Complementary Summary of Q4 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, then cover our results for the fourth quarter of 2017, for full year 2017, and our guidance for 2018. Our fourth quarter 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.

The fourth quarter of 2017 was a good quarter rounding off a successful year for the Company. Although fourth quarter revenue was slightly below guidance, profitability came in above consensus. We have created a strong foundation—with a record number of multi-million dollar deals in the fourth quarter, a record year-end product backlog, and considerable momentum in innovation and customer acquisition—we have created a great set-up for 2018 heading towards the $2.00 Non-GAAP EPS mark.

Last year was a great year for:

1) Innovation, and
2) Customer Acquisition

Innovation

We are pleased with our progress in continuous innovation to build and expand the industry-leading medication management platform with the goal of achieving the fully automated pharmacy.

- We started production of our innovative XT Series in January last year, which received a great market response from customers and we experience continued momentum from both existing and new customers.
- In April we announced the launch of AcuDose-Rx software on XT hardware, which allows our existing Aesynt customer base to fully take full advantage of the XT Series.
- In the second quarter we launched the XT Series Automated Supply Dispensing System and the Controlled Substance Dispenser module, providing innovative, efficient, and secure workflow for dispensing and administration of controlled substances.
- In December we announced the XR2 Automated Central Pharmacy System. The robotic XR2 is an innovative game changer and a significant step towards fully automating central pharmacy operations across the full range of customer environments. Beyond upgrades the XR2 represents significant greenfield and competitive conversion opportunities.
- In December we also announced the IVX Workflow powered by IVX Cloud. IVX is a significant technological advancement for IV workflow processes, enabling pharmacies to safely and efficiently compound and prepare IV treatments.
- Last year we also expanded Omnicell's Medication Adherence ecosystem with the addition of advanced automated packaging solutions to our platform that includes the market-leading Time My Meds® Medication Synchronization cloud-based software, and the proprietary SureMed® Multimed Blister Cards.
- Lastly we expanded the Performance Center's core capabilities of operational improvements into patient outcomes and regulatory compliance through internal development and the acquisition of InPharmics. This positions Omnicell as *the* partner of choice for healthcare systems looking to strategically drive clinical, compliance, safety, and financial improvement across all areas of medication management. Health system leaders strongly affirmed the value of the new Omnicell platform offerings and our strategic roadmap at the ASHP meeting in December.

As the technology leader in medication management automation, we are committed to advancing our platform with product introductions annually. We expect that this cadence of annual product introductions will drive multiple simultaneous product Bookings and Revenue ramp-ups within a given year.

2017 was also a great year for **Customer Acquisition**. In summary:

- It is clear that we are <u>winning in the marketplace</u>. During the fourth quarter of 2017 we had another strong New and Competitive conversions rate of 30% of bookings. This is a good indicator of the strength of the business. Around two thirds of those were competitive conversions and the remainder were from greenfield customers who have never automated before. For the 12 months ended December 31, 2017 our New and Competitive conversions rate was 29%.
- Our industry-leading platform and our Go To Market strategy of a solutions-focused platform strongly aligns with the trends we see in healthcare, where hospital systems are reducing the number of vendors and instead require strategic partnerships.
- In the last 7 months, three major for-profit nationwide hospital systems have chosen Omnicell as their strategic partner for medication management automation and signed multi-year sole source strategic agreements. These represent both XT swap or upgrade opportunities, and a market share gain. We believe that these three sole source agreements by themselves represent between one and one and a half percent of U.S. market share gain. The unique enterprise features of the Omnicell platform allow these for-profit nationwide hospital systems to operate at lower cost with consistent workflows and scalable processes.
- The XT Series is very well received and accepted by customers. As of last week we have delivered XT to over 820 sites, which is up from 600 sites at the end of Q3. The XT Series is now live at over 470 sites, which is up from 330 sites at the end of Q3 2017. Both numbers are growing every day.

We believe that these trends combined represent a great set-up for 2018 Bookings growth followed by Revenue growth.

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

1) Growth through the <u>Differentiated Omnicell Platform</u>
2) Growth in <u>New Markets</u>

3) Growth via Acquisitions

As announced yesterday, for 12 consecutive years we have received the top honors from KLAS, the prestigious third party rating organization. For 13 consecutive years we have increased our market share and gained new thought leader customers every quarter. Increasingly we are demonstrating our strategic approach and value to our customers by jointly developing multiyear strategic plans to consistently deliver integrated solutions with industry-leading medication management automation across the Omnicell platform.

