Complementary Summary of Q4 and Fiscal Year 2016 Financial Results

This complementary summary of financial results will include forward-looking statements subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied. For a more detailed description of the risks that impact these forward-looking statements, please refer to the information in our press release today, in the Omnicell annual report on Form 10-K filed with the SEC on February 26, 2016, and in other more recent reports filed with the SEC. Please be aware that you should not place undue reliance on any forward-looking statements made today.

We will first provide an update on our business, and then cover our results for 2016 and our guidance for 2017. Our fourth quarter and full year financial results are included in our earnings announcement which was released earlier today and is posted in the "Investor Relations" section of our website at omnicell.com.

We are excited to review our fourth quarter and full year results as well as our expectations for 2017.

We had a great response to our announcement at ASHP in December last year of our new XT Series from both existing and potential new customers. Consistent with our long-term successful go to market strategy that has helped us win in the marketplace, we continue to be committed to deliver long-term value to our customers, and we are allowing customers to upgrade their G4 products that have already been booked and backlogged to XT to get the full benefits of the XT Series. This is really important in understanding Omnicell's go to market philosophy in the marketplace to allow for our customers to integrate next-generation technologies with minimal disruption.

The conversion of our current G4 bookings to XT Backlog takes time, mostly in re-papering, IT reviews in hospitals, and in some cases C-Suite re-approvals. Our consultants need to explain the differences and benefits of the XT Series. It is not usually a long process, but explanation and confirmation does take some time.

As a result of our expected conversion of our G4 bookings in Backlog to XT bookings, and the XT manufacturing and installation ramp-up we anticipate two quarters of transition disruption, which started earlier than we anticipated in the month of December last year.

We expect the Backlog to Revenue conversion to normalize to more historical levels starting in the second quarter of 2017.

We are in the initial stages of the XT roll-out, and we are shipping and installing XT every day. In order to meet demand, we are starting a second shift at our XT manufacturing site this month. The initial customer experience is extremely positive. We have already shipped XT to 24 sites. One of our leading institutions in the United States recently commented in an industry journal that XT is more responsive, faster and easier to use, delivering a positive impact on patient care and staff efficiency.[1] This is exactly why we designed the XT Series and is consistent with the positive response we received in December at the ASHP trade show and at Arab Health, where a large number customers were able to see and experience first-hand the advantages of the new XT Series.

Despite the year-end disruption, we are proud of our performance in 2016 overall, and of our consistent track record over the past several years.

The full year of 2016 was a Company record for:

- Bookings
- Backlog
- Revenues
- Earnings

For 2016, Product Bookings were $541 million, up 38% from 2015 on a reported basis, and up 10% from 2015 when including Aesynt for the full year in 2015, and within the guidance range provided in our third quarter results earnings call.

[1] http://drugtopics.modernmedicine.com/drug-topics/news/automated-dispensing-systems-one-high-tech-solution

For the fourth quarter, Non-GAAP revenue was $175 million, bringing total year Non-GAAP Revenue to $703 million, a Company record and within the guidance range provided in our third quarter results earnings call. During the fourth quarter we did experience some customers wanting to switch from a G4 install to an XT install, causing a modest impact on revenue.

Combined with good cost execution non-GAAP EPS was $0.37, bringing total year Non-GAAP EPS to $1.51 and within the guidance range provided in our third quarter results earnings call.

We finished 2016 with a strong annualized New and Competitive conversions rate of 30% of bookings. This is a great indicator of the strength of the business. Over 75% of those bookings were competitive conversions, and the remainder were from Greenfield customers who have never automated before. We believe that the new account strength and our installed customer base gives us a robust platform for future growth driven by expansion, replacement, and upgrade sales as well as cross selling opportunities across our product portfolio.

In the last number of years we have successfully grown the business by implementing three scalable growth strategies:

1) Growth through Differentiated Solutions
2) Growth in New Markets
3) Growth via Acquisitions

For 11 consecutive years now we have received the top honors from KLAS, the prestigious third party rating organization. For 12 consecutive years we have increased our market share and gained new thought leader customers every quarter. Together with our customers, we are consistently delivering state-of-the-art medication management automation and workflow efficiency for caregivers and better healthcare outcomes for patients.

In 2016 we continued to experience great wins and added notable customers to our Omnicell family under our first strategic pillar of Differentiated Solutions. With several large competitive conversions we estimate that we gained further market share in 2016, a continuation of the market share gain trend and momentum we have experienced for many years. In the fourth quarter we had some great wins with prominent new customers, as well as significant deals with existing customers, including Wellstar, DCH Health System, and Inova Health System.

We are excited to announce that WellStar Health System, the largest health system in Georgia, has selected the full breadth of Omnicell's automated medication management and analytics solutions for its hospital floors, central pharmacy, and operating rooms throughout its facilities. WellStar is focused on improving the patient experience across its enterprise as well as streamlining provider workflows and increasing patient safety. To help accomplish this, they are implementing the new Omnicell XT Automated Dispensing Cabinets on hospital floors, the XT Anesthesia Workstation in operating rooms, and Controlled Substance Manager in the central pharmacy, as well as analytics tools. In addition, WellStar purchased both i.v.SOFT® semi-automated and i.v.STATION™ fully automated IV solutions to improve accuracy of compounded medications prepared on-site.

