortization of deferred issuance cost, and certain classification to conform to Omnicell's accounting policies.

	Nine months ended September 30,	
	2016	2015
	(In thousands, except per share data)	
Pro forma net revenues	$ 520,648	$ 492,753
Pro forma net income	$ 446	$ 2,485
Pro forma net income per share basic	$ 0.01	$ 0.07
Pro forma net income per share diluted	$ 0.01	$ 0.07

Note 3. 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. Diluted net income per share is computed by dividing net income for the period by the weighted-average number of shares, less shares repurchased, 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. The anti-dilutive weighted-average dilutive shares related to stock award plans are excluded from the computation of the diluted net loss per share because their effect would have been anti-dilutive.

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income	$ 1,983	$ 8,036	$ 446	$ 23,105
Weighted-average shares outstanding — basic	36,332	35,806	36,020	35,983
Effect of dilutive securities from stock award plans	747	807	675	887
Weighted-average shares outstanding — diluted	$ 37,079	$ 36,613	$ 36,695	$ 36,870
Net income per share — basic	$ 0.05	$ 0.22	$ 0.01	$ 0.64
Net income per share — diluted	$ 0.05	$ 0.22	$ 0.01	$ 0.63
Anti-dilutive weighted-average shares related to stock award plans	326	478	1,255	380

Note 4. Cash and Cash Equivalents and Fair Value of Financial Instruments

Cash and cash equivalents as of September 30, 2016 and December 31, 2015 include cash and money market funds, which have original maturities of three months or less. Due to the short duration to maturity, the carrying value of such financial instruments approximates the estimated fair value.

The cash and cash equivalents at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
	(In thousands)	
Cash	$ 37,154	$ 72,103
Money market fund	10,133	10,114
Total cash and cash equivalents	$ 47,287	$ 82,217

Fair value hierarchy

The Company measures its financial instruments at fair value. The Company's cash equivalents are classified within Level 1 of the fair value hierarchy as they are valued primarily using quoted market prices utilizing market observable inputs. The Company's foreign currency contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. The Company's contingent consideration liability is classified as Level 3 as valuation inputs are unobservable in the market and significant to the instrument's valuation. During the nine months ended September 30, 2016, the Company paid $3.0 million for contingent consideration and recorded $0.1 million for accrued interest.

The following table represents the fair value hierarchy of the Company's financial assets and financial liabilities measured at fair value as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
	(In thousands)			
Money market fund	$ 10,133	$ —	$ —	$ 10,133
Interest rate swap contracts	—	108	—	108
Total financial assets	$ 10,133	$ 108	$ —	$ 10,241
Contingent consideration liability[1]	$ —	$ —	$ 2,959	$ 2,959
Total financial liabilities	$ —	$ —	$ 2,959	$ 2,959

[1] The significant unobservable inputs used in the fair value measurement of the contingent consideration related to the Avantec acquisition classified as Level 3 above are the achievement of booking targets and the discount rate.

The following table represents the fair value hierarchy of the Company's financial assets and financial liabilities measured at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
	(In thousands)			
Money market fund	$ 10,114	$ —	$ —	$ 10,114
Forward contracts	—	32	—	32
Total financial assets	$ 10,114	$ 32	$ —	$ 10,146
Contingent consideration liability[1]	$ —	$ —	$ 5,823	$ 5,823
Total financial liabilities	$ —	$ —	$ 5,823	$ 5,823

[1] The significant unobservable inputs used in the fair value measurement of the contingent consideration classified as Level 3 above are the achievement of booking targets and the discount rate.

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

Interest Rate Swap Contracts

The Company uses interest rate swap agreement to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company's interest rate swaps, which are designated as cash flow hedges, involve the receipt of variable amounts from counterparties in exchange for the Company making fixed-rate payments over the life of the agreements. The Company does not hold or issue any derivative financial instruments for speculative trading purposes.

During 2016, the Company entered into an interest rate swap agreement with a combined notional amount of $100.0 million with one counter-party that is effective beginning on June 30, 2016 and maturing on April 30, 2019. The swap agreement requires the Company to pay a fixed rate of 0.8% and provides that the Company will receive a variable rate based on the one month LIBOR rate subject to LIBOR floor of 0.0%. Amounts payable by or due to the Company will be net settled with the respective counter-party on the last business day of each month, commencing July 31, 2016.

The fair value of the interest rate swap agreements at September 30, 2016 were $0.1 million and there were no amounts reclassified into current earnings due to ineffectiveness during the periods presented.

Note 5. Balance Sheet Components

	September 30, 2016	December 31, 2015
	(In thousands)	
Inventories:		
Raw materials	$ 14,734	$ 11,582
Work in process	9,332	1,653
Finished goods	50,059	33,359
Total inventories	$ 74,125	$ 46,594
Property and equipment:		
Equipment	$ 57,541	$ 43,533
Furniture and fixtures	6,296	5,897
Leasehold improvements	9,531	9,063
Software	34,144	30,693
Construction in progress	7,469	3,651
Property and equipment, gross	114,981	92,837
Accumulated depreciation and amortization	(73,947)	(60,528)
Total property and equipment, net	$ 41,034	$ 32,309
Other long term assets:		
Capitalized software, net	$ 31,219	$ 26,011
Other assets	1,393	1,883
Total other long term assets, net	$ 32,612	$ 27,894
Accrued liabilities:		
Advance payments from customers	$ 5,855	$ 8,327
Rebates and lease buyouts	4,577	4,702
Group purchasing organization fees	3,310	2,983
Taxes payable	4,057	2,768
Other accrued liabilities	15,010	11,353
Total accrued liabilities	$ 32,809	$ 30,133

Note 6. Investment in Sales-Type Leases, Net

On a recurring basis, we enter into sales-type lease transactions which vary in length from one to five years. The receivables as a result of these types of transactions are collateralized by the underlying equipment leased and consist of the following components at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
	(In thousands)	
Minimum lease payments to be received, net	$ 29,030	$ 22,255
Less: Unearned interest income portion	(2,443)	(1,014)
Investment in sales-type leases, net	26,587	21,241
Less: Short-term investment in sales-type leases, net[1]	(7,831)	(6,757)
Long-term investment in sales-type leases, net	$ 18,756	$ 14,484

(1) The short-term portion of the net investments in sales-type leases are included in Other current assets on the Condensed Consolidated Balance Sheets.

The Company evaluates its sales-type leases individually and collectively for impairment. The allowance for credit losses were $0.3 million and $0.2 million as of September 30, 2016 and of December 31, 2015, respectively.

At September 30, 2016, the future minimum lease payments under sales-type leases are as follows:

	September 30, 2016
	(In thousands)
Remaining three months of 2016	$ 2,478
2017	8,350
2018	6,877
2019	5,214
2020	3,277
Thereafter	2,834
Total	$ 29,030

Note 7. Goodwill and Intangible Assets

Goodwill

The following table represents changes in the carrying amount of goodwill:

	Automation and Analytics	Medication Adherence	Total
	(In thousands)		
Net balance as of December 31, 2015	$ 54,316	$ 93,590	$ 147,906
Goodwill acquired	166,334	—	166,334
Foreign currency exchange rate fluctuations	(1,496)	(1,324)	(2,820)
Net balance as of September 30, 2016	$ 219,154	$ 92,266	$ 311,420

Intangible assets, net

The carrying amounts of intangibles assets as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016				
	Gross carrying amount	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 124,636	$ (17,833)	$ (140)	$ 106,663	1 - 30
Acquired technology	70,150	(11,405)	33	58,778	3 - 20
Backlog	20,559	(10,605)	(1)	9,953	1 - 3
Trade names	8,558	(3,478)	7	5,087	1 - 12
Patents	2,279	(439)	—	1,840	2 - 20
Non-compete agreements	1,800	(450)	—	1,350	3
In-process Technology	3,900	—	—	3,900	
Total intangibles assets, net	$ 231,882	$ (44,210)	$ (101)	$ 187,571	

	December 31, 2015				
	Gross carrying amount	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 69,554	$ (11,315)	$ (719)	$ 57,520	5 - 30
Acquired technology	30,870	(6,088)	59	24,841	3 - 20
Trade names	8,052	(2,551)	(14)	5,487	1 - 12
Patents	1,960	(384)	—	1,576	2 - 20
Backlog	415	(163)	(11)	241	2
Total intangibles assets, net	$ 110,851	$ (20,501)	$ (685)	$ 89,665	

Amortization expense of intangible assets was $8.9 million and $2.0 million for the three months ended September 30, 2016 and September 30, 2015, respectively. Amortization expense of intangible assets was $27.2 million and $5.1 million for the nine months ended September 30, 2016 and September 30, 2015, respectively.