In 2017, we continued to experience great wins and have added notable customers to our Omnicell family under our first strategic growth pillar of Differentiated Platform. With numerous large competitive conversions we believe that we gained further market share in 2017, a continuation of the trend of market share gain 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 strategic deals with existing customers.

Besides the XT Series momentum discussed earlier, we see the market momentum valuing and validating the entire Omnicell platform as a strategic solution. Omnicell's XR2 Automated Central Pharmacy System, which debuted at the ASHP Midyear meeting in December and will become generally available in mid-2018, is already gaining significant momentum in the market with a number of contractual bookings in the fourth quarter of 2017. The XR2 is a significant step towards the fully automated pharmacy, and leading healthcare systems including **UPMC** in Pittsburgh; **Sentara Healthcare** in Virginia; **St. Luke's University Health Network** in Bethlehem, PA; **University Healthcare** in Georgia; and **Mercy Health** in Rockford, Illinois, will be implementing this revolutionary new technology that more fully automates medication inventory management, allowing pharmacies to make a meaningful shift from operational demands to clinical contributions that affect patient outcomes.

We continue to see nice growth for our IV automation solutions as a number of hospitals and health systems across North America have chosen our robotic sterile compounding technology to help enhance safety, improve therapy, reduce cost, and facilitate compliance in the IV operations. These include:

- Penn State Health, Hershey, PA
- UPMC, Pittsburgh, PA
- University Healthcare System, Augusta, GA
- Massachusetts General Hospital, Boston, MA
- Brigham and Women's Hospital, Boston, MA
- Oklahoma Heart Hospital, Oklahoma City, OK
- Vancouver Island Health Authority, British Columbia, Canada

Dartmouth-Hitchcock, based in Lebanon, NH, has chosen the Omnicell® Performance Center™ to develop a centralized service center within the healthcare system, supporting smarter pharmacy operations and helping to improve the hospital's financial performance by reducing the amount of waste and unnecessary resources kept on-hand.

UPMC, a leading Omnicell strategic partner, is building on their existing investment in automation hardware and workflow software solutions with the addition of multiple XR2 Automated Central Pharmacy Systems, Omnicell's new IVX Workflow compounding workflow technology powered by IVX Cloud, and i.v.STATION™ non-hazardous sterile compounding robotic automation. These solutions will help further enhance control, efficiency, and safety for medication management at UPMC's flagship hospitals: UPMC Presbyterian and UPMC Shadyside.

As reported in *The Augusta Chronicle*, new customer **University Healthcare** in Georgia has purchased Omnicell's XR2 and i.v.STATION solutions to increase pharmacy efficiency, improve medication costs, and free up staff for more clinically focused activities.

Current customer **MercyHealth System** is further implementing the Omnicell platform by installing XT systems and Anesthesia Workstations in additional facilities. MercyHealth has also purchased the XR2 robot to more fully automate their central pharmacy. The health system chose Omnicell in order to operate on a single platform and leverage existing investments without sacrificing technological advancements.

We are also proud of the industry awards we received in 2017:

- The Omnicell IV compounding solutions and XT Series Automated Dispensing Cabinet were awarded a 2017 Innovative Technology designation from **Vizient.**
- We are also excited that **Frost and Sullivan** recently named Omnicell as the 2017 Global Smart Hospitals' Pharmacy Automation Vendor Company of the Year.
- As I mentioned previously, for **12** consecutive years we have now received the top honors from **KLAS**.

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 excited to announce we have contracted with **HCA Healthcare** for both pharmacy and supply solutions for six hospitals in the UK. The agreement includes automated medication dispensing systems and a new software-based analytics tool called SupplyX. SupplyX is web-based supply software on the Unity platform that integrates with Omnicell dispensing systems and provides supply management capabilities across all the supply chain in a hospital, including open shelf stock areas and procedural areas. HCA chose Omnicell in order to help them implement an inventory management system across all of their inpatient wards and more effectively drive efficiencies, improve patient safety, and increase time clinicians can spend with patients.

Our third strategic pillar, of expanding our presence and relevance through Acquisitions, has also continued to deliver great results. We are seeing very good cross-selling momentum within the total product platform and combined customer base, specifically for our IV and Performance Center solutions in both the pipeline and bookings,.