DCH Health System in West Alabama has also chosen Omnicell IV solutions to support their sterile compounding operation. Through advanced IV automation technology, supported by Omnicell's Robotic IV Insourcing Service (RIIS), DCH will be able to create a safer, more accurate and ultimately more cost-effective compounding operation. We demonstrated the IV Solutions RIIS model at the ASHP Mid-Year Meeting and have experienced strong interest from existing and potential new customers. The IV RIIS solutions contracts are multi-year with no capital outlay for the hospital system.

Inova Health System, a not-for-profit healthcare system based in Northern Virginia, will incorporate the Omnicell Performance Center, an integrated software and services offering to drive improved pharmacy operations and reduce costs. Through enterprise-wide management of pharmacy operations, Inova will achieve shared inventory visibility, inventory optimization through relocation of needed medications, and the ability to leverage strategic buying opportunities.

Our second strategic pillar of expanding into new markets also fueled growth in the last several years and, we believe, sets us up well for the coming years.

Internationally, current customer Rashid Hospital, a 599-bed general medical and surgical hospital in Dubai, and one of the premier medical facilities for emergency, trauma, critical and ambulatory care, chose Omnicell's XT Series Automated Dispensing Cabinets to complement their previously purchased state-of-the-art robotic dispensing system. Rashid Hospital is part of the Dubai Health Authority and was one of the first of the DHA hospitals to employ robotic technology in its pharmacy.

Our third strategic pillar, of expanding our presence and relevance through acquisitions, has also continued to deliver great results. The Aesynt integration is progressing well, the product portfolio integration is ahead of schedule, and the cost synergies are as expected. Already we are seeing cross selling opportunity within the total product portfolio and combined customer base specifically for our IV and Performance Center solutions.

Also our Medication Adherence business continues to align to macro trends and is poised for growth.

On December 8, 2016 we completed the acquisition of a leading retail pharmacy software provider, Ateb, Inc., located in Raleigh, NC. This acquisition reinforces the commitment by Omnicell to help improve patient care and outcomes—in this instance, by simplifying management of chronic conditions through increased access to medication adherence solutions. Ateb has more than 30 leading retail pharmacy chains as customers and increases Omnicell's pharmacy locations by 15,000.

The Ateb acquisition broadens our Medication Adherence solutions scope and now combines into one industry-leading product portfolio:

1) Ateb's innovative patient engagement platform, including the market-leading Time My Meds® medication synchronization software. This solution capitalizes on the retail pharmacy trend toward the appointment-based model and medication synchronization.

We believe by 2020, 60% of all retail pharmacies scripts are expected to be dispensed via the appointment based model, and

2) Omnicell's SureMed medication adherence packaging, which works symbiotically with this model, and
3) Our broad range of related packaging automation, including the Omnicell VBM 200F announced yesterday, the M5000 and other packaging equipment, which provides a complete product portfolio

This acquisition enables pharmacists to improve patient outcomes in retail settings, addressing the problem of medication non-adherence, a problem that is estimated to cost more than $105 billion in the U.S. alone with more than 32 million Americans taking five or more maintenance medications daily.

We believe our hard work over the years and the execution of our three-leg strategy laid the foundation for our successes in 2016, and sets us up for continued future growth and scale. In today's evolving healthcare environment, we remain focused on our mission to change the practice of healthcare with solutions that improve patient and provider outcomes.

Financial Performance

We will now provide a summary of our fourth quarter and full year financial results and our guidance for 2017.

As noted earlier, the 2016 Product Bookings were a record $541 million, up 38% on a reported basis and up 10% from 2015 when including Aesynt for the full year in 2015. The resulting Backlog of $301 million per December 31, 2016, up from $205 million at December 31, 2015, is a company record and represents a year over year increase of 47%.

Our fourth quarter 2016 GAAP revenue of $172 million was up 32% from the same quarter last year and down 3% sequentially. As previously noted, the announcement of the Omnicell XT Series caused some delays in December and impacted fourth quarter revenue modestly due to new customer installs in which customers wanted to switch to XT instead.

The full year 2016 year over year strength in revenue was driven by both expansion and upgrades at existing customers, as well as by new and competitive conversion customers. We continue to see particular strength of the combined product portfolio to enable strategic, tailored and scalable solutions for customers.

Earnings per share in accordance with GAAP were $0.00, which is down from $0.21 in the fourth quarter of 2015. GAAP Gross margin was at 43.2% for the quarter.

In addition to GAAP financial results, we report our results on a non-GAAP basis which excludes stock compensation expense and amortization of intangible assets associated with acquisitions, one-time acquisition-related expenses, and the acquisition accounting impacts related to deferred revenue and inventory fair value adjustments. We use non-GAAP financial statements in addition to GAAP financial statements because we believe it is useful for investors to understand acquisition amortization related costs and non-cash stock compensation expenses that are a component of our reported results, as well as one-time events such as the gain on Avantec investment in 2Q15 and one-time acquisition-related expenses. A full reconciliation of our GAAP to non-GAAP results is included in our fourth quarter earnings press release and is posted on our website.