The estimated future amortization expenses for amortizable intangible assets are as follows:

	September 30, 2016
	(In thousands)
Remaining three months of 2016	$ 8,869
2017	22,756
2018	21,164
2019	16,093
2020	15,095
Thereafter	103,594
Total	$ 187,571

Note 8. Debt

On January 5, 2016, the Company entered into a $400 million senior secured credit facility pursuant to a credit agreement, by and among the Company, the lenders from time to time party thereto, Wells Fargo Securities, LLC, as Sole Lead Arranger and Wells Fargo Bank, National Association, as administrative agent (the "Credit Agreement"). The Credit Agreement provides for (a) a five-year revolving credit facility of $200 million (the "Revolving Credit Facility") and (b) a five-year $200 million term loan facility (the "Term Loan Facility" and together with the Revolving Credit Facility, the "Facilities"). In addition, the Credit Agreement includes a letter of credit sub-limit of up to $10 million and a swing line loan sub-limit of up to $10 million. The Credit Agreement expires on January 5, 2021, upon which date all remaining outstanding borrowings are due and payable.

Loans under the Facilities bear interest, at the Company's option, at a rate equal to either (a) the LIBOR Rate, plus an applicable margin ranging from 1.50% to 2.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement), or (b) 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 an applicable margin ranging from 0.50% to 1.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the 2016 Credit Agreement). Undrawn commitments under the Revolving Credit Facility will be subject to a commitment fee ranging from 0.20% to 0.35% per annum based on the Company's Consolidated Total Net Leverage Ratio on the average daily unused portion of the Revolving Credit Facility. A letter of credit participation fee ranging from 1.50% to 2.25% per annum based on the Company's Consolidated Total Net Leverage Ratio will accrue on the average daily amount of letter of credit exposure.

The Company is permitted to make voluntary prepayments at any time without payment of a premium or penalty, except for any amounts relating to the LIBOR breakage indemnity described in the Credit Agreement. The Company is required to make mandatory prepayments under the Term Loan Facility with (a) net cash proceeds from any issuances of debt (other than certain permitted debt) and (b) net cash proceeds from certain asset dispositions (other than certain asset dispositions) and insurance and condemnation events (subject to reinvestment rights and certain other exceptions). Loans under the Term Loan Facility will amortize in quarterly installments, equal to 5% per annum of the original principal amount thereof during the first two years, which shall increase to 10% per annum during the third and fourth years, and 15% per annum during

the fifth year, with the remaining balance payable on January 5, 2021. The Company is required to make mandatory prepayments under the Revolving Credit Facility if at any time the aggregate outstanding principal amount of loans together with the total amount of outstanding letters of credit exceeds the aggregate commitments, with such mandatory prepayment to be equal to the amount of such excess.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions. The Credit Agreement contains financial covenants that require the Company and its subsidiaries to not exceed a maximum consolidated total leverage ratio and maintain a minimum fixed charge coverage ratio. The Company's obligations under the Credit Agreement and any swap obligations and banking services obligations owing to a lender (or an affiliate of a lender) are guaranteed by certain of its domestic subsidiaries and secured by substantially all of its and the subsidiary guarantors' assets. In connection with entering into the Credit Agreement, and as a condition precedent to borrowing loans thereunder, the Company and certain of the Company's other direct and indirect subsidiaries have entered into certain ancillary agreements, including, but not limited to, a collateral agreement and subsidiary guaranty agreement. The Company was in full compliance with all covenants as of September 30, 2016.

On January 5, 2016, the Company borrowed the full $200 million under the Term Loan Facility and $55 million under the Revolving Credit Facility to complete the Aesynt acquisition and pay related fees and expenses. In connection with these Facilities, the Company incurred $7.9 million of debt issuance costs. The debt issuance costs were capitalized and presented as a direct deduction from the carrying amount of that debt liability in accordance with the accounting guidance. The debt issuance costs are being amortized to interest expense using the straight line method from issuance date through 2021.

The components of the Company's debt obligations as of September 30, 2016 and December 31, 2015 are as follows:

	December 31, 2015	Borrowings	Repayment/Amortization	September 30, 2016
		(In thousands)		
Term loan facility	$ —	$ 200,000	$ (5,000)	$ 195,000
Revolving credit facility	—	55,000	(20,000)	35,000
Total debt under the facilities[1]	—	255,000	(25,000)	230,000
Less: Deferred issuance cost	—	(7,949)	1,193	(6,756)
Total Debt, net of deferred issuance cost	$ —	$ 247,051	$ (23,807)	223,244
Long term debt, current portion, net of deferred issuance cost				8,410
Long term debt, net of deferred issuance cost				$ 214,834

[1] The fair value of total debt under the facilities approximates the book value as of September 30, 2016.

Note 9. Deferred revenue

Short-term deferred revenue includes deferred revenue from product sales and service contracts, net of deferred cost of sales of $17.9 million and $15.7 million as of September 30, 2016 and December 31, 2015, respectively. The short-term deferred revenues from product sales relate to the delivered and invoiced products, pending installation and acceptance, expected to occur within the next twelve months.

Long-term deferred revenue includes deferred revenue from the service contracts of $17.1 million and $18.0 million, as of September 30, 2016 and December 31, 2015, respectively.

Note 10. Commitments and Contingencies

Lease commitments

The Company leases office space and office equipment under operating leases. Commitments under operating leases primarily relate to leasehold property and office equipment. At September 30, 2016, the minimum future payments on non-cancelable operating leases were as follows:

		(In thousands)
Remaining three months of 2016	$	2,749
2017		10,755
2018		10,379
2019		10,127
2020		6,459
Thereafter		11,086
Total minimum future lease payments	$	51,555

Purchase obligations

During the course of the business, the Company issues purchase orders based on its current manufacturing needs. At September 30, 2016, the Company had non-cancelable purchase commitments of $41.0 million, which are expected to be paid within the next twelve months.

Legal Proceedings

The Company is currently involved in various legal proceedings. As required under ASC 450, *Contingencies*, the Company accrues for contingencies when it believes that a loss is probable and that it can reasonably estimate the amount of any such loss. The Company has not recorded any accrual for contingent liabilities associated with the legal proceedings described below based on its belief that any potential loss, while reasonably possible, is not probable. Further, any possible range of loss in any current matters cannot be reasonably estimated at this time. The Company believes that it has valid defenses with respect to legal proceedings pending against it. 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.

The Company's legal proceeding as of September 30, 2016 was as follows:

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 the Company, as well as related state-law claims against the Company 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, the Company filed a Motion to Dismiss the Action. On March 24, 2015, the Court issued an Order granting in part and denying in part the Motion to Dismiss. Specifically, the Court granted the Company'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). Following an initial Case Management Conference on April 22, 2015, the Court ordered the parties to conduct limited discovery and actively discuss settlement options. On May 17, 2016 the parties reached a settlement agreement in which MV Circuit would dismiss the remaining claims and Omnicell would assign certain patents related to mobile medical cart to MV Circuit. Omnicell has retained or secured all rights to continue to develop, manufacture, produce, market, license and sell all of its mobile cart product lines, including our SavvyTM mobile medication

workstation. On June 1, 2016, the Court dismissed the case with prejudice.

Note 11. Income Taxes

The Company provides 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 43.5% and 39.3% for the nine months ended September 30, 2016 and 2015, respectively. The 2016 annual effective tax rate differed from the statutory rate of 35% 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 and the Federal Research & Development credit, which was permanently reinstated on December 18, 2015. The 2015 annual effective tax rate differed from the statutory rate of 35% 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.

For the nine months ended September 30, 2015, the Company had recorded a gain of $3.4 million attributable to the increase in the fair value of Omnicell's 15% minority interest in Avantec which was revalued in conjunction with our purchase of the remaining 85% of Avantec shares. This gain was treated as a discrete item and excluded from profit-before-tax in calculating the annual effective tax rate for the nine months ended September 30, 2015.

As of September 30, 2016 and December 31, 2015, the Company had gross unrecognized tax benefits of $10.2 million and $7.2 million, respectively. The increase is largely due to unrecognized tax benefits recorded as part of the acquisition of Aesynt. It is the Company's policy to classify accrued interest and penalties as part of the unrecognized tax benefits, but to record interest and penalties in operating expense. As of September 30, 2016 and December 31, 2015, the amount of accrued interest and penalties was $1.3 million and $0.2 million, respectively. The increase is attributable to the interest related to Aesynt's reserves.

As of September 30, 2016, calendar years 2011 and thereafter are open and subject to potential examination in one or more jurisdictions. However, because all of the net operating loss and research credit carryforwards that may be used in future years are subject to adjustment, if and when utilized, the Company's federal and California tax years remain open from 1996 and 1992, respectively. The Company is currently under examination by the Internal Revenue Service for the 2011 through 2014 tax years.

Although the Company believes it has adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. It is not possible at this time to reasonably estimate changes in the unrecognized tax benefits within the next twelve months.

Note 12. Employee Benefits and Share-Based Compensation

Stock based plans

For a detailed explanation of the Company's stock plans and subsequent changes, please refer to Note 11, Employee Benefits and Stock-Based Compensation, of its Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016.