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.

Financial Performance

The full year of 2017 was a Company record for:

- Product Bookings
- Product Backlog
- Revenue

Our fourth quarter 2017 GAAP revenue of $198 million was up $11 million or up 6% sequentially, and 2017 GAAP revenue of $716 million was up $23 million or up 3% year over year impacted by the product transition and related ramp-up of the XT Series launch.

The fourth quarter Earnings per share in accordance with GAAP were $0.62 and include $0.34 of a one-time tax benefit from the revaluation of the Deferred Tax Liability balances in the fourth quarter as a result of the Tax Reform. The fourth quarter Earnings per share in accordance with GAAP is up from a GAAP EPS of $0.00 in the fourth quarter of 2016. Earnings per share in accordance with GAAP for 2017 were $0.53, which is up from GAAP EPS of $0.02 for 2016. GAAP Gross margin was 48% for the quarter or up 260 basis points from the third quarter this year, driven by margin expansion actions, and increased volume and overhead cost absorption.

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, the acquisition accounting impacts related to deferred revenue and inventory fair value adjustments, and tax reform benefit impact from the Tax Cuts and Jobs Act of 2017 (tax reform). 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, as well as one-time Tax Reform benefit impact. 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.

The 2017 financial results were characterized by two distinct phases as revenue and profitability were impacted by the XT Series product introduction and manufacturing ramp-up.

The first half of 2017 covered the market introduction of XT and ramp up of manufacturing for the XT Series, and included the following dynamics:

- Conversion of the AcuDose-Rx and G4 product backlog and sales quotes to XT Series, which resulted in our commercial teams spending time with customers to convert existing bookings
- XT Series manufacturing ramp-up
- Implementation of the XT product at launch and first adoption customers
- Suboptimal overhead cost absorption given the ramp-up
- Strong cost management and cost actions

The second half of 2017 was characterized by the acceleration of XT implementations and conversions and includes:

- Improvement of overhead cost absorption as production ramps
- Trending towards returning to the 8%-12% organic long-term growth range for bookings and revenue
- XT Series cost of sales reductions as revenue ramps up
- Implementation of R&D and manufacturing Centers of Excellence ("COEs")
- The announcement to customers of the end of shipment of G4 and AcuDose-Rx by the end of last year. This did allow us to consolidate and reduce the number of ADC frame assembly lines from three to one.

Full year 2017 Product Bookings were $568 million up from $541 million in 2016. The fourth quarter product Bookings represent a high double-digit organic and reported year over year growth rate and included a record number of multi-million dollar deals. The planned implementation of these multi-million dollar deals is more weighted towards the second half of

2018 versus the first half of 2018. Record Product Backlog at December 31, 2017 was $345 million or up 14% from December 31, 2016.

For the fourth quarter, non-GAAP revenue was $198 million, which was slightly below the guidance range provided in our third quarter results earnings call, driven by the timing of two specific large install accounts, and is up double digits year over year both on a reported and organic basis. Full year 2017 non-GAAP revenues of $717 million were up 2% from the prior year again with the difference in dynamics between the first half and the second half of the year as described earlier.

The scaling of the XT Series revenue is progressing well. Specifically, the percentage of fourth quarter frame revenue that was from the XT Series came at approximately 95% in line with our expectation.

Despite this revenue timing headwind for the fourth quarter, the strong gross margin improvements to 50% and good operating expense control resulted in non-GAAP EPS for the fourth quarter of $0.54, after excluding the one-time tax benefit from the tax reform bill, which is at the high end of our guidance range and above consensus.

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, Performance Center, 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 branded SureMed, and equipment used by pharmacists to create adherence packages as well as software solutions that assist 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. We report certain corporate expenses that cannot be easily applied to either segment separately.

On a segment basis, our Automation and Analytics segment contributed $163 million in GAAP revenue in the fourth quarter of 2017, up from $144 million in the fourth quarter of 2016. GAAP operating income of $37 million in the fourth quarter compares to $28 million of GAAP operating income in the third quarter of 2017, and $19 million of GAAP operating income for the same quarter last year. Non-GAAP operating income of $44 million for the fourth quarter compares to $32 million for the same period last year. On a yearly basis, GAAP Revenue for the year 2017 was $590 million, down from $594 million in the prior year driven by the lower first half 2017 revenue related to the XT Series ramp-up. GAAP operating income for 2017 was $88 million compared to $84 million in the prior year.