Our fourth quarter 2016 non-GAAP revenues of $175 million were up 34% from the same quarter last year and down 3% sequentially.

On a Non-GAAP basis, earnings per share were $0.37 in the fourth quarter of 2016, down $0.03 or 8% from the same quarter last year, and down $0.03 sequentially.

Non-GAAP revenue of $703 million for full year 2016 was a Company record, representing an increase of 45% year over year. Non-GAAP EPS of $1.51 per share for 2016 was also a record.

Non-GAAP gross margin was 48.1% in the fourth quarter and 50.0% for total year 2016. The Non-GAAP gross margin was negatively impacted in the fourth quarter of 2016 by lower

Overhead Cost absorption as we entered into the product launch phase of the XT product series, and also less overhead cost could be absorbed by lower G4 volume in the quarter when compared to prior quarters. The negative impact of lower gross margin on Non-GAAP EPS was approximately offset by an R&D Tax Credit settlement for years prior to 2015 of around $2 million.

Non-GAAP Adjusted EBITDA was $23.3 million for the fourth quarter of 2016 and was $102 million for total year 2016 or up 19% from total year 2015.

Our business is also reported in segments, consisting of Automation and Analytics and Medication Adherence. Automation and Analytics consists of our XT, AcuDose-Rx and earlier-generation automated dispensing cabinets; Anesthesia Workstations; Central Pharmacy; Omnicell Supply; Omnicell Analytics; and Mach4 robotic dispensing systems. Our acquisitions of Avantec, MACH4, and Aesynt are also included in this segment. The Medication Adherence segment consists of all adherence package consumables, which are now branded as SureMed, and equipment used by pharmacists to create adherence packages. Our acquisitions of MTS Medication Technologies, Surgichem Ltd, and Ateb Inc. are included in the Medication Adherence segment. As a reminder, we now report certain corporate expenses that cannot be easily applied to either segment separately.

On a segment basis, our Automation and Analytics segment contributed $144 million in GAAP revenue in the fourth quarter of 2016, up from $106 million in the fourth quarter of 2015, or an increase of 36% driven by the acquisition of Aesynt and organic growth. $18.6 million of GAAP operating income this quarter compares to $29.0 million for the same quarter last year. $32.4 million of non-GAAP operating income in the fourth quarter of 2016 compares to $31.3 million last year.

The Medication Adherence segment contributed $28.4 million of GAAP revenue to the quarter, compared to $24.4 million in the fourth quarter of 2015. GAAP operating income of $1.0 million compares to $1.3 million a year ago. The weaker GBP exchange rate impacted Medication Adherence operating income by around $0.7 million compared to the same quarter last year as most of the Medication Adherence products sold in the United Kingdom are manufactured in the United States. Non-GAAP operating income was $2.8 million in the fourth quarter compared to $2.6 million of Non-GAAP operating income in the fourth quarter a year ago.

Non-GAAP Common expenses were $16.5 million compared to $13.4 million in the same quarter of last year. The increase is mostly driven by the Aesynt acquisition.

Non-GAAP operating margin was 11.7% for 2016, including Aesynt integration cost. Excluding the Aesynt Integration costs Non-GAAP operating margin was 13% for 2016.

In the fourth quarter of 2016 our cash increased from $47 million to $54 million, primarily driven by strong cash flow from operations. Total year 2016 cash flow from operations is $48 million, up from $34 million in 2015. Our strong cash flow in the year enabled us to repay approximately $34.5 million of the outstanding balance during the year. As of December 31, 2016 we had $260 million of outstanding funded debt, and our loan leverage measured as outstanding total funded loan balance over LTM of EBITDA was 2.4.

Accounts receivable days sales outstanding were 82, down 9 days from the third quarter. The decrease in DSO was driven by record cash collections in the quarter. For context our customer agreements specify that for equipment sales the company typically invoices 100% of the contract value at shipment date. We review the collectability of our receivables regularly and we do not believe the fluctuations in DSO are indicative of a change in our rate of bad debt.

Inventories at December 31, 2016 were $69 million and down $5 million from last quarter. Our headcount was 2,444, with the increase from last quarter driven by the acquisition of Ateb in December.

Revenue and Profit Guidance

During the second half of last year we introduced the XT Series to a number of customers under Non-Disclosure Agreements for first launch purposes. We gave these customers the opportunity to move from G4 to XT, and the vast majority of these customers are indeed moving to installing XT starting in the first quarter of 2017 and ramping throughout 2017. We do see some timing delays of the conversion of G4 Bookings and Sales quotes to XT Bookings and revenue. This is mostly driven by paperwork and approvals taking longer than expected, and timing of the scheduling of implementations.

Overall 2017 will be characterized by two distinct phases as revenue and profitability are impacted by the XT Product introduction and ramp-up.