Share-based compensation expense

The following table sets forth the total share-based compensation expense recognized in the Company's Condensed Consolidated Statements of Operations:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(In thousands)			
Cost of product and service revenues	$ 628	$ 581	$ 1,821	$ 1,630
Research and development	825	587	2,267	1,472
Selling, general and administrative	3,224	2,798	9,975	8,165
Total share-based compensation expense	$ 4,677	$ 3,966	$ 14,063	$ 11,267

The following weighted average assumptions are used to value stock options and Employee Stock Purchase Plan ("ESPP") shares issued pursuant to the Company's equity incentive plans for the three and nine months ended September 30, 2016 and September 30, 2015:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Stock Option Plans				
Expected life, years	4.92	5.04	4.92	5.04
Expected volatility, %	30.0%	29.3%	31.4%	31.1%
Risk free interest rate, %	1.21%	1.73%	1.34%	1.63%
Estimated forfeiture rate %	8.6%	2.5%	8.6%	2.5%
Dividend yield, %	—%	—%	—%	—%

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Employee Stock Purchase Plan				
Expected life, years	0.5-2.0	0.5-2.0	0.5-2.0	0.5-2.0
Expected volatility, %	25.8-34.8%	25.8-34.4%	25.8-34.8%	25.8-37.5%
Risk free interest rate, %	0.41-0.79%	0.12-0.79%	0.34-0.79%	0.03-0.79%
Dividend yield, %	—%	—%	—%	—%

Stock options activity

The following table summarizes the share option activity under the Company's equity incentive plans during the nine months ended September 30, 2016:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value[(1)]
	(In thousands, except per share data)			
Stock Options				
Outstanding at December 31, 2015	2,688	$ 22.89	6.9	
Granted	512	29.25		
Exercised	(352)	19.24		
Expired	(5)	28.75		
Forfeited	(100)	29.74		
Outstanding at September 30, 2016	2,743	$ 24.30	7.0	$ 38,482
Exercisable at September 30, 2016	1,368	$ 19.36	5.2	$ 25,929
Vested and expected to vest at September 30, 2016 and thereafter	2,597	$ 23.99	6.9	$ 37,230

The weighted-average fair value per share of options granted during the three and nine months ended September 30, 2016, was $10.32 and $8.82, respectively, and the weighted-average fair value per share of options granted during the three and nine months ended September 30, 2015 was $10.51 and $10.57, respectively. The intrinsic value of options exercised during the three and nine months ended September 30, 2016 was $2.1 million and $5.0 million, respectively. The intrinsic value of options exercised during the three and nine months ended September 30, 2015 was $3.1 million and $9.7 million, respectively.

As of September 30, 2016, total unrecognized compensation cost related to unvested stock options was $10.1 million, which is expected to be recognized over a weighted-average vesting period of 2.8 years.

Restricted stock activity

The following table summarizes the restricted stock activity under the Company's equity incentive plans during the nine months ended September 30, 2016:

	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 ("RSUs")				
Outstanding at December 31, 2015	417	$ 28.49	1.6	
Granted	121	29.19		
Vested	(106)	26.80		
Forfeited	(19)	27.85		
Outstanding and unvested at September 30, 2016	413	$ 29.16	1.3	$ 15,812

The weighted-average grant date fair value per share of RSU granted during the nine months ended September 30, 2016 and September 30, 2015 was $29.19 and $34.72, respectively.

As of September 30, 2016, total unrecognized compensation expense related to RSUs was $9.2 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 ("RSAs")		
Outstanding at December 31, 2015	31	$ 35.97
Granted	35	31.59
Vested	(31)	36.03
Forfeited	—	—
Outstanding and unvested at September 30, 2016	35	$ 31.56

As of September 30, 2016, total unrecognized compensation cost related to RSAs was $0.6 million, which is expected to be recognized over the remaining weighted-average vesting period of 0.66 years.

Performance-based restricted stock unit activity

The following table summarizes the performance-based restricted stock activity under the Company's equity incentive plans during the nine months ended September 30, 2016:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Unit
	(In thousands, except per share data)	
Performance-based Restricted Stock Units ("PSUs")		
Outstanding at December 31, 2015	151	$ 23.33
Granted	122	24.66
Vested	(52)	23.04
Forfeited	—	—
Outstanding and unvested at September 30, 2016	221	$ 24.13

The weighted-average grant date fair value per share of PSUs granted during the nine months ended September 30, 2016 and September 30, 2015 was $24.66 and $29.56, respectively. As of September 30, 2016, total unrecognized compensation cost related to PSUs was $2.1 million, which is expected to be recognized over the remaining weighted-average period of 1.2 years.

Employee Stock Purchase Plan activity

As of September 30, 2016, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately $5.2 million and is expected to be recognized over a weighted-average period of 2.0 years.

Summary of shares reserved for future issuance under equity incentive plans

The Company had the following ordinary shares reserved for future issuance under its equity incentive plans as of September 30, 2016:

	Number of Shares (In thousands)
Share options outstanding	2,743
Non-vested restricted share awards	668
Shares authorized for future issuance	2,831
ESPP shares available for future issuance	2,831
Total shares reserved for future issuance	9,073

Stock Repurchase Program

On August 2, 2016, the Board of Directors (the "Board") of (the “Company”) authorized a stock repurchase program providing for the repurchase of up to $50.0 million of the Company’s common stock (the “2016 Repurchase Program”). The 2016 Repurchase Program is in addition to the stock repurchase program approved by the Board on November 4, 2014 (the “2014 Repurchase Program”). As of September 30, 2016, the maximum dollar value of shares that may yet be purchased under the two repurchase programs was $54.9 million.

The timing, price and volume of repurchases are to be based on market conditions, relevant securities laws and other factors. The stock repurchases may be made from time to time on the open market, in privately negotiated transactions or pursuant to a Rule 10b-18 plan, subject to the terms and conditions of that certain Credit Agreement, dated as of January 5, 2016, among the Company, the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent. The stock repurchase program does not obligate the Company to repurchase any specific number of shares, and the Company may terminate or suspend the repurchase program at any time.

During the three and nine months period ended September 30, 2016, the Company did not repurchase any of its outstanding common stock. The Company repurchased approximately1,424 thousand shares under its stock repurchase programs for $50.02 million during the nine months ended September 30, 2015.

Note 13. Segment Information

The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. The CODM allocates resources and evaluates the performance of the Company's segments using information about its revenues, gross profit, and income from operations. Such evaluation excludes general corporate-level costs that are not specific to either of the reportable segments and are managed separately at the corporate level. Corporate-level costs include expenses related to executive management, finance and accounting, human resources, legal, training and development, and certain administrative expenses. The two operating segments, which are the same as the Company's two reportable 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. The Automation and Analytics products are designed to enable the Company's 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, the Company's systems can be tailored to specific customer needs. The financial results of Aesynt acquired in the first quarter of 2016 are included in the Automation and Analytics segment.

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, which 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.

The following table summarizes the financial performance of the Company's reportable segments, including a reconciliation of income from segment operations to income from total operations:

	Three months ended					
	September 30, 2016			September 30, 2015		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
	(In thousands)					
Revenues	$ 152,437	$ 24,300	$ 176,737	$ 102,967	$ 22,267	$ 125,234
Cost of revenues	77,828	17,401	95,229	45,668	15,863	61,531
Gross profit	74,609	6,899	81,508	57,299	6,404	63,703
Operating expenses	49,123	6,137	55,260	30,628	6,070	36,698
Income from segment operations	$ 25,486	$ 762	$ 26,248	$ 26,671	$ 334	$ 27,005
Corporate costs			21,320			13,146
Income from operations			$ 4,928			$ 13,859

	Nine months ended					
	September 30, 2016			September 30, 2015		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
	(In thousands)					
Revenues	$ 450,043	$ 70,605	$ 520,648	$ 284,447	$ 69,796	$ 354,243
Cost of revenues	233,401	47,777	281,178	123,923	47,470	171,393
Gross profit	216,642	22,828	239,470	160,524	22,326	182,850
Operating expenses	151,108	17,518	168,626	85,195	18,321	103,516
Income from segment operations	$ 65,534	$ 5,310	$ 70,844	$ 75,329	$ 4,005	$ 79,334
Corporate costs			64,182			42,672
Income from operations			$ 6,662			$ 36,662

Significant customers

There were no customers that accounted for more than 10% of our total revenues for the three and nine months ended September 30, 2016 and September 30, 2015.

Geographical Information

Revenues

	Three months ended	
	September 30, 2016	September 30, 2015
	(In thousands)	
United States	$ 155,989	103,944
Rest of world [1]	20,748	21,290
Total revenues	$ 176,737	$ 125,234

	Nine months ended	
	September 30, 2016	September 30, 2015
	(In thousands)	
United States	$ 445,470	$ 297,564
Rest of world [1]	75,178	56,679
Total revenues	$ 520,648	$ 354,243

[1] No individual country represented more than 10% of the respective totals.

Property and equipment, net

	September 30, 2016	December 31, 2015
	(In thousands)	
United States	$ 36,017	$ 29,506
Rest of world [1]	5,017	2,803
Total property and equipment, net	$ 41,034	$ 32,309

[1] No individual country represented more than 10% of the respective totals.

Property and equipment, net is attributed to the geographic location in which it is located.

Note 14. Restructuring Expenses

In second quarter of 2016, the Company integrated its Sales and Field organizations in North America to better serve its customers which resulted in a reduction in headcount of 36 employees. Accordingly, the Company incurred approximately $1.7 million of restructuring expenses in the nine months ended September 30, 2016, based on agreements with terminated employees covering salary and benefit continuation. As of September 30, 2016 the restructuring program has been concluded. The Company had paid approximately $0.5 million and $1.7 million for the three months and nine months ended September 30, 2016, respectively.