The Medication Adherence segment contributed $35 million of GAAP revenue to the quarter, compared to $28 million in the fourth quarter of 2016. GAAP operating income was $0.6 million, compared to $0 million profit for the third quarter, and compared to a $1 million GAAP operating income a year ago. Non-GAAP operating income was $3.1 million in the fourth quarter compared to $2.8 million of Non-GAAP operating income in the prior year. On a yearly basis, GAAP revenue for the year 2017 was $126 million, up from $99 million in the prior year. GAAP operating loss for the year 2017 was $1.6 million compared to GAAP operating income of $6 million in the prior year.

Non-GAAP Common expenses were $19 million compared to $16 million in the fourth quarter of 2016.

Non-GAAP operating margin including Aesynt and Ateb integration cost was 14.2% in the fourth quarter, up from around 11.7% in the third quarter. Excluding the integration costs of approximately $1.5 million, the Non-GAAP operating margin was around 15% for the fourth quarter and in line with our long-term stated target.

Non-GAAP Other income and expense for the fourth quarter was a net loss of approximately $1 million mostly consisting of interest expense on the outstanding loan balance.

Next we will review the balance sheet and cash flow.

In the fourth quarter of 2017 our cash balance increased from $7 million to $32 million after paying down our outstanding debt by $2.5 million in the quarter. During the quarter we sold approximately 294,000 shares of common stock under our At The Market offering. The average price per share was approximately $50, resulting in approximately $14 million of proceeds received during the quarter. During the quarter we also amended our debt facility. The amendments to our credit facility include changes to compliance covenants, specifically a change to increase the maximum permitted leverage ratio. In addition, the amendment increased the revolving loan commitments from $200 million to $315 million.

We believe that both the At The Market offering under a Universal Shelf on Form S-3 and the Amended Loan Facility give the Company strategic flexibility to optimize the balance sheet for both organic growth and M&A.

The total year 2017 cash flow from operations was $25 million, which included a use of cash for a build in inventory for current and future implementations.

Inventories at December 31, 2017 were $96 million, up $4 million from last quarter, primarily driven by an XT Series inventory build for future quarter installs as well as the first XR2 and IVX units for Alpha customers.

Accounts receivable days sales outstanding for the fourth quarter were 89, up 3 days from the third quarter. The increase in accounts receivable days sales outstanding from prior quarter was mostly driven by invoiced shipments towards the end of the fourth quarter. Based on our customer agreements we largely invoice upon shipment.

As of December 31, 2017 we had $217 million of outstanding funded debt, and our loan leverage measured as outstanding total funded loan balance over LTM of bank EBITDA was approximately 2.7.

Our headcount was 2,347 at December 31, 2017, down 97 from December 31, 2016.

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.

Total Year 2018 Guidance:

- As part of our long-term financial framework we target Organic Revenue growth between 8% and 12% per year.
- Where we are in this organic revenue growth range depends on where we are in the product life cycles and new product introduction bell curves.
- With the market introductions of the XT Series, the XR2 pharmacy robot, and the IVX Workflow powered by IVX Cloud, we now have three concurrent product introductions that we see ramping over the years. First in Bookings, then Backlog, and then converting to revenue.
- In contrast to 2017 that had the XT Series introduction, we expect the General Availability and first implementations of the XR2 and the IVX in the second half of 2018 to not be disruptive during 2018, given that these products largely are generating greenfield revenue, which we expect will not impact current existing revenue streams.
- We expect 2018 Product Bookings to be between $625 and $660 million, representing a 13% organic growth rate when taking the mid-point of the guidance range. This is in line with the preliminary guidance we gave in October last year.

- For 2018, we will adopt ASU 2014-09 Revenue from Contracts with Customers, which impacts the timing of revenue recognition, and requires the presentation of certain costs previously reported as selling expenses as a reduction of revenue, both of which are not anticipated to be material. The reclassification of these selling costs, specifically GPO fees in the P&L will result in a reduction of revenue, but has no impact on operating income or net earnings.
- We expect 2018 Non-GAAP Revenue to be between $780 and $800 million. This represents a slightly greater than 10% organic growth rate when taking the mid-point of

the guidance range. Excluding the impact of the reclassification of GPO selling costs the mid-point of revenue guidance would have been slightly above 11%. Both are also in line with the preliminary guidance we gave in October last year.