The first distinct phase is the start and ramp of manufacturing of the XT Series product in the first quarter of 2017.

The first quarter 2017 Dynamics are expected to be as follows:

- Conversion of the G4 product backlog and sales quotes in the field to XT bookings;
- XT manufacturing volume ramp-up, and the start of the second shift in the XT manufacturing plant this month
- First installs at launch customers
- XT manufacturing ramp up cost

The first quarter of 2017 we are taking the following Actions are to drive offsets:

- a 100 position RIF including the closure of the Tennessee office, and
- general hiring delays

As part of the next phase of the integration of the acquisition of Aesynt the Company is creating the following Centers of Excellence ("COEs") for product development, engineering, and manufacturing:

- the Point of Use COE in California,
- the Robotics and Central Pharmacy COE in Pittsburgh, Pennsylvania, and
- the Medication Adherence Consumables COE in St. Petersburg Florida

The majority of the reduction in force of around 100 positions over various locations is expected to be completed in the first quarter of 2017 and enables the creation of the Centers of Excellence and also enables the achievement of the cost synergies contemplated in the acquisition of Aesynt.

This reduction in force includes the closure of the Company's Nashville, Tennessee office. We are also planning to move the manufacturing of IV machines for the non-US customers from our Slovenia plant to the Pittsburg Robotics & Central Pharmacy COE in the third quarter of 2017 to consolidate the IV manufacturing globally, and we will close the Slovenia plant after this transition. The Company expects to incur approximately $8 million of severance-related costs and facilities restructuring cost in connection with this reduction in force and the 2 location closures.

For the first quarter of 2017 we expect Non-GAAP revenue to be between $150 million and $155 million. We expect the 1Q17 Non-GAAP earnings to be between $0.00 and $0.04 per share.

The <u>second</u> distinct phase is the <u>acceleration of installations of XT products and conversion of backlog into revenue during the second through fourth quarters of 2017.</u>

The second through fourth quarters of 2017 <u>Dynamics</u> are expected to be as follows:

- AcuDose-Rx XT platform launch
- Improved XT production cost
- Bookings growth greater than 20%
- Return to 8%-12% organic revenue growth

During the second through fourth quarters of 2017 we are planning to take the following <u>Actions</u>:

- XT COGS reductions as revenue ramps
- Continued cost actions
- Implementing the development and manufacturing Centers of Excellence (COEs)

For the second through fourth quarter of 2017 we expect total Non-GAAP revenue to be between $590 million and $605 million, representing a return to the 8%-12% organic revenue growth longer term target. For the second through fourth quarters of 2017 we expect total Non-GAAP earnings to be between $1.32 and $1.38 per share, representing a 17% growth in earnings when using the mid-point of $1.35.

For 2017 we expect product bookings to be between $570 and $590 million, consisting of 2 distinct phases:

1) a year over year Bookings decline in the first quarter of 2017 as teams are working with customers to convert committed existing G4 contracts and sales quotes to XT contracts, and
2) an above 20% growth both on a reported and organic basis for the second through the fourth quarters of 2017

We expect Non-GAAP revenue for the full year to be between $740 and $760 million in 2017. We expect 2017 Non-GAAP earnings to be between $1.32 and $1.42 per share.

We have summarized our 2017 guidance for the 2 distinct phases on a specific table included in the Press Release 8-K as well as in the Investor Presentation posted on the IR section on omnicell.com.

We expect Non-GAAP operating margins for 2017 to be approximately 11% including integration cost for Aesynt and Ateb. Excluding the Integration cost for the Aesynt and Ateb acquisitions we expect non-GAAP operating margin for 2017 to be slightly above 12%. Given the ramp up of revenue and profitability through the year in 2017 described earlier in this call we expect Non-GAAP operating margins for the fourth quarter in 2017 after excluding integration cost for Aesynt and Ateb to be approximately 15% to 16%, in line with our long-term financial model.

When reviewing 2017 it is important to note a couple of items included in the 2017 guidance:

1) For 2017 our non-GAAP expected results include approximately $12 million of integration expenses for Aesynt and Ateb that we do not adjust for based on our Non-GAAP Policy. These integration costs directly impacting non-GAAP Operating margins and Non-GAAP EPS mostly consist of:
   a. Integration-related IT expenses, specifically Sales CRM and ERP implementations
   b. integration team and project cost
   c. cost related to the implementation of Sarbanes Oxley,

   d. cost related to tax restructuring,
   e. cost related to accelerated product development integration cost
2) In 2017 we are expecting second year cost synergies of around $10 million. As we have demonstrated in the past we are confident to achieve our 15% Non-GAAP Operating Margin target over time after integrating the acquired businesses and getting full benefit of the scale of the combined business
3) Lastly, for 2017 we expect interest expense related to the Senior Secured Credit Facility used to finance the Aesynt and Ateb acquisitions to be around $7 million or equivalent to a Non-GAAP EPS of around $0.11

Finally, we are assuming an annual average effective tax rate of 38% on GAAP earnings on a combined basis.