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 within the meaning of Section 27A of the United States Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Statements other than statements of historical facts are forward-looking statements and 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;*
- *the extent and timing of future revenues, including the amounts of our current backlog;*
- *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. Over 4,000 customers worldwide use Omnicell automation and analytics solutions to increase operational efficiency, reduce medication errors, deliver actionable intelligence and improve patient safety. The acquisition of Aesynt adds distinct capabilities, particularly in central pharmacy and IV robotics, creating the broadest medication management product portfolio in the industry.

Omnicell Medication Adherence solutions, including our MTS Medication Technologies, SureMed and Surgichem brands, provide innovative medication adherence packaging solutions designed to help reduce costly hospital readmissions. In addition, these solutions help enable approximately 17,000 institutional and retail pharmacies in North America and the United Kingdom 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 88% and 86% of total revenue for both the three and nine months ended September 30, 2016, respectively. 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.

On January 5, 2016, we completed the acquisition of all of the membership interests of Aesynt. Aesynt is a provider of automated medication management systems, including dispensing robots with storage solutions, medication storage and dispensing carts and cabinets, I.V. sterile preparation robotics and software, including software related to medication management. Adding these solution sets to the Omnicell portfolio is intended to give the combined companies one of the most complete medication management offering in the industry. We are now able to support customers who desire a centralized cartfill or nurse server medication distribution model all the way to fully decentralized dispensing and various combinations along that continuum. We are also able to offer solutions for I.V. preparations, including oncology drugs, which is an area where our combined customers have expressed significant interest. Looking across the entire medication distribution model, Aesynt's new Enterprise Medication Manager software products give the customer the power to optimize the pharmacy supply chain with tools that help manage their inventory, reduce risks of stock outs, and minimize the cost of expiring medications. In addition, Aesynt has an experienced and skilled workforce whose expertise complements our capabilities. Integrating our two product development groups is expected to lead to innovation and the opportunity to help accelerate innovation. Finally, Aesynt has over 1,200 hospital customers with limited overlap to Omnicell's existing install base, which we expect will drive a significant increase to our customer install base.

Operating Segments

We manage our business as two operating 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. Our acquired companies in the last two years Aesynt, Mach4, and Avantec are included in the Automation and Analytics segment.

Medication Adherence

The Medication Adherence segment primarily includes the design, 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 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.

For further description of our operating segments, refer to Note 13, Segment Information, of the Notes to Consolidated Financial Statements in this quarterly report.

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 employ 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 is updated regularly every 6 to18 months with new software enhancements. Since its introduction in 2011, there have been five major software releases. The G4 product refresh has been a key contributor to our growth, with approximately 85.2% 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 five markets: the United Kingdom, Germany, and France, where we sell the full range of our products primarily 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. We have also expanded our sales efforts to healthcare customers outside of acute care hospitals in the United States which has allowed us to sell our automated dispensing solutions and medication adherence products into these markets.

Expansion of our solutions through acquisitions and partnerships include our acquisition of MTS in 2012, our acquisition of Surgichem in August 2014, our acquisitions of Mach4 and Avantec in April 2015, and our acquisition of Aesynt in January 2016. 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 had been the exclusive United Kingdom distributor for our medication and supply automation solutions since 2005. Aesynt is a provider of automated medication management systems, including dispensing robots with storage solutions, medication storage and dispensing carts and cabinets, I.V. sterile preparation robotics and software, including software related to medication management. 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 systems; 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 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 revenues of $128.1 million and $87.3 million as of September 30, 2016 and December 31, 2015, respectively. The current deferred revenue of $93.1 million includes deferred revenue from product sales and service contracts, net of deferred cost of sales of $17.9 million as of September 30, 2016. The current deferred revenues from product sales relate to the delivered and invoiced products, pending installation and acceptance, expected to occur within the next twelve months. The long-term deferred revenue of $17.1 million as of September 30, 2016 includes deferred revenue from service contracts in excess of twelve months.

The growth in our Automation and Analytics revenue for the three months ended September 30, 2016 was driven primarily by the expansion through the Aesynt acquisition. To a lesser extent but of equal importance, revenue growth was also driven by our growth in the number of our customer installations. Installed customers in the United States grew to 2,904 hospitals as of September 30, 2016 from 1,975 hospitals as of September 30, 2015, driven primarily by the acquisition of Aesynt. In addition, 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 further attributed to the increase in revenue. 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 and nine months ended September 30, 2016. Medication Adherence revenue has remained relatively consistent as the population of patients living in nursing homes, primarily in the United States market, 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 practices in ways that improve patient and provider outcomes. We expect our investment in differentiated products, new markets, and acquisitions and partnerships to continue.

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);
- Inventory valuation;
- Capitalized software development cost;
- Valuation and impairment of goodwill, intangible assets and other long-lived assets;
- Business combinations;
- 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 nine months ended September 30, 2016 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, 2015. Concurrent with our acquisition of Aesynt in January 2016, certain accounting policies of Aesynt were aligned to conform to the accounting policies of Omnicell.

Recently adopted and issued authoritative guidance

Refer to Note 1, Organization and Summary of Significant Accounting Policies, of the Notes to Condensed Consolidated Financial Statements in this quarterly report for a description of recently adopted and 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 September 30,			
	2016	2015	$	%
	(Dollars in thousands)			
Product revenues	$ 133,621	$ 100,941	$ 32,680	32%
Percentage of total revenues	*76%*	*81%*		
Service and other revenues	43,116	24,293	18,823	77%
Percentage of total revenues	*24%*	*19%*		
Total revenues	$ 176,737	$ 125,234	$ 51,503	41%

Product revenues represented 76% and 81% of total revenues for the three months ended September 30, 2016 and September 30, 2015, respectively. Product revenues increased due to increased sales for Automation and Analytics segment of $30.7 million, and increased sales for Medication Adherence segment of $2.0 million. The acquired company, Aesynt, contributed $21.3 million to the product revenue increase in the Automation and Analytics segment. The remaining increase in this segment was attributed to the continued growth of the Automated Dispensing Cabinet business, larger orders received from our existing customers, and higher implementations. The increase in Medication Adherence segment was attributed to higher sales in the consumable product sales compared to the three months ended September 30, 2015.

Service and other revenues represented 24% and 19% of total revenues for the three months ended September 30, 2016 and September 30, 2015, respectively. Service and other revenues include revenues from service and maintenance contracts and rentals of automation systems. Service and other revenues increased primarily due to an increase from our Automation and Analytics segment of $18.8 million attributed to the acquired company, Aesynt, and higher service renewal fees driven mainly by an increase in installed customer base. The acquired company contributed $17.4 million to the increase in service revenue of Automation and Analytics segment for the three months ended September 30, 2016 compared to the three months ended September 30, 2015. Service and other revenues from Medication Adherence segment remained flat for the three months ended September 30, 2016 compared to the same period last year.

Our international sales represented 12% and 17% of total revenues for the three months ended September 30, 2016 and September 30, 2015, respectively, and are expected to be affected by foreign currency exchange rates fluctuations. The year over year decrease in the international sales was primarily related to Aesynt which has higher sales in U.S. in comparison to international sales. We are unable to predict the extent to which revenue in future periods will be impacted by changes in foreign currency exchange rates.

	Nine months ended September 30,			
			Change in	
	2016	2015	$	%
	(Dollars in thousands)			
Product revenues	$392,190	$284,204	$ 107,986	38%
Percentage of total revenues	*75%*	*80%*		
Service and other revenues	128,458	70,039	58,419	83%
Percentage of total revenues	*25%*	*20%*		
Total revenues	$ 520,648	$ 354,243	$ 166,405	47%

Product revenues represented 75% and 80% of total revenues for the nine months ended September 30, 2016 and September 30, 2015, respectively. Product revenues increased due to increased sales for our Automation and Analytics segment of $107.3 million and from our Medication Adherence segment of $0.7 million. The acquired companies Aesynt, Mach4 and Avantec contributed approximately $77.0 million to the Automation and Analytics segment for the nine months ended September 30, 2016. The remaining increase in the Automation and Analytics segment was attributed to customer conversions, larger orders received from our existing customers, and higher implementations, partially offset by decreases in lease renewals.

Service and other revenues represented 25% and 20% of total revenues for the nine months ended September 30, 2016 and September 30, 2015, respectively. Service and other revenues include revenues from service and maintenance contracts and rentals of automation systems. Service and other revenues increased primarily due to an increase from our Automation and Analytics segment of $58.3 million. The acquired companies, Aesynt, Mach4 and Avantec contributed approximately $54.3 million to the increase of service revenue of Automation and Analytics segment for the nine months ended September 30, 2016. The remaining increase in the Automation and Analytics segment service revenue was due to increased product sales.