- We expect 2018 Non-GAAP EPS to be between $1.85 and $2.05, including the favorable net impact of the Tax Reform of around $0.20, which is up 47% from 2017 when using the mid-point of Non-GAAP EPS guidance. This Non-GAAP EPS range includes the launch-related and start-up cost of the XR2 and IVX product introductions.

The specific guidance for 1Q18 is as follows:

- We expect 1Q18 Non-GAAP Revenue to be between $174 and $179 million which includes the impact of reclassification of selling costs as a reduction of revenue. This represents a 17% organic growth rate when taking the mid-point of the guidance range. Based on the committed implementation schedules of bookings in the December 31, 2017 Backlog, including the record number of multi-million dollar 4Q17 deals, and to a lesser extent the new products revenue from XR2 and IVX, we anticipate a steady quarterly revenue ramp throughout the year in 2018. It's important to note that the fourth quarter revenue in any given year typically includes some seasonality.
- We expect 1Q18 Non-GAAP EPS to be between $0.22 and $0.28 representing a significant increase from the $0.06 in 1Q17 which was negatively impacted by the XT back log conversion and product roll out.

When reviewing 2017 actuals and 2018 guidance it is important to note a couple of items that are included:

1) For 2017 our non-GAAP results include approximately $6 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
    b. integration team and project cost
    c. cost related to the implementation of Sarbanes Oxley
    d. accelerated product development integration cost

For 2018 we expect these integrations expenses to be approximately $4 million, consisting mostly of IT expenses for CRM, ERP, and HR systems consolidations.

2) In 2017 we delivered around $10 million of second-year cost synergies from these acquisitions. 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 2018 we expect interest expense related to the Senior Secured Credit Facility used to finance the Aesynt and Ateb acquisitions to be around $6 million or equivalent to a Non-GAAP EPS headwind of around $0.15.

Finally for 2018 we are assuming an annual average tax rate of 21% to adjust GAAP tax expenses to non-GAAP tax expenses.

Conclusion

2017 was a successful year for Omnicell with fantastic innovation and record bookings, backlog, and revenues setting Omnicell up for success in 2018 especially as new products including XR2 and IVX become generally available and installable for customers in the second half of 2018. We are proud of the company's financial performance and the execution of our strategy. We're seeing fast adoption of our latest, revolutionary solutions and services, which leverage workflow automation on a cloud data platform, and we're using artificial intelligence for predictive analytics and performance-driven partnerships to help our customers achieve the highest level of success. We're feeling very well about 2018 as we are able to demonstrate more of our story, and showing what our larger platform has to offer is driving better conversations with our customers at a whole new level. The company is well positioned to take advantage of the great opportunities ahead in 2018 and beyond.

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

	Three Months Ended			Years Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenues:					
Product	$ 144,120	$ 135,103	$ 125,753	$ 506,209	$ 517,944
Services and other revenues	53,824	51,679	46,221	209,956	174,679
Total revenues	197,944	186,782	171,974	716,165	692,623
Cost of revenues:					
Cost of product revenues	79,791	79,725	78,024	304,842	302,437
Cost of services and other revenues	23,085	22,204	19,621	89,235	76,386
Total cost of revenues	102,876	101,929	97,645	394,077	378,823
Gross profit	95,068	84,853	74,329	322,088	313,800
Operating expenses:					
Research and development	15,894	16,414	14,902	66,022	57,799
Selling, general and administrative	63,494	58,725	59,608	250,312	249,520
Total operating expenses	79,388	75,139	74,510	316,334	307,319
Income (loss) from operations	15,680	9,714	(181)	5,754	6,481
Interest and other income (expense), net	(1,641)	(2,732)	(1,656)	(6,633)	(8,429)
Income (loss) before provision for income taxes	14,039	6,982	(1,837)	(879)	(1,948)
Provision (benefit) for income taxes	(10,252)	751	(1,994)	(21,484)	(2,551)
Net income	$ 24,291	$ 6,231	$ 157	$ 20,605	$ 603
Net income per share:					
Basic	$ 0.64	$ 0.17	$ —	$ 0.55	$ 0.02
Diluted	$ 0.62	$ 0.16	$ —	$ 0.53	$ 0.02
Weighted average shares outstanding:					
Basic	38,127	37,698	36,553	37,483	36,156
Diluted	39,482	38,973	37,256	38,712	36,864