As discussed in previous Earnings Calls, it's important to note that from time to time installation completion timing on specifically bigger projects can impact revenue and earnings in a given quarter but we don't expect such quarterly fluctuations to impact the growth rate measured over multiple (rolling) quarters.

Conclusion

2016 was a watershed year for Omnicell with the integration of Aesynt to help drive record Bookings, Backlog, Revenues and Earnings. We significantly broadened our solutions portfolio and strengthened our role as a strategic solutions provider to very large health systems, which positioned us totally differently in the marketplace.

We are also pleased with the progress on the integration of Aesynt, which allows us to move forward with the second phase of the Aesynt integration which involves mostly systems and process implementations, as well as joint product development and roadmaps.

We are pleased with the response and uptake on the XT Series that we are shipping and installing every day with very positive customer feedback.

We are seeing health systems, both existing and new customers, assessing their needs for improved efficiency and safety in their medication processes, looking across the continuum of care, evaluating our breadth of solutions, and choosing Omnicell.

2017 Guidance – 2 Distinct Phases

	1Q17	2Q17 through 4Q17	Total Year 2017
Bookings	<0% growth year over year	>20% growth year over year	$570M - $590M
Non-GAAP Revenue	$150M - $155M	$590M - $605M	$740M - $760M
Non-GAAP EPS	$0.00 - $0.04	$1.32 - $1.38	$1.32 - $1.42

1Q17 Dynamics

- Conversion of G4 backlog & sales quotes to XT
- XT Manufacturing volume ramp up
- First XT installs
- XT manufacturing ramp up cost

2Q17 through 4Q17 Dynamics

- Acudose on XT launch
- Improved XT production cost
- Return to 8%-12% organic revenue growth

1Q17 Actions

- 100 position RIF, Tennessee office closure
- General hiring delays

2Q17 through 4Q17 Actions

- XT COGS reductions
- Continued cost actions
- Centers of Excellence creation

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

	Three Months Ended			Years Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenues:					
Product	$ 125,753	$ 133,621	$ 104,193	$ 517,944	$ 388,397
Services and other revenues	46,221	43,116	26,123	174,679	96,162
Total revenues	171,974	176,737	130,316	692,623	484,559
Cost of revenues:					
Cost of product revenues	78,024	76,188	55,099	302,437	198,418
Cost of services and other revenues	19,621	19,041	10,137	76,386	38,211
Total cost of revenues	97,645	95,229	65,236	378,823	236,629
Gross profit	74,329	81,508	65,080	313,800	247,930
Operating expenses:					
Research and development	14,902	15,264	9,219	57,799	35,160
Selling, general and administrative	59,608	61,316	43,891	249,520	167,581
Gain on business combination	—	—	—	—	(3,443)
Total operating expenses	74,510	76,580	53,110	307,319	199,298
Income (loss) from operations	(181)	4,928	11,970	6,481	48,632
Interest and other income (expense), net	(1,656)	(2,721)	(753)	(8,429)	(2,388)
Income (loss) before provision for income taxes	(1,837)	2,207	11,217	(1,948)	46,244
Provision (benefit) for income taxes	(1,994)	224	3,562	(2,551)	15,484
Net income	$ 157	$ 1,983	$ 7,655	$ 603	$ 30,760
Net income per share:					
Basic	$ —	$ 0.05	$ 0.22	$ 0.02	$ 0.86
Diluted	$ —	$ 0.05	$ 0.21	$ 0.02	$ 0.84
Weighted average shares outstanding:					
Basic	36,553	36,332	35,482	36,156	35,857
Diluted	37,256	37,079	36,172	36,864	36,718

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

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,488	$ 82,217
Accounts receivable, net	150,303	107,957
Inventories	69,297	46,594
Prepaid expenses	28,646	19,586
Other current assets	12,674	7,774
Total current assets	315,408	264,128
Property and equipment, net	42,011	32,309
Long-term investment in sales-type leases, net	20,585	14,484
Goodwill	327,724	147,906
Intangible assets, net	190,283	89,665
Long-term deferred tax assets	4,041	2,361
Other long-term assets	35,051	27,894
Total assets	$ 935,103	$ 578,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,069	$ 22,646
Accrued compensation	26,722	18,195
Accrued liabilities	31,195	30,133
Long-term debt, current portion, net	8,410	—
Deferred revenue, net	87,516	53,656
Total current liabilities	180,912	124,630
Long-term, deferred revenue	17,051	17,975
Long-term deferred tax liabilities	51,592	21,822
Other long-term liabilities	8,210	11,932
Long-term debt, net	245,731	—
Total liabilities	503,496	176,359
Stockholders' equity:		
Total stockholders' equity	431,607	402,388
Total liabilities and stockholders' equity	$ 935,103	$ 578,747

