Complementary Summary of Q2 2017 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 28, 2017, 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 the second quarter of 2017 and our guidance for the year. Our second quarter financial results are as usual 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 discuss our second quarter results as well as our continued progress of the XT series market introduction that is gaining momentum every day.

Following the announcement of our new XT series at ASHP last December we received great responses and we are experiencing continued momentum from both existing and new customers. In April we announced the launch of AcuDose-Rx software on XT hardware, which allows our Aesynt customers to take full advantage of XT. And this week we announced the launch of the XT Series Automated Supply Dispensing Cabinet. In the second quarter we also launched the Controlled Substance Dispenser module, providing innovative, efficient, and secure workflow for dispensing and administration of controlled substances.

We want to summarize our progress in 3 specific areas:

1) We are winning in the marketplace across Omnicell's differentiated platform of solutions.
2) We are making good progress on XT with strong customer interest, and the XT Series is well accepted by our customers.

3) Progress on conversion of G4 and AcuDose-Rx quotes and backlog to XT.

First, it's clear that we are winning in the marketplace:

- During the first half of 2017 we had a strong New and Competitive conversions rate of 27% of bookings. This is a great indicator of the strength of the business. Over 70% of those were competitive conversions, and the remainder were from greenfield customers who have never automated before. Given the quarter to quarter fluctuations, we will start reporting the New and Competitive conversions rate for bookings on a twelve-month rolling basis. For the twelve months ended June 30, 2017 our New and Competitive conversions rate was 28%.
- We are also seeing momentum in replacement and add-on XT orders with the pipeline of replacements exceeding our internal goals. 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.

Second, the XT series is very well received and accepted by customers:

- As of last week we have delivered XT to approximately 320 sites, which is up from 175 sites at the end of April. The XT series is now live at over 170 sites, which is up from 50 sites at the end of April. Both numbers are growing every day.
- Both our internal and external feedback sources indicate customers are having a very strong positive experience. As an example, a leading children's hospital that recently installed observed that the XT automated dispensing system allows them to increase medication security and the availability of medication on the floors while also decreasing the likelihood of diversion. As a result, they will be upgrading all of their existing Omnicell cabinets to XT. This project is being given the highest priority by their executive leadership in order to realize immediate value and will position them well for the future.

Third, we are progressing well on the conversion of G4 and AcuDose-Rx quotes and backlog, and are scaling XT series revenue, specifically:

- As mentioned last quarter, out of the total automated dispensing cabinet (ADC) Frame revenue we were expecting the percentage of XT Series Frame revenue to increase from around 25% in the first quarter, to over 40% in the second quarter, to over 75% in the third quarter, and to around 90% in the fourth quarter. The second quarter XT Series Frame revenue came in higher at 55%. We now expect this percentage to increase to above 80% in the third quarter and be around 90% in the fourth quarter. We will continue to report this metric during the quarterly earnings calls this year to demonstrate the execution of the XT series roll out and adoption.
- We have also announced to customers the end of shipment of G4 hardware by September this year and the end of shipment of AcuDose-Rx hardware by December this year. This will allow us to consolidate and reduce the number of ADC frame assembly lines from three to one.

For the second quarter, Non-GAAP revenue was $181 million, which is above the guidance range provided in our first quarter results earnings call.

Combined with good operating expense control, favorable exchange rates, and tax benefits non-GAAP EPS for the second quarter was $0.31, above our guidance range and above consensus.

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

1) Growth through the Differentiated Omnicell Platform
2) Growth in New Markets
3) Growth via Acquisitions

For 11 consecutive years 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. Increasingly we are becoming a strategic business partner for our customers developing multiyear plans to consistently deliver state-of-the-art medication management automation and workflow efficiency across the Omnicell platform for caregivers and better health outcomes for patients.

In 2017 to date, we have continued to experience great wins and have added notable customers to our Omnicell family under our first strategic pillar of Differentiated Platform. With several large competitive conversions we believe that we are gaining further market share in 2017, a continuation of the market share gain trend and momentum we have experienced for many years. In the second quarter we had some great wins with prominent new customers, as well as significant deals with existing customers, including:

- Prime Healthcare
- Orange Regional Medical Center
- White River Health System

Prime Healthcare, an award-winning national hospital system with 45 acute-care hospitals providing nearly 44,000 jobs in 14 states, recently expanded its existing partnership with Omnicell to serve a majority of facilities within the health system. Prime is implementing Omnicell's new XT series automated medication dispensing systems in seven hospitals and is also adding to the suite of Omnicell solutions used in select sites to include anesthesia and supply offerings. As this health system continues to grow and evolve to meet new challenges, we are pleased to help them implement technologically advanced solutions to optimize operations so they can spend more time focusing on their patients.

Orange Regional Medical Center, recently named a 2017 most wired hospital, and part of the Greater Hudson Valley Health system, has chosen to replace all of their existing G4 cabinets with our XT series, and will also be adding Omnicell Analytics. Orange Regional moved into its new, state-of-the-art facility in 2011 that now offers inpatient and outpatient services in one location. Omnicell has been working with them since the facility opened, and we are pleased to support their advances in innovative patient care.