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

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,424	$ 54,488
Accounts receivable, net	189,227	150,303
Inventories	96,137	69,297
Prepaid expenses	36,060	28,646
Other current assets	13,273	12,674
Total current assets	367,121	315,408
Property and equipment, net	42,595	42,011
Long-term investment in sales-type leases, net	15,435	20,585
Goodwill	337,751	327,724
Intangible assets, net	168,107	190,283
Long-term deferred tax assets	9,454	4,041
Other long-term assets	39,841	35,051
Total assets	$ 980,304	$ 935,103
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 48,290	$ 27,069
Accrued compensation	27,241	26,722
Accrued liabilities	35,693	31,195
Long-term debt, current portion, net	15,208	8,410
Deferred revenue, net	86,104	87,516
Total current liabilities	212,536	180,912
Long-term, deferred revenue	17,244	17,051
Long-term deferred tax liabilities	28,579	51,592
Other long-term liabilities	9,829	8,210
Long-term debt, net	194,917	245,731
Total liabilities	463,105	503,496
Stockholders' equity:		
Total stockholders' equity	517,199	431,607
Total liabilities and stockholders' equity	$ 980,304	$ 935,103

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

	Year Ended December 31,	
	2017	2016
Operating Activities		
Net income	$ 20,605	$ 603
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,511	58,362
Loss on disposal of fixed assets	512	35
Gain related to contingent liability	—	(600)
Share-based compensation expense	21,857	19,500
Income tax benefits from employee stock plans	11	1,703
Deferred income taxes	(26,844)	(10,882)
Amortization of debt financing fees	1,590	1,590
Changes in operating assets and liabilities:		
Accounts receivable	(39,068)	8,047
Inventories	(26,840)	(3,362)
Prepaid expenses	(7,414)	(4,321)
Other current assets	(2,074)	(1,093)
Investment in sales-type leases	6,625	(9,639)
Other long-term assets	(98)	2,043
Accounts payable	19,709	(4,963)
Accrued compensation	519	(2,052)
Accrued liabilities	4,383	(3,287)
Deferred revenue	(1,219)	4,480
Other long-term liabilities	1,069	(6,264)
Net cash provided by operating activities	24,834	49,900
Investing Activities		
Purchase of intangible assets, intellectual property and patents	(160)	(1,372)
Software development for external use	(15,040)	(14,348)
Purchases of property and equipment	(15,341)	(13,445)
Business acquisitions, net of cash acquired	(4,446)	(312,158)
Net cash used in investing activities	(34,987)	(341,323)
Financing Activities		
Proceeds from debt, net	56,894	287,051
Repayment of debt and revolving credit facility	(102,500)	(34,500)
Payment for contingent consideration	(2,400)	(3,000)
At the market offering, net of offering costs	13,900	—
Proceeds from issuances under stock-based compensation plans	30,121	17,691
Employees' taxes paid related to restricted stock units	(5,892)	(3,490)
Net cash provided by (used in) financing activities	(9,877)	263,752
Effect of exchange rate changes on cash and cash equivalents	(2,034)	(58)
Net decrease in cash and cash equivalents	(22,064)	(27,729)
Cash and cash equivalents at beginning of period	54,488	82,217
Cash and cash equivalents at end of period	$ 32,424	$ 54,488