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

	Years Ended	
	2016	**2015**
Operating Activities		
Net income	$ 603	$ 30,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,362	25,639
Loss on disposal of fixed assets	35	238
Gain on business combination	—	(3,443)
Gain related to contingent liability	(600)	—
Share-based compensation expense	19,500	14,921
Income tax benefits from employee stock plans	1,702	4,535
Excess tax benefits from employee stock plans	(1,963)	(4,724)
Deferred income taxes	(10,882)	(1,092)
Amortization of debt financing fees	1,590	—
Changes in operating assets and liabilities:		
Accounts receivable	8,047	(17,941)
Inventories	(3,362)	(10,032)
Prepaid expenses	(4,321)	4,049
Other current assets	(1,093)	638
Investment in sales-type leases	(9,639)	(4,661)
Other long-term assets	2,043	496
Accounts payable	(4,963)	(2,841)
Accrued compensation	(2,052)	(2,032)
Accrued liabilities	(3,287)	5,456
Deferred revenue	4,480	(5,521)
Other long-term liabilities	(6,263)	(683)
Net cash provided by operating activities	47,937	33,762
Investing Activities		
Purchase of intangible assets, intellectual property and patents	(1,372)	(415)
Software development for external use	(14,348)	(12,132)
Purchases of property and equipment	(13,445)	(7,542)
Business acquisitions, net of cash acquired	(312,158)	(25,507)
Net cash used in investing activities	(341,323)	(45,596)
Financing Activities		
Proceeds from debt, net	287,051	—
Repayment of debt and revolving credit facility	(34,500)	—
Payment for contingent consideration	(3,000)	—
Proceeds from issuances under stock-based compensation plans	17,691	17,091
Employees' taxes paid related to restricted stock units	(3,490)	(3,627)
Excess tax benefits from employee stock plans	1,963	4,724
Common stock repurchases	—	(50,021)
Net cash provided by (used in) financing activities	265,715	(31,833)
Effect of exchange rate changes on cash and cash equivalents	(58)	(4)
Net decrease in cash and cash equivalents	(27,729)	(43,671)
Cash and cash equivalents at beginning of period	82,217	125,888
Cash and cash equivalents at end of period	$ 54,488	$ 82,217

Omnicell, Inc.

Reconciliation of GAAP to Non-GAAP

(Unaudited, in thousands, except per share data and percentages)

	Three Months Ended			Twelve Months Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Reconciliation of GAAP revenue to non-GAAP revenue:					
GAAP revenue	$ 171,974	$ 176,737	$ 130,316	$ 692,623	$ 484,559
Acquisition accounting impact related to deferred revenue	2,663	2,663	—	10,652	—
Non-GAAP revenue	$ 174,637	$ 179,400	$ 130,316	$ 703,275	$ 484,559
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	$ 74,329	$ 81,508	$ 65,080	$ 313,800	$ 247,930
GAAP gross margin	*43.2%*	*46.1%*	*49.9%*	*45.3%*	*51.2%*
Share-based compensation expense	776	628	481	2,596	2,111
Amortization of acquired intangibles	5,266	5,199	547	20,890	2,016
Acquisition accounting impact related to deferred revenue	2,663	2,663	—	10,652	—
Inventory fair value adjustments	921	920	—	3,682	—
Acquisition related expenses	5	44	—	277	—
Non-GAAP gross profit	$ 83,960	$ 90,962	$ 66,108	$ 351,897	$ 252,057
Non-GAAP gross margin	*48.1%*	*50.7%*	*50.7%*	*50.0%*	*52.0%*
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:					
GAAP operating expenses	$ 74,510	$ 76,580	$ 53,110	$ 307,319	$ 199,298
GAAP operating expenses % to total revenue	*43.3%*	*43.3%*	*40.8%*	*44.4%*	*41.1%*
Share-based compensation expense	(4,663)	(4,049)	(3,173)	(16,904)	(12,810)
Amortization of acquired intangibles	(3,752)	(3,714)	(1,354)	(15,251)	(4,904)
Acquisition related expenses	(829)	(342)	(2,898)	(5,753)	(2,898)
Gain on business combination	—	—	—	—	3,443
Non-GAAP operating expenses	$ 65,266	$ 68,475	$ 45,685	$ 269,411	$ 182,129
Non-GAAP operating expenses % to total revenue	*37.4%*	*38.2%*	*35.1%*	*38.3%*	*37.6%*