Our international sales represented 14% and 16% of total revenues for the nine months ended September 30, 2016 and September 30, 2015, 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 2016 compared to the same periods in 2015 as we fulfill our existing orders and based on our growth in bookings in 2015 and in the first nine months of 2016, some of which will be recognized as revenue in 2016. 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 September 30,			
			Change in	
	2016	2015	$	%
Revenues:	(Dollars in thousands)			
Automation and Analytics	$ 152,437	$ 102,967	$ 49,470	48%
Percentage of total revenues	86%	82%		
Medication Adherence	24,300	22,267	2,033	9%
Percentage of total revenues	14%	18%		
Total revenues	$ 176,737	$ 125,234	$ 51,503	41%

The increase in Automation and Analytics revenues for the three months ended September 30, 2016 in comparison to the three months ended September 30, 2015 was due to an increase in both product revenue and service revenues which contributed $30.6 million and $18.9 million to the increase, respectively. The increase in product and service revenue was primarily due to our acquisition of Aesynt, which contributed $21.3 million and $17.4 million of the increase in product and service revenue, respectively. The remaining increases in product revenue in the three months ended September 30, 2016 were also attributed to the larger deal sizes primarily due to customer conversions and higher implementations, and partially offset by the decreases in lease renewals.

Medication Adherence revenues increased by $2.0 million for the three months ended September 30, 2016 in comparison to the three months ended September 30, 2015. While consumable product revenue increased quarter over quarter, the increase was offset by a decrease in the equipment sales primarily due to the timing of installations.

	Nine months ended September 30, 2016			
			Change in	
	2016	2015	$	%
Revenues:	(Dollars in thousands)			
Automation and Analytics	$ 450,043	$ 284,447	$ 165,596	58%
Percentage of total revenues	86%	80%		
Medication Adherence	70,605	69,796	809	1%
Percentage of total revenues	14%	20%		
Total revenues	$ 520,648	$ 354,243	$ 166,405	47%

The increase in Automation and Analytics revenues for the nine months ended September 30, 2016 in comparison to the nine months ended September 30, 2015 was due to an increase in product revenues of $107.3 million primarily due to the acquired companies Aesynt, Mach4 and Avantec which contributed $77.0 million to the product revenue for the nine months ended September 30, 2016. The increases in product revenues were also attributed to the larger deal sizes primarily due to customer conversions and higher implementations, partially offset by the lower lease renewals. The increase in Automation and Analytics service revenue of $58.3 million for the nine months ended September 30, 2016 in comparison to the nine months ended September 30, 2015 was primarily due to the acquired companies, Aesynt, Mach4 and Avantec, which contributed for $54.3 million. The remaining increase was attributed to increased product sales.

Medication Adherence revenues increased by $0.8 million for the nine months ended September 30, 2016 in comparison to the nine months ended September 30, 2015, primarily due to an increase in consumables sales, which is partially offset by lower product revenues.

Cost of Revenues and Gross Profit

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 and intangibles.

	Three months ended September 30,			
			Change in	
	2016	2015	$	%
Cost of revenues:	(Dollars in thousands)			
Automation and Analytics	$ 77,828	$ 45,668	$ 32,160	70%
As a percentage of related revenues	*51%*	*44%*		
Medication Adherence	17,401	15,863	1,538	10%
As a percentage of related revenues	*72%*	*71%*		
Total cost of revenues	$ 95,229	$ 61,531	$ 33,698	55%
As a percentage of total revenues	*54%*	*49%*		
Gross profit:				
Automation and Analytics	$ 74,609	$ 57,299	$ 17,310	30%
Automation and Analytics gross margin	*49%*	*56%*		
Medication Adherence	6,899	6,404	495	8%
Medication Adherence gross margin	*28%*	*29%*		
Total gross profit	$ 81,508	$ 63,703	$ 17,805	28%
Total gross margin	*46%*	*51%*		

	Nine months ended September 30, 2016			
			Change in	
	2016	2015	$	%
Cost of revenues:	(Dollars in thousands)			
Automation and Analytics	$ 233,401	$ 123,923	$ 109,478	88%
As a percentage of related revenues	*60%*	*44%*		
Medication Adherence	47,777	47,470	307	1%
As a percentage of related revenues	*68%*	*68%*		
Total cost of revenues	$ 281,178	$ 171,393	$ 109,785	64%
As a percentage of total revenues	*54%*	*48%*		
Gross profit:				
Automation and Analytics	$ 216,642	$ 160,524	$ 56,118	35%
Automation and Analytics gross margin	*48%*	*56%*		
Medication Adherence	22,828	22,326	502	2%
Medication Adherence gross margin	*32%*	*32%*		
Total gross profit	$ 239,470	$ 182,850	$ 56,620	31%
Total gross margin	*46%*	*52%*		

Automation and Analytics

Cost of Revenues. The cost of revenues for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 increased by $32.2 million, of which $23.1 million was attributed the increase in product costs and $9.1 million was attributed to the increase in service costs. Of the $23.1 million increase in product costs, the acquired company Aesynt contributed $19.0 million. The product costs incurred by the Aesynt included the amortization expense for developed technology of $1.2 million, amortization of backlog of $3.4 million, and inventory step-up fair value adjustment of $0.9 million resulting from the purchase accounting. The remaining increase in product costs is attributed to product mix, particularly lower lease renewals. Cost of service revenues increased by $9.2 million primarily due to costs related to the acquired company Aesynt, which contributed $8.7 million to the increase in cost of service revenue.

The increase in cost of revenues for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 was $109.5 million, $81.2 million of which is attributed to the increase in product costs and $28.3 million was attributed to an increase in service costs. Aesynt, Mach4 and Avantec, contributed $61.7 million to an increase in product costs. The remaining increase in product cost is attributed to a different mixture of customers, products and overall growth in product sales, and higher product installation costs as result of higher revenue. Cost of service revenues for nine months ended September 30, 2016 increased by $28.3, $28.0 million of which was attributable due to the acquired companies Aesynt, Mach4 and Avantec.

Gross profit for the three and nine months ended September 30, 2016 decreased compared to the three and nine months ended September 30, 2015 as a result of product mix from higher volume of sales of lower margin products, and lower gross margins from the acquired companies Aesynt, Mach4 and Avantec, primarily due to fair value adjustments related to inventory step-up, and amortization of developed technology and backlog intangible assets.

Medication Adherence

Cost of Revenues. Cost of revenues increased by $1.5 million in the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily due to the increase in product cost as result of product mix. For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, cost of revenue increased by $0.3 million.

Gross profit for the three and nine months ended September 30, 2016 increased compared to the three and nine months ended September 30, 2015 primarily due to changes in our product mix, partially offset by higher manufacturing cost and higher cost of service.

Operating Expenses and Income from Operations

	Three months ended September 30,			
			Change in	
	2016	2015	$	%
Operating expenses:	(Dollars in thousands)			
Research and development	$ 15,264	$ 9,176	$ 6,088	66 %
As a percentage of total revenues	*9%*	*7%*		
Selling, general and administrative	61,316	40,668	20,648	51 %
As a percentage of total revenues	*35%*	*32%*		
Total operating expenses	$ 76,580	$ 49,844	$ 26,736	54 %
As a percentage of total revenues	*43%*	*40%*		
Income (loss) from operations:				
Automation and Analytics	$ 25,486	$ 26,671	$ (1,185)	(4)%
Operating margin	*17%*	*26%*		
Medication Adherence	762	334	428	128 %
Operating margin	*3%*	*1%*		
Corporate Expenses	21,320	13,146	8,174	62 %
Total income from operations	$ 4,928	$ 13,859	$ (8,931)	(64)%
Total operating margin	*3%*	*11%*		

Research and Development. The increase in research and development expenses of $6.1 million for the three months ended September 30, 2016 compared to three months ended September 30, 2015 was primarily driven by an increase in research and development expenses of $5.9 million in our Automation and Analytics segment and an increase of $0.1 million for Medication Adherence segment research and development expenses. The increase in our Automation and Analytics segment was attributed to the acquired company, Aesynt which accounted for $5.6 million of the increase. The remaining increase is related to higher employees related expenses.

Selling, General and Administrative. The increase in selling, general and administrative expenses for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 was primarily due to increases from our Automation and Analytics segment of $14.3 million and corporate expenses of $6.5 million. The increase in our Automation

and Analytics segment was primarily attributable to the acquired company Aesynt, which accounted for $16.1 million of the increase, partially offset by a decrease in travel and consulting expenses due to expense control initiatives in the three months ended September 30, 2016. The increase in corporate expenses was mainly related to higher share-based compensation expenses of $1.8 million, and an increase in employee-related expenses of $1.9 million due to an increase in employee headcount.

Operating Income Operating income from our Automation and Analytics segment decreased by $1.2 million due to higher research and development and selling, general and administrative costs of $18.5 million, partially offset by higher gross margin of $17.3 million. Operating income from our Medication Adherence segment increased by $0.4 million due to higher gross margin of approximately $0.5 million, partially offset by a $0.1 million higher selling, general and administrative expenses.

Corporate expense. The increase in corporate expenses for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 was primarily attributable to the acquired companies which accounted for $5.9 million of the increase.