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, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Reconciliation of GAAP revenue to non-GAAP revenue:					
GAAP revenue	$ 197,944	$ 186,782	$ 171,974	$ 716,165	$ 692,623
Acquisition accounting impact related to deferred revenue	313	313	2,663	1,252	10,652
Non-GAAP revenue	$ 198,257	$ 187,095	$ 174,637	$ 717,417	$ 703,275
Reconciliation of GAAP gross profit to non-GAAP gross profit:					
GAAP gross profit	$ 95,068	$ 84,853	$ 74,329	$ 322,088	$ 313,800
GAAP gross margin	*48.0%*	*45.4%*	*43.2%*	*45.0%*	*45.3%*
Share-based compensation expense	834	882	776	3,562	2,596
Amortization of acquired intangibles	2,818	2,985	5,266	11,488	20,890
Acquisition accounting impact related to deferred revenue	313	313	2,663	1,252	10,652
Inventory fair value adjustments	—	—	921	—	3,682
Acquisition related expenses	—	—	5	—	277
Severance and other expenses*	234	70	—	2,001	—
Non-GAAP gross profit	$ 99,267	$ 89,103	$ 83,960	$ 340,391	$ 351,897
Non-GAAP gross margin	*50.1%*	*47.6%*	*48.1%*	*47.4%*	*50.0%*
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:					
GAAP operating expenses	$ 79,388	$ 75,139	$ 74,510	$ 316,334	$ 307,319
GAAP operating expenses % to total revenue	*40.1%*	*40.2%*	*43.3%*	*44.2%*	*44.4%*
Share-based compensation expense	(4,708)	(4,377)	(4,663)	(18,295)	(16,904)
Amortization of acquired intangibles	(3,348)	(3,381)	(3,752)	(14,008)	(15,251)
Acquisition related expenses	—	—	(829)	(126)	(5,753)
Severance and other expenses*	(233)	(229)	—	(3,764)	—
Non-GAAP operating expenses	$ 71,099	$ 67,152	$ 65,266	$ 280,141	$ 269,411
Non-GAAP operating expenses % to total revenue	*35.9%*	*35.9%*	*37.4%*	*39.0%*	*38.3%*

* Other expenses include relocation charge of $578, restructuring rent expense of $510, integration consulting expense of $201 and depreciation adjustment related to purchase price allocation from acquisition of $1,013 for the year ended December 31, 2017.

	Three Months Ended			Twelve Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Reconciliation of GAAP income (loss) from operations to non-GAAP income from operations:					
GAAP income (loss) from operations	$ 15,680	$ 9,714	$ (181)	$ 5,754	$ 6,481
GAAP operating income % to total revenue	*7.9%*	*5.2%*	*(0.1)%*	*0.8%*	*0.9%*
Share-based compensation expense	5,542	5,259	5,438	21,857	19,500
Amortization of acquired intangibles	6,166	6,366	9,017	25,496	36,141
Acquisition accounting impact related to deferred revenue	313	313	2,663	1,252	10,652
Inventory fair value adjustments	—	—	921	—	3,682
Acquisition related expenses	—	—	834	126	6,029
Severance and other expenses	467	299	—	5,765	—
Non-GAAP income from operations	$ 28,168	$ 21,951	$ 18,692	$ 60,250	$ 82,485
Non-GAAP operating income % to total Non-GAAP revenue	*14.2%*	*11.7%*	*10.7%*	*8.4%*	*11.7%*
Reconciliation of GAAP net income to non-GAAP net income:					
GAAP net income	$ 24,291	$ 6,231	$ 157	$ 20,605	$ 603
Tax reform benefit impact	(13,391)	—	—	(13,391)	—
Share-based compensation expense	5,542	5,259	5,438	21,857	19,500
Amortization of acquired intangibles	6,166	6,366	9,017	25,496	36,141
Acquisition accounting impact related to deferred revenue	313	313	2,663	1,252	10,652
Inventory fair value adjustments	—	—	921	—	3,682
Acquisition related expenses	397	397	632	1,715	7,019
Severance and other expenses	467	299	—	5,765	—
Tax effect of the adjustments above[(a)]	(2,570)	(2,579)	(5,031)	(11,980)	(21,850)
Non-GAAP net income	$ 21,215	$ 16,286	$ 13,797	$ 51,319	$ 55,747
Reconciliation of GAAP net income per share - diluted to non-GAAP net income per share - diluted:					
Shares - diluted GAAP	39,482	38,973	37,256	38,712	36,864
Shares - diluted Non-GAAP	39,482	38,973	37,256	38,712	36,864
GAAP net income per share - diluted	$ 0.62	$ 0.16	$ —	$ 0.53	$ 0.02
Tax reform benefit impact	(0.34)	—	—	(0.35)	—
Share-based compensation expense	0.14	0.14	0.15	0.56	0.53
Amortization of acquired intangibles	0.16	0.16	0.24	0.67	0.98
Acquisition accounting impact related to deferred revenue	0.01	0.01	0.07	0.03	0.29
Inventory fair value adjustments	—	—	0.02	—	0.10
Acquisition related expenses	0.01	0.01	0.02	0.04	0.19
Severance and other expenses	0.01	0.01	—	0.16	—
Tax effect of the adjustments above[(a)]	(0.07)	(0.07)	(0.13)	(0.31)	(0.60)
Non-GAAP net income per share - diluted	$ 0.54	$ 0.42	$ 0.37	$ 1.33	$ 1.51
Reconciliation of GAAP net income to non-GAAP Adjusted EBITDA:					
GAAP net income	$ 24,291	$ 6,231	$ 157	$ 20,605	$ 603
Share-based compensation expense	5,542	5,259	5,438	21,857	19,500
Interest (income) and expense, net	1,202	2,127	998	6,072	5,616
Depreciation and amortization expense	12,969	12,600	14,457	51,511	58,362
Acquisition accounting impact related to deferred revenue	313	313	2,663	1,252	10,652
Inventory fair value adjustments	—	—	921	—	3,682
Acquisition related expenses	397	397	632	1,715	7,019
Severance and other expenses	213	46	—	4,752	—
Income tax expense (benefit)	(10,252)	751	(1,994)	(21,484)	(2,551)
Non-GAAP Adjusted EBITDA [(b)]	$ 34,675	$ 27,724	$ 23,272	$ 86,280	$ 102,883