White River Health System, recognized for their supply chain excellence in Arkansas, will be implementing a comprehensive set of medication management solutions on the Unity platform, including the Omnicell® XT series automated dispensing system, XT Anesthesia Workstation™, Anywhere RN™ and Central Pharmacy Manager software in its two hospitals and a satellite

Emergency Department. As the system expands, they are looking to Omnicell products to help position their facilities for future growth.

These strategic wins in the marketplace are based on the strength of the solutions in our portfolio with the differentiated Omnicell platform.

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, we are pleased to announce that Hacettepe University Hospital, one of the largest and most prestigious university hospitals in Turkey, is currently implementing multiple Omnicell i.v.STATION ONCO™ hazardous compounding robots. These solutions will support improved safety in sterile compounding processes at the Hacettepe University Oncology Hospital.

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 with the market introduction of AcuDose-Rx software on XT hardware announced in the second quarter, and the cost synergies are trending as expected.
- In addition we are seeing good cross selling momentum within the total product portfolio and combined customer base specifically for our IV and Performance Center Solutions. In the second quarter DCH in Alabama went live with IV automation under our RIIS™ program, a popular turn-key solution where Omnicell provides an on-site service for preparing sterile IV preparations, including automation, workflow, service, implementation consulting, and expertly trained personnel.

We believe that the execution of our three-leg strategy laid the foundation for our success historically, 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

Our second quarter 2017 GAAP revenue of $181 million was up $30 million or up 20% sequentially driven by the product transition and related ramp up of the XT series launch and is above the guidance range provided in our first quarter results earnings call. The second quarter revenue strength was driven by XT revenue and IV solutions, some of which is timing with the third quarter.

Earnings per share in accordance with GAAP were $0.02, which is up from a GAAP EPS loss of $(0.03) in the second quarter of 2016. GAAP Gross margin was 43% 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 and one-time acquisition and restructuring related expenses. A full reconciliation of our GAAP to non-GAAP results is included in our second quarter earnings press release and is posted on our website.

Our second quarter 2017 non-GAAP revenues of $181 million were up 20% from the first quarter driven by the XT series market introduction and ramp up.

On a Non-GAAP basis, earnings per share were $0.31 in the second quarter of 2017 above consensus, down $0.08 from the same quarter last year, and up $0.26 sequentially.

Non-GAAP gross margin was 45.3% in the second quarter. The second quarter non-GAAP gross margin was negatively impacted by approximately $3 million of start-up costs related to the XT ramp up, mostly consisting of labor cost and shipping expedite cost that we don’t expect to reoccur going forward. Excluding these start-up costs the non-GAAP gross margin would have been around 47%. We expect gross margin to steadily increase through the year as the XT series roll-out ramps up and we gain scale and efficiencies in manufacturing and installation.

Non-GAAP Adjusted EBITDA was $20 million for the second quarter of 2017 or up $15 million sequentially.

Our business is also reported in segments, consisting of Automation and Analytics and Medication Adherence. Automation and Analytics consists of our XT and OmniRx Automated Dispensing Cabinets, Anesthesia Workstations, Central Pharmacy, Omnicell Supply, Omnicell Analytics and MACH4 robotic dispensing systems. Our acquisitions of Avantec, MACH4, Aesynt, and inPharmics are also included in this segment. The Medication Adherence segment consists of all adherence package consumables, which are now branded SureMed®, and equipment used by pharmacists to create adherence packages as well as software solutions that aid retail pharmacies in medication synchronization and other appointment-based model solutions. Our acquisitions of MTS Medication Technologies, Surgichem Ltd, and Ateb Inc are included in the Medication Adherence segment. As a reminder, we report certain corporate expenses that cannot be easily applied to either segment separately.

On a segment basis, our Automation and Analytics segment contributed $148.4 million in GAAP revenue in the second quarter of 2017, consistent with $148.5 million in the second quarter of 2016. GAAP operating income of $19 million this quarter compares to $5 million GAAP operating income in the first quarter this year and, $21 million GAAP operating income for the same quarter last year. Non-GAAP operating profit of $26 million for the second quarter compares to $36 million for the same period last year.

The Medication Adherence segment contributed $32.5 million of GAAP revenue to the quarter, compared to $24.2 million in the second quarter of 2016. GAAP operating profit of $0.2 million compares to a $2.4 million GAAP operating loss last quarter and a $2.6 million GAAP operating profit a year ago. Non-GAAP operating income was $3 million in the second quarter compared to $4 million of Non-GAAP operating income a year ago.

Non-GAAP Common expenses were $17.9 million compared to $19.3 million in the second quarter of 2016.

Non-GAAP operating margin including Aesynt and Ateb integration cost was around 6% in the second quarter, up from around break even in the first quarter. Excluding the Aesynt integration costs of approximately $2 million the Non-GAAP operating margin was around 7% for the second quarter.