	Nine Months Ended September 30,			
			Change in	
	2016	2015	$	%
Operating expenses:	(Dollars in thousands)			
Research and development	$ 42,896	$ 25,941	$ 16,955	65 %
As a percentage of total revenues	*8%*	*7 %*		
Selling, general and administrative	189,912	123,690	66,222	54 %
As a percentage of total revenues	*36%*	*35 %*		
Gain on business combination	—	(3,443)	3,443	(100)%
As a percentage of total revenues	—%	*(1)%*		
Total operating expenses	$ 232,808	$ 146,188	$ 86,620	59 %
As a percentage of total revenues	*45%*	*41 %*		
Income from operations:				
Automation and Analytics	$ 65,534	$ 75,329	$ (9,795)	(13)%
Operating margin	*13%*	*21 %*		
Medication Adherence	5,310	4,005	1,305	33 %
Operating margin	*1%*	*1 %*		
Corporate Expenses	64,182	42,672	21,510	50 %
Total income from operations	$ 6,662	$ 36,662	$ (30,000)	(82)%
Total operating margin	*1%*	*10 %*		

Research and Development. The increase in research and development expenses of $17.0 million for the nine months ended September 30, 2016 compared to nine months ended September 30, 2015 was driven by an increase in research and development expenses of $17.3 million in our Automation and Analytics segment. This increase was partially offset by a decrease in our Medication Adherence segment research and development expenses of $0.7 million primarily due to lower capitalized software related expenses. The increase in Automation and Analytics segment was attributed to the acquired companies which accounted for $14.4 million of the increase, $2.5 million of higher employee-related expenses due to higher headcount and merit increase, higher consulting expenses of $0.6 million, and $0.3 million of higher IT and facilities related expenses.

Selling, General and Administrative. The increase in selling, general and administrative expenses for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 was primarily due to increases from our Automation and Analytics segment of $46.8 million and corporate expenses of $20.0 million, partially offset by decreases in Medication Adherence segment of $0.2 million. The increase in our Automation and Analytics segment was primarily attributable to the acquired companies.

Operating Income. Operating income for the nine months ended September 30, 2016 from our Automation and Analytics segment decreased by $9.8 million due to higher research and development and selling, general and administrative costs of $65.9 million which includes the amortization expense related to the recently acquired intangible assets, partially offset by higher gross margin of $56.1 million.

Operating income from our Medication Adherence segment increased due to lower research and development and selling, general and administrative costs and higher gross profit due to product mix, partially off-set by higher manufacturing costs, and higher cost of service.

Corporate expense. The increase in corporate expenses for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 was primarily attributable to the acquired companies.

Provision for Income Taxes

	Three months ended			
			Change in	
	September 30, 2016	September 30, 2015	$	%
	(Dollars in thousands)			
Provision for income taxes	$ 224	$ 5,177	$ (4,953)	(96)%

	Nine months ended			
			Change in	
	September 30, 2016	September 30, 2015	$	%
	(Dollars in thousands)			
Provision (benefit) for income taxes	$ (557)	$ 11,922	$ (12,479)	(105)%

Our annual effective tax rate before discrete items was 43.5% and 39.3% for the nine months ended September 30, 2016 and September 30, 2015, respectively. The increase in the estimated annual effective tax rate for the nine months ended September 30, 2016 compared to the same period in 2015 was primarily due to an increase in non-deductible equity charges and other non-deductible expenditures offset by a full year inclusion of the Federal research & development tax credit (which was permanently reinstated on December 18, 2015).

For the three months ended September 30, 2016, the effective tax rate was 10.1%, which was lower than the annual effective tax rate due to favorable discrete tax items in the quarter. For the nine months ended September 30, 2016 the effective tax rate was a benefit of 497.9% which was higher than the annual effective tax rate for those periods due to favorable discrete tax items on a year to date basis on a pre-tax loss.

For the three months ended September 30, 2015, the effective tax rate was 39.2%, which was in line with the annual effective tax rate. For the nine months ended September 30, 2015 the effective tax rate was 34.0% which was lower than the annual effective tax rate primarily due to the Company recording a gain of $3.4 million attributable to the increase in the fair value of Omnicell's 15% minority interest in Avantec which was revalued in conjunction with our purchase of the remaining 85% of Avantec shares. This gain was treated as a discrete item and excluded from profit-before-tax in calculating the annual effective tax rate for the nine months ended September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash

We had cash and cash equivalents of $47.3 million at September 30, 2016, compared to $82.2 million at December 31, 2015. All of our cash and cash equivalents are invested in demand deposits and money market funds.

Our cash position and working capital at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
	(In thousands)	
Cash	$ 37,154	$ 72,103
Cash equivalents	10,133	10,114
Total	$ 47,287	$ 82,217
Working Capital	$ 138,896	$ 139,498

Our ratio of current assets to current liabilities was 1.7:1 at September 30, 2016 compared to 2.1:1 at December 31, 2015.

On January 5, 2016, we entered into a $400 million secured credit facility pursuant to a credit agreement, by and among us, the lenders from time to time party thereto, Wells Fargo Securities, LLC, as sole lead arranger and Wells Fargo Bank, National Association, as administrative agent (the "Credit Agreement"). The Credit Agreement provides for a $200 million term loan facility (the "Term Loan Facility") and a $200 million revolving credit facility (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Facilities"). At the closing of the Aesynt acquisition, we borrowed $255 million in secured debt under the Credit Agreement, consisting of $200 million of term loans and $55 million of revolving loans to complete the acquisition of Aesynt and to pay related fees and expenses. In addition, the Credit Agreement includes a letter of credit sub-limit of up to $10 million and a swing line loan sub-limit of up to $10 million. We expect to use future loans under the Revolving Credit Facility, if any, for general corporate purposes. The Credit Agreement replaced our existing Credit Agreement, dated as of September 25, 2013, by and among the Company, the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent, as amended.

Loans under the Facilities bear interest, at our option, at a rate equal to either (a) the LIBOR Rate, plus an applicable margin ranging from 1.50% to 2.25% per annum based on the our Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement), or (b) 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 an applicable margin ranging from 0.50% to 1.25% per annum based on our Consolidated Total Net Leverage Ratio (as defined in the Credit Agreement). Undrawn commitments under the Revolving Credit Facility will be subject to a commitment fee ranging from 0.20% to 0.35% per annum based on our Consolidated Total Net Leverage Ratio on the average daily unused portion of the Revolving Credit Facility. A letter of credit participation fee ranging from 1.50% to 2.25% per annum based on our Consolidated Total Net Leverage Ratio will accrue on the average daily amount of letter of credit exposure.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to us and our subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions. The Credit Agreement contains financial covenants that require us and our subsidiaries to not exceed a maximum consolidated total leverage ratio and maintain a minimum fixed charge coverage ratio. The Credit Agreement also includes financial covenants requiring us not to exceed a maximum consolidated total leverage ratio of 3.00:1 (subject to certain exceptions) and to maintain a minimum fixed charge coverage ratio of 1.50:1.

As of September 30, 2016, the outstanding balance from the facilities was $230.0 million. We were in full compliance with all covenants.

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 the continued use of cash for potential acquisition and acquisition assessment activities.

On August 2, 2016, our board of directors authorized a stock repurchase program providing for the repurchase of up to $50.0 million of the Company's common stock (the "2016 Repurchase Program"). The 2016 Repurchase Program is in addition to the stock repurchase program approved by our board on November 4, 2014 (the "2014 Repurchase Program"). As of September 30, 2016, the maximum dollar value of shares that may yet be purchased under the two repurchase programs was $54.9 million.

In accordance with the Avantec share purchase agreement, we may pay out a potential earn-out payment of $3.0 million payable after December 31, 2016, based on 2016 bookings. The fair value of this earn-out payment as of September 30, 2016 was $3.0 million. Pursuant to the terms of the agreement, we also held back $1.8 million from the purchase consideration towards any future indemnification claims that we may make by fourth quarter of 2016.

We will be making payments under the credit facilities for next five years. Refer to below, Contractual Obligations table for details on the payments for the credit facilities.

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 the Facilities 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:

	Nine months ended	
	September 30, 2016	September 30, 2015
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 24,470	$ 5,932
Investing activities	(293,343)	(41,312)
Financing activities	235,210	(32,699)
Effect of exchange rate changes on cash and cash equivalents	(1,267)	(52)
Net decrease in cash and cash equivalents	$ (34,930)	$ (68,131)

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 $24.5 million for the nine months ended September 30, 2016, primarily as a result of $0.4 million in net income adjusted for non-cash items and changes in assets and liabilities. The non-cash items primarily consisted of depreciation and amortization expense of $43.9 million, share-based compensation expense of $14.1 million and deferred income taxes of $4.8 million. The cash outflow attributed to changes in assets and liabilities includes i) an increase in accounts receivable of $25.8 million due to increased product shipments late in the quarter, ii) an increase in inventories of $7.7 million to support forecasted sales, iii) increases in long-term investment in sales-type leases of $5.3 million due to two significant lease transactions entered into during the year, iv) increases in prepaid expenses by $5.8 million mainly due to decrease in prepaid commissions and prepaid income taxes, v) a decrease in accrued liabilities of $1.9 million due to timing of payments to employees related liabilities and vi) decreased in the other-long term liabilities by $2.3 million. These amounts were partially offset by an increase in the accounts payables of $5.6 million due to timing of payments, an increase in the deferred revenue of $12.8 million due to timing of orders and revenue being recognized for installed product, and decreases in other long-term assets of $1.2 million.