	Three Months Ended			Twelve Months Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Reconciliation of GAAP income (loss) from operations to non-GAAP income from operations:					
GAAP income (loss) from operations	$ (181)	$ 4,928	$ 11,970	$ 6,481	$ 48,632
GAAP operating income % to total revenue	*(0.1)%*	*2.8%*	*9.2%*	*0.9%*	*10.0%*
Share-based compensation expense	5,438	4,677	3,654	19,500	14,921
Amortization of acquired intangibles	9,017	8,913	1,901	36,141	6,920
Acquisition accounting impact related to deferred revenue	2,663	2,663	—	10,652	—
Inventory fair value adjustments	921	920	—	3,682	—
Acquisition related expenses	834	386	2,898	6,029	2,898
Gain on business combination	—	—	—	—	(3,443)
Non-GAAP income from operations	$ 18,692	$ 22,487	$ 20,423	$ 82,485	$ 69,928
Non-GAAP operating income % to total Non-GAAP revenue	*10.7%*	*12.5%*	*15.7%*	*11.7%*	*14.4%*
Reconciliation of GAAP net income to non-GAAP net income:					
GAAP net income	$ 157	$ 1,983	$ 7,655	$ 603	$ 30,760
Share-based compensation expense	5,438	4,677	3,654	19,500	14,921
Amortization of acquired intangibles	9,017	8,913	1,901	36,141	6,920
Acquisition accounting impact related to deferred revenue	2,663	2,663	—	10,652	—
Inventory fair value adjustments	921	920	—	3,682	—
Acquisition related expenses	632	783	2,898	7,019	2,898
Gain on business combination	—	—	—	—	(3,443)
Tax effect of the adjustments above[(a)]	(5,031)	(5,047)	(1,665)	(21,850)	(3,368)
Non-GAAP net income	$ 13,797	$ 14,892	$ 14,443	$ 55,747	$ 48,688
Reconciliation of GAAP net income per share - diluted to non-GAAP net income per share - diluted:					
Shares - diluted GAAP	37,256	37,079	36,172	36,864	36,718
Shares - diluted Non-GAAP	37,256	37,079	36,172	36,864	36,718
GAAP net income per share - diluted	$ —	$ 0.05	$ 0.21	$ 0.02	$ 0.84
Share-based compensation expense	0.15	0.13	0.10	0.53	0.41
Amortization of acquired intangibles	0.24	0.24	0.05	0.98	0.18
Acquisition accounting impact related to deferred revenue	0.07	0.07	—	0.29	—
Inventory fair value adjustments	0.02	0.02	—	0.10	—
Acquisition related expenses	0.02	0.02	0.08	0.19	0.08
Gain on business combination	—	—	—	—	(0.09)
Tax effect of the adjustments above[(a)]	(0.13)	(0.13)	(0.04)	(0.60)	(0.09)
Non-GAAP net income per share - diluted	$ 0.37	$ 0.40	$ 0.40	$ 1.51	$ 1.33
Reconciliation of GAAP net income to non-GAAP Adjusted EBITDA:					
GAAP net income	$ 157	$ 1,983	$ 7,655	$ 603	$ 30,760
Share-based compensation expense	5,438	4,677	3,654	19,500	14,921
Interest (income) and expense, net	998	1,523	89	5,616	410
Depreciation and amortization expense	14,457	14,702	7,182	58,362	25,639
Acquisition accounting impact related to deferred revenue	2,663	2,663	—	10,652	—
Inventory fair value adjustments	921	920	—	3,682	—
Acquisition related expenses	632	783	2,898	7,019	2,898
Gain on business combination	—	—	—	—	(3,443)
Income tax expense (benefit)	(1,994)	224	3,562	(2,551)	15,484
Non-GAAP Adjusted EBITDA [(b)]	$ 23,272	$ 27,475	$ 25,040	$ 102,883	$ 86,669

[(a)] Tax effects calculated for all adjustments except share-based compensation expense, using the tax rate of 38%.

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

Omnicell, Inc.
Segmented Information
(Unaudited, in thousands, except for percentages)

	Three Months Ended December 31, 2016			Three Months Ended December 31, 2015		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
Revenues	$ 143,583	$ 28,391	$ 171,974	$ 105,874	$ 24,442	$ 130,316
Cost of revenues	77,566	20,079	97,645	48,020	17,216	65,236
Gross profit	66,017	8,312	74,329	57,854	7,226	65,080
Gross margin %	*46.0%*	*29.3%*	*43.2%*	*54.6%*	*29.6%*	*49.9%*
Operating expenses	47,402	7,325	54,727	28,889	5,937	34,826
Income from segment operations	$ 18,615	$ 987	$ 19,602	$ 28,965	$ 1,289	$ 30,254
Operating margin %	*13.0%*	*3.5%*	*11.4%*	*27.4%*	*5.3%*	*23.2%*
Corporate costs			19,783			18,284
Income (loss) from operations			$ (181)			$ 11,970

Omnicell, Inc.

Segmented Information

(Unaudited, in thousands, except for percentages)

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
Revenues	$ 593,626	$ 98,997	$ 692,623	$ 390,321	$ 94,238	$ 484,559
Cost of revenues	310,967	67,856	378,823	171,943	64,686	236,629
Gross profit	282,659	31,141	313,800	218,378	29,552	247,930
Gross margin %	*47.6%*	*31.5%*	*45.3%*	*55.9%*	*31.4%*	*51.2%*
Operating expenses	198,511	24,843	223,354	114,084	24,258	138,342
Income from segment operations	$ 84,148	$ 6,298	$ 90,446	$ 104,294	$ 5,294	$ 109,588
Operating margin %	*14.2%*	*6.4%*	*13.1%*	*26.7%*	*5.6%*	*22.6%*
Corporate costs			83,965			60,956
Income from operations			$ 6,481			$ 48,632