Non-GAAP other income and expense was a net profit of $0.5 million in the second quarter, compared to a net loss of approximately $2 million in the prior quarter. The sequential increase in other income and expense was due to foreign currency re-measurement as both the British Pound and Euro strengthened against the U.S. Dollar, and lower interest expense due to lower outstanding debt. We intend to develop and put in place a hedging strategy to limit the majority of the foreign exchange exposure in other income and expense going forward.

As a result of the adoption of ASU 2016-9 the excess tax benefit for stock based compensation is now recognized as a component of tax expense rather than equity. This change resulted in an increase to our tax benefit for the quarter and a corresponding increase to our net income per share. Given the increase in stock price and year to date activity, the impact is more pronounced in the second quarter where it generated an added benefit of around $0.05 on GAAP and non-GAAP EPS. We continue to expect ongoing variability in our quarterly and annual tax expenses as a result of ASU 2016-9.

Finally we are assuming an annual average tax rate of 35% to adjust GAAP tax expenses to non-GAAP tax expenses.

In the second quarter of 2017 our cash balance decreased from $47 million to $27 million after paying down our outstanding debt by $20.5 million in the quarter.

The second quarter 2017 cash flow from operations of $11 million was strong and driven by relative strong accounts receivable collections, given the lower accounts receivable balance going into the quarter, and by an increase in AP and other liabilities, partially offset by an inventory build of XT for future quarter installs. As of June 30, 2017 we had $200 million of outstanding funded debt, and our loan leverage measured as outstanding total funded loan balance over last 12 months of EBITDA was approximately 2.6.

Accounts receivable days sales outstanding were 78, down 4 days from the first quarter driven by strong collections.

Inventories at June 30, 2017 were $82 million, up $6 million from last quarter, primarily driven by an XT inventory build for future quarter installs.

Our headcount was 2,348 at June 30, 2017, down from 2,361 at March 31 this year.

During the second quarter we executed well on a number of drivers underpinning the dynamics of the XT series product introduction:

- As of last week we have delivered XT series to approximately 320 sites and the XT series is live at over 170 sites. Both numbers are growing every day.
- We announced to customers the end of shipment of G4 hardware by September this year and the end of shipment of AcuDose-Rx hardware by December this year.
- As part of the next phase of the integration of the acquisition of Aesynt we are progressing well on the creation of the following Centers of Excellence ("COEs") for product development, engineering, and manufacturing:
    - Point of Use COE in California
    - Robotics and Central Pharmacy COE in Pittsburgh, Pennsylvania
    - Medication Adherence Consumables COE in St. Petersburg, Florida

Revenue and Profit Guidance

During the second half of 2017 we will continue to focus on the following areas:

- Accelerating bookings momentum
- XT COGS reductions as revenue ramps and we consolidate three ADC assembly lines into one
- Continued cost management
- Implementing the development and manufacturing Centers of Excellence or COEs

For the third quarter of 2017 we expect GAAP and Non-GAAP revenue to be between $188 million and $194 million. We expect the 3Q17 Non-GAAP earnings to be between $0.38 and $0.45 per share.

As discussed in previous earnings calls, it's important to note that from time to time installation completion timing on larger 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.

We are reaffirming the total year 2017 product bookings, GAAP revenue, non-GAAP revenue, and non-GAAP EPS guidance:

- We expect 2017 product bookings to be between $570 and $590 million.
- We expect both GAAP and non-GAAP revenue to be between $720 and $740 million in 2017.
- We expect 2017 Non-GAAP earnings to be between $1.22 and $1.34 per share.

Given the ramp up of XT series revenue and related profitability through the year in 2017 we expect the Non-GAAP operating margin including integration cost for Aesynt, Ateb, and inPharmics to increase every quarter from around break even in the first quarter to 6% in the second quarter, and to above 15% in the fourth quarter.

Excluding the Integration cost for the Aesynt, Ateb, and inPharmics acquisitions we expect non-GAAP operating margin for the fourth quarter to be above 15%, 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 $10 million of integration expenses for Aesynt, Ateb, and inPharmics 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. accelerated product development integration cost
2) In 2017 we are expecting and are tracking to second year cost synergies from these acquisitions of around $10 million. As we have demonstrated in the past we are confident that we will 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, Ateb, and inPharmics acquisitions to be around $7 million or equivalent to a Non-GAAP EPS of around $0.11.

Conclusion

In summary, we are pleased with the quarter and pleased with the momentum we have built. Of course the XT series is gaining a lot of momentum, but we shouldn't forget other products we have such as the Performance Center, IV solutions, and central pharmacy products that really allow us to present a broad base of solutions that our larger customers want. These customers not only consolidate vertically, but they consolidate horizontally across the continuum of care. They need a multiple solution platform that can service all their needs in medication management. And that uniquely positions us in the marketplace and allows us to build a strategic relationship with our customers—not around a specific product solution, but around a strategy in medication management that demonstrates how outcomes can be improved, how costs can be reduced, and how regulatory compliance can be accomplished effectively and efficiently.

A lot of things have changed in the last 18 months, but really feels good to be at this point. It's a great time to be taking technology and introducing it into the world of healthcare, and really changing people's lives by changing what takes place with medication management. Our passion around the ability to change people's lives is probably the most exciting part of what we do every day.