Net cash provided by operating activities was $5.9 million for the nine months ended September 30, 2015, primarily as a result of $23.1 million in net income adjusted for non-cash items and changes in assets and liabilities. The non-cash items primarily consisted of depreciation and amortization expense of $18.5 million, share-based compensation expense, of $11.3 million and $3.4 million from our investment gain. This was offset by $42.1 million cash outflow from changes in assets and liabilities resulting primarily from i) an increase in accounts receivable of $26.1 million due to increased product shipments late in the quarter, ii) an increase in inventories of $13.2 million to support forecasted sales, iii) a decrease in deferred gross margin of $1.2 million due to timing of orders, shipments, and revenue being recognized for installed product, and iv) a decrease in accrued compensation of $5.0 million primarily due to lower sales commissions. These amounts were partially offset by a decrease in the prepaid expenses of $5.9 million primarily due to commissions driven by higher bookings in the fourth quarter of 2014 compared to the current year to date period, and an increase in accrued liabilities of $4.6 million primarily due to potential earn-out and contingent payment of $2.9 million related to the Avantec Acquisition.

Investing activities

Net cash used in investing activities was $293.3 million for the nine months ended September 30, 2016, $271.5 million of which was attributable to the acquisition of Aesynt. Capital expenditures related to purchases of property and

equipment, software development costs for external use and, purchases of intangibles contributed $10.0 million, $10.6 million, and $1.3 million, respectively.

Net cash used in investing activities was $41.3 million for the nine months ended September 30, 2015, $25 million of which was attributable to the acquisitions of Mach4 and Avantec, and capital expenditures related to purchases of property and equipment and software development of software costs for external use of $6.1 million and $9.4 million, respectively.

Financing activities

Net cash provided by financing activities was $235.2 million for the nine months ended September 30, 2016 as a result of proceeds from term loan and revolving credit facilities of $247.1 million net of deferred issuance cost of $7.9 million, $16.5 million in proceeds from employee stock option exercises and employee stock plan purchases, and $1.6 million in excess tax benefits from employee stock plans. The increase in cash provided from financing activities was partially offset by repayment of $25.0 million of the credit facilities, payment of contingent consideration of $3.0 million related to the Avantec acquisition, and $1.9 million in employees' taxes paid related to restricted stock units.

Net cash used by financing activities was $32.7 million for the nine months ended September 30, 2015 as a result of $50.0 million in cash used for stock repurchases under our 2012 and 2014 Stock Repurchase Programs and $2.3 million in employees taxes paid in relation to restricted stock units, partially offset by $15.7 million in proceeds from employee stock option exercises and employee stock plan purchases and $3.9 million in excess tax benefits from employee stock plans.

Contractual Obligations

There have been no significant changes during the nine months ended September 30, 2016 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, 2015.

We had $322.6 million in contractual commitments to third parties for non-cancelable operating leases, commitments to contract manufacturers and suppliers, other purchase commitments and term loan and revolving credit facility as of September 30, 2016 as follows:

	Payments due by period				
	Total	Remainder of 2016	2017 and 2018	2019 and 2020	2021 and thereafter
	(In thousands)				
Operating leases [1]	$ 51,555	$ 2,749	$ 21,134	$ 16,586	$ 11,086
Purchase obligations [2]	41,018	39,609	904	27	478
Term loan facility	195,000	2,500	27,500	47,500	117,500
Revolving credit facility	35,000	—	—	—	35,000
Total [3]	$ 322,573	$ 44,858	$ 49,538	$ 64,113	$ 164,064

(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 $10.2 million for uncertain tax positions under long-term liabilities as of September 30, 2016 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, $10.2 million in uncertain tax position liabilities have not been included in the table above.

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

Off-Balance Sheet Arrangements

As of September 30, 2016, 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

Interest Rate Fluctuation Risk

We are exposed to interest rate risk through our borrowing activities. As of September 30, 2016, we had long-term debt balance of $220.0 million and long-term debt, current portion of $10.0 million. See Note 8, Debt, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report. Our sensitivity analysis shows that a 50-basis point increase in LIBOR as of September 30, 2016 would not result in material effect on our operating results or cash flows.

Our investments consist of cash and money market funds. The primary objective of our investment activities is to preserve principal and ensure liquidity while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we do not believe an immediate 1% change in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

Foreign Currency Exchange Risk

We operate in foreign countries which expose 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.

There have been no significant changes in our market risk exposures during the nine months ended September 30, 2016 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, 2015.

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

In January 2016, we completed the acquisition of Aesynt. We are in the process of integrating Aesynt into our systems and control environment as of September 30, 2016. We believe that we have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this integration. Other than the impact of this business acquisition, there has been no change 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 September 30, 2016.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 10, Commitments and 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, 2015, if any.

The acquisition of Aesynt could cause disruptions in our business, which could have an adverse effect on our financial results.

On January 5, 2016, we completed the acquisition of Aesynt (the "Aesynt Acquisition"), a provider of automated medication management systems, including dispensing robots with storage solutions, medication storage and dispensing carts and cabinets, I.V. sterile preparation robotics and software, including software related to medication management. Uncertainty about the effect of the acquisition on employees, customers, distributors, partners and suppliers may have an adverse effect on the combined company. These uncertainties may impair our ability to retain and motivate key personnel and could cause customers, distributors, suppliers, partners and others with whom we do business to seek to change existing business relationships. Any such change may materially and adversely affect our business. Any disruption in our operations could adversely affect the combined company's ability to maintain relationships with customers, distributors, partners, suppliers and employees or to achieve the anticipated benefits of the acquisition.

Aesynt's business relationships may be subject to disruption due to uncertainty associated with the Aesynt Acquisition.

Parties with which Aesynt currently conducts business or may conduct business in the future, including customers and suppliers, may experience uncertainty associated with the Aesynt acquisition, including with respect to current or future business relationships with us or Aesynt. As a result, Aesynt's business relationships may be subject to disruptions if customers, suppliers and others attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us or Aesynt. These disruptions could have an adverse effect on our businesses, financial condition, results of operations or prospects following the closing.

Loss of key personnel could impair the integration of the two businesses, lead to loss of customers and a decline in revenues, or otherwise adversely affect our operations and the operations of Aesynt.

Our success after the completion of the Aesynt Acquisition depends, in part, upon our ability to retain key employees, especially during the integration phase of the two businesses. Current and prospective employees of ours and Aesynt might experience uncertainty about their future roles with us following completion of the Aesynt Acquisition, which might adversely affect our ability to retain key managers and other employees. In addition, competition for qualified personnel in the health care industry is very intense. If we or Aesynt lose key personnel or we are unable to attract, retain and motivate qualified individuals or the associated costs to us increase significantly, our business could be adversely affected.

We may not be able to successfully integrate acquired businesses or technologies into our existing business, including those of Aeysnt, 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, in April 2015, we acquired Mach4 and the entire remaining issued share capital of Avantec not previously owned by us and, on January 5, 2016, we acquired Aesynt. 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;
- complying with regulatory requirements, such as those of the Food and Drug Administration, that we were not previously subject to;
- 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.

We may fail to realize the potential benefits of the acquisition of Aesynt.

We acquired Aesynt in an effort to realize certain potential benefits, including expansion of the combined businesses and broader market opportunities. However, our ability to realize these potential benefits depends on our successfully combining the businesses of Omnicell and Aesynt. The combined company may fail to realize the potential benefits of the acquisition for a variety of reasons, including the following:

- inability or failure to expand bookings and sales;
- inability or failure to effectively coordinate sales and marketing efforts to communicate the capabilities of the combined company;
- inability or failure to successfully integrate and harmonize financial reporting and information technology systems;
- inability or failure to achieve the expected operational and cost efficiencies; and
- loss of key employees.

The actual integration may result in additional and unforeseen expenses or delays. If we are not able to successfully integrate Aesynt's business and operations, or if there are delays in combining the businesses, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

We have incurred substantial debt, which could impair our flexibility and access to capital and adversely affect our financial position.

In connection with the Aesynt Acquisition, we entered into a $400.0 million senior secured credit facility pursuant to a credit agreement, by and among us, the lenders from time to time party thereto, Wells Fargo Securities, LLC, as sole lead arranger and Wells Fargo Bank, National Association, as administrative agent (the “Credit Agreement”). The Credit Agreement provides for a $200.0 term loan facility and a $200.0 million revolving credit facility. At the closing of the Aesynt Acquisition, we incurred $255.0 million in secured debt under the Credit Agreement, consisting of $200.0 million of term loans and $55.0 million of revolving loans. As of September 30, 2016 $25.0 million of the credit facilities has been paid off. The remaining loan balances at September 30, 2016 were $200.0 million of term loans and $30.0 million of revolving loans. Our debt may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. If we do not have sufficient funds to meet our debt service obligations, we may be required to refinance or restructure all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can assure you that we would be able to do in a timely manner, or at all.