Omnicell, Inc.
Segment Information Non-GAAP Gross Margin and Non-GAAP Operating Margin
(Unaudited, in thousands, except for percentages)

	Three Months Ended December 31, 2016								
	Automation and Analytics			Medication Adherence			Total		
	Amount	% of GAAP Revenue	% of Non-GAAP Revenue	Amount	% of GAAP Revenue	% of Non-GAAP Revenue	Amount	% of GAAP Revenue	% of Non-GAAP Revenue
Revenues	$ 143,583			$ 28,391			$ 171,974		
Acquisition accounting impact related to deferred revenue	2,663	*1.9%*	*1.8%*	—	*—%*	*—%*	2,663	*1.5%*	*1.5%*
Non-GAAP Revenues	$ 146,246			$ 28,391			$ 174,637		
GAAP Gross profit	$ 66,017	*46.0%*	*45.1%*	$ 8,312	*29.3%*	*29.3%*	$ 74,329	*43.2%*	*42.6%*
Stock-based compensation expense	668	*0.5%*	*0.5%*	108	*0.4%*	*0.4%*	776	*0.5%*	*0.4%*
Amortization expense of acquired intangible assets	4,820	*3.4%*	*3.3%*	446	*1.6%*	*1.6%*	5,266	*3.1%*	*3.0%*
Acquisition accounting impact related to deferred revenue	2,663	*1.9%*	*1.8%*	—	*—%*	*—%*	2,663	*1.5%*	*1.5%*
Inventory fair value adjustments	921	*0.6%*	*0.6%*	—	*—%*	*—%*	921	*0.5%*	*0.5%*
Acquisitions related expenses	5	*—%*	*—%*	—	*—%*	*—%*	5	*—%*	*—%*
Non-GAAP Gross profit	$ 75,094	*52.3%*	*51.3%*	$ 8,866	*31.2%*	*31.2%*	$ 83,960	*48.8%*	*48.1%*
GAAP Operating income	$ 18,615	*13.0%*	*12.7%*	$ 988	*3.5%*	*3.5%*	$ 19,603	*11.4%*	*11.2%*
Stock-based compensation expense	2,672	*1.9%*	*1.8%*	270	*0.95%*	*1.0%*	2,942	*1.7%*	*1.7%*
Amortization expense of acquired intangible assets	7,494	*5.2%*	*5.1%*	1,523	*5.4%*	*5.4%*	9,017	*5.2%*	*5.2%*
Acquisition accounting impact related to deferred revenue	2,663	*1.9%*	*1.8%*	—	*—%*	*—%*	2,663	*1.5%*	*1.5%*
Inventory fair value adjustments	921	*0.6%*	*0.6%*	—	*—%*	*—%*	921	*0.5%*	*0.5%*
Acquisitions related expenses	23	*—%*	*—%*	—	*—%*	*—%*	23	*—%*	*—%*
Non-GAAP Operating income	$ 32,388	*22.6%*	*22.1%*	$ 2,781	*9.8%*	*9.8%*	$ 35,169	*20.5%*	*20.1%*
GAAP Corporate costs							$ 19,784	*11.5%*	*11.3%*
Less: Stock-based compensation expense							2,496	*1.5%*	*1.4%*
Less: Acquisition-related expenses							811	*0.5%*	*0.5%*
Non-GAAP Corporate costs							$ 16,477	*9.6%*	*9.4%*
Non-GAAP Income from operations							$ 18,692	*10.9%*	*10.7%*

	Three Months Ended December 31, 2015					
	Automation and Analytics		Medication Adherence		Total	
	Amount	% of GAAP Revenue*	Amount	% of GAAP Revenue*	Amount	% of GAAP Revenue*
Revenues	$ 105,874		$ 24,442		$ 130,316	
GAAP Gross profit	57,854	*54.6%*	7,226	*29.6%*	65,080	*49.9%*
Stock-based compensation expense	411	*0.4%*	70	*0.3%*	481	*0.4%*
Amortization expense of acquired intangible assets	214	*0.2%*	333	*1.4%*	547	*0.4%*
Non-GAAP Gross profit	$ 58,479	*55.2%*	$ 7,629	*31.2%*	$ 66,108	*50.7%*
GAAP Operating income	$ 28,965	*27.4%*	$ 1,289	*5.3%*	$ 30,254	*23.2%*
Stock-based compensation expense	1,472	*1.3%*	196	*0.8%*	1,668	*1.3%*
Amortization expense of acquired intangible assets	828	*0.8%*	1,072	*4.4%*	1,900	*1.5%*
Non-GAAP Operating income	$ 31,265	*29.5%*	$ 2,557	*10.5%*	$ 33,822	*26.0%*
GAAP Corporate costs					$ 18,284	*14.0%*
Less: Stock-based compensation expense					1,986	*1.5%*
Less: Acquisition related expenses					2,898	*2.2%*
Non-GAAP Corporate costs					$ 13,400	*10.3%*
Non-GAAP Income from operations					$ 20,422	*15.7%*

* For the three months ended December 31, 2015, there were no differences between GAAP and non-GAAP revenues.