In addition, the Credit Agreement includes customary restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to take actions that could be in our best interests. These restrictive covenants include operating covenants restricting, among other things, our ability to incur additional indebtedness, effect certain acquisitions or make other fundamental changes. The Credit Agreement also includes financial covenants requiring us not to exceed a maximum consolidated total leverage ratio of 3.00:1 (subject to certain exceptions) and to maintain a minimum fixed charge coverage ratio of 1.50:1. Our failure to comply with any of the covenants that are included in the Credit Agreement could result in a default under the terms of the Credit Agreement, which could permit 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 loan 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 goodwill or other intangible assets that we recorded in connection with the Aesynt Acquisition, or have recorded in connection with prior acquisitions, become impaired, we could be required to take significant charges against earnings.

In connection with the accounting for the Aesynt Acquisition, we recorded a significant amount of goodwill and other intangible assets, and we maintain significant goodwill and other intangible assets relating to prior acquisitions, such as our acquisitions of MTS, Avantec and Mach4. Under U.S. generally accepted accounting principles, or GAAP, we must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders' equity in future periods.

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 Dickinson/CareFusion Corporation, ARxIUM (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 was acquired by KUKA), WaveMark Inc., ParExcellence Systems, Inc., Vanas N.V., Infor (formally Lawson Software, Inc.), Willach Pharmacy Solutions, DIH Technologies Co., Yuyama Co., Ltd, Robopharma B.V., Apostore GmbH, KIS Steuerungstechnik GmbH and Suzhou Iron Technology (China). Our current direct competitors in the medication packaging solutions market include Drug Package, Inc., AutoMed Technologies, Inc. (a subsidiary of ARxIUM), Manchac Technologies, LLC (through its Dosis product line) and RX Systems, Inc. in the United States, and Jones Packaging Ltd., Synergy Medical Systems, Manrex Ltd, Global Factories B.V. 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. While a significant portion of domestic acute care facilities have adopted some level of medication and/or supply automation, 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, particularly when we are seeking to replace an incumbent supplier of medication and supply automation solutions 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.

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 use alternative means to distribute medications to their customers.

Approximately 13% 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.

When 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 most of our current products are not regulated by the FDA, or the Drug Enforcement Administration ("DEA"). Through our acquisition of Aesynt, we now have a Class I, 510(k) exempt medical device that is subject to FDA regulation and will require compliance with the FDA Quality System Regulation as well as medical device reporting. Additional products may be regulated in the future by the FDA, DEA 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 ("HIPAA"). 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.

Following the theft in November 2012 of Omnicell electronic device containing customer medical dispensing cabinets log files, we were subject to a putative class action complaint. The complaint was subsequently dismissed without prejudice and plaintiff failed to file an appeal within the requisite deadlines. 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.

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.

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 financial covenants requiring us not to exceed a maximum consolidated total leverage ratio of 3.00:1 (subject to certain exceptions) and to maintain a minimum fixed charge coverage ratio of 1.50:1. 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 under the Credit Agreement could result in a default under the terms of 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 that was approved 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 fail to develop new products or enhance our existing products to react to rapid technological change and market demands in a timely and cost-effective manner, our business will suffer.

We must develop new products or enhance our existing products with improved technologies to meet rapidly evolving customer requirements. We are constantly engaged in the development process for next generation products, and we need to successfully design our next generation and other products for customers who continually require higher performance and functionality at lower costs. The development process for these advancements is lengthy and usually requires us to accurately anticipate technological innovations and market trends. Developing and enhancing these products can be time-consuming, costly and complex. Our ability to fund product development and enhancements partially depends on our ability to generate revenues from our existing products.

There is a risk that these developments or enhancement, will be late, will have technical problems, fail to meet customer or market specifications and will not be competitive with other products using alternative technologies that offer comparable performance and functionality. We may be unable to successfully develop additional next generation products, new products or product enhancements. Our next generation products or any new products or product enhancements may not be accepted in new or existing markets. Our business will suffer if we fail to continue to develop and introduce new products or product enhancements in a timely manner or on a cost-effective basis.

If we experience a significant disruption in our information technology systems or breaches of data security, our business could be adversely affected.

We rely on information technology systems to keep financial records and corporate records, communicate with staff and external parties and operate other critical functions, including sales and manufacturing processes. Our information technology systems are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses or environmental impact. If we were to experience a prolonged system disruption in our information technology systems, it could negatively impact the coordination of our sales, planning and manufacturing activities, which could adversely affect our business. In addition, in order to maximize our information technology efficiency, we have physically consolidated our primary corporate data and computer operations. This concentration, however, exposes us to a greater risk of disruption to our internal information technology systems. Although we maintain offsite back-ups of our data, if operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable time frame.

In addition, our information technology systems are potentially vulnerable to data security breaches-whether by employees or others-which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of sensitive and confidential information of our employees, customers, suppliers and others, any of which could have a material adverse effect on our business, financial condition and results of operations. Moreover, a security breach or privacy violation that leads to disclosure or modification of, or prevents access to, patient information, including personally identifiable information or protected health information, could harm our reputation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue.

While we have implemented a number of protective measures, including firewalls, antivirus and malware detection tools, patches, log monitors, routine back-ups, system audits, routine password modifications and disaster recovery procedures, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events, and in some cases we may be unaware of an incident or its magnitude and effects. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

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 10, Commitments and Contingencies, in this annual 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 Intalere (formerly Amerinet, Inc.), Federal Supply Schedule, First Choice Management Services, Healthcare Purchasing Alliance, LLC, HealthTrust Purchasing Group, L.P., Magnet, Performance Management Solutions, Vizient (formerly Novation LLC), Premier Healthcare Alliance, L.P. and the Resource group 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 nine months ended September 30, 2016, the institutional pharmacy market comprises 16% of our Medication Adherence segment 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 $25.06 and $40.50 per share during the nine months ended September 30, 2016. 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;
- developments with respect to the Aesynt Acquisition;
- 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 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. The complaint alleged 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 were not served with the complaint and on May 20, 2015, the plaintiff filed a notice of voluntary dismissal of the lawsuit without prejudice.

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 (the "Annual Report") 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 the Annual Report, 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 the Annual Report 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 the Annual Report or submit a plan to regain compliance.

During the period between the date the Annual Report was due and the date of its filing, our stock price experienced some volatility. We have concluded the investigation causing the delay of the filing of the Annual Report. 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 on an ongoing basis to comply with the requirements related to the discovery of 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 $13.5 million as of September 30, 2016.

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 2015, we replaced legacy Enterprise Requirements Planning systems used in the acquired Surgichem business with systems currently in use in other parts of Omnicell. In 2016, we intend to replace the legacy enterprise Requirements Planning systems used in Avantec and Mach4 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 $24.30 per share as of September 30, 2016. 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.

Recent developments relating to the United Kingdom's referendum vote in favor of leaving the European Union could adversely affect us.*

The United Kingdom held a referendum on June 23, 2016 in which a majority voted for the United Kingdom's withdrawal from the European Union (the "EU"), commonly referred to as "Brexit". As a result of this vote, negotiations are expected to commence to determine the terms of the United Kingdom's withdrawal from the EU as well as its relationship with the EU going forward, including the terms of trade between the United Kingdom and the EU. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally and could continue to contribute to instability in global financial markets. Brexit could also have the effect of disrupting the free movement of goods, services and people between the United Kingdom and the EU; however, the full effects of Brexit are uncertain and will depend on any agreements the United Kingdom may make to retain access to EU markets. Brexit could also lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate. Lastly, as a result of the Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the EU. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations and financial condition could be adversely affected by Brexit is uncertain.

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.

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, when applicable 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, 2015.

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

Stock Repurchase Programs

In November 2014, our Board of Directors authorized a program (the "2014 Stock Repurchase Program") to repurchase up to $50.0 million of common stock of which approximately $45.1 million had been repurchased as of September 30, 2016. The 2014 Stock Repurchase Program has a total of $4.9 million remaining for future repurchases as of September 30, 2016, and the program has no expiration date.

During the nine months ended September 30, 2016, we did not repurchase any shares of our common stock under our stock repurchase programs. On August 2, 2016, the Board of Directors (the "Board") of Omnicell, Inc. (the "Company") authorized a stock repurchase program providing for the repurchase of up to $50.0 million of the Company's common stock (the "2016 Repurchase Program"). Please refer to Note 12, Employee Benefits and Share-Based Compensation, for more details.

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: November 7, 2016

By: /s/ Peter J. Kuipers

Peter J. Kuipers,
Executive Vice President & Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated By Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Securities Purchase Agreement, dated October 29, 2015, among Omnicell, Inc., Aesynt Holding, L.P., Aesynt, Ltd. and Aesynt Coöperatief U.A.	8-K	000-33043	2.1	10/29/2015
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
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.

(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.

November 7, 2016

/s/ Randall A. Lipps

Randall A. Lipps

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Peter J. Kuipers, 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.

November 7, 2016

/s/ Peter J. Kuipers

Peter J. Kuipers

Executive Vice President & Chief Financial Officer

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 Peter J. Kuipers, the Executive Vice President & Chief Financial Officer 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 September 30, 2016, 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 7th day of November, 2016.

/s/ Randall A. Lipps	/s/ Peter J. Kuipers
Randall A. Lipps	Peter J. Kuipers
President and Chief Executive Officer	Executive Vice President & Chief Financial Officer

"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."