[a] Tax effects calculated for all adjustments except share-based compensation expense and tax reform benefit, using the tax rate of 35%.

(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, 2017			Three Months Ended December 31, 2016		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
Revenues	$ 163,142	$ 34,802	$ 197,944	$ 143,583	$ 28,391	$ 171,974
Cost of revenues	79,225	23,651	102,876	77,566	20,079	97,645
Gross profit	83,917	11,151	95,068	66,017	8,312	74,329
Gross margin %	*51.4%*	*32.0%*	*48.0%*	*46.0%*	*29.3%*	*43.2%*
Operating expenses	47,049	10,539	57,588	47,402	7,325	54,727
Income from segment operations	$ 36,868	$ 612	$ 37,480	$ 18,615	$ 987	$ 19,602
Operating margin %	*22.6%*	*1.8%*	*18.9%*	*13.0%*	*3.5%*	*11.4%*
Corporate costs			21,800			19,783
Income (loss) from operations			$ 15,680			$ (181)

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

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Automation and Analytics	Medication Adherence	Total	Automation and Analytics	Medication Adherence	Total
Revenues	$ 590,392	$ 125,773	$ 716,165	$ 593,626	$ 98,997	$ 692,623
Cost of revenues	308,443	85,634	394,077	310,967	67,856	378,823
Gross profit	281,949	40,139	322,088	282,659	31,141	313,800
Gross margin %	*47.8%*	*31.9%*	*45.0%*	*47.6%*	*31.5%*	*45.3%*
Operating expenses	193,700	41,735	235,435	198,511	24,843	223,354
Income from segment operations	$ 88,249	$ (1,596)	$ 86,653	$ 84,148	$ 6,298	$ 90,446
Operating margin %	*14.9%*	*(1.3)%*	*12.1%*	*14.2%*	*6.4%*	*13.1%*
Corporate costs			80,899			83,965
Income from operations			$ 5,754			$ 6,481

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

	Three Months Ended December 31, 2017											
	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	$	163,142			$	34,802			$	197,944		
Acquisition accounting impact related to deferred revenue		—	—%	—%		313	0.9%	0.9%		313	0.2 %	0.2 %
Non-GAAP Revenues	$	163,142			$	35,115			$	198,257		
GAAP Gross profit	$	83,917	51.4%		$	11,151	32.0%		$	95,068	48.0 %	
Stock-based compensation expense		704	0.4%	0.4%		130	0.4%	0.4%		834	0.4 %	0.4 %
Amortization expense of acquired intangible assets		2,251	1.4%	1.4%		567	1.6%	1.6%		2,818	1.4 %	1.4 %
Acquisition accounting impact related to deferred revenue		—	—%	—%		313	0.9%	0.9%		313	0.2 %	0.2 %
Severance and other expenses		234	0.1%	0.1%		—	—%	—%		234	0.1 %	0.1 %
Non-GAAP Gross profit	$	87,106		53.4%	$	12,161		34.6%	$	99,267		50.1 %
GAAP Operating income	$	36,868	22.6%		$	612	1.8%		$	37,480	18.9 %	
Stock-based compensation expense		2,184	1.3%	1.3%		376	1.08%	1.1%		2,560	1.3 %	1.3 %
Amortization expense of acquired intangible assets		4,364	2.7%	2.7%		1,802	5.2%	5.1%		6,166	3.1 %	3.1 %
Acquisition accounting impact related to deferred revenue		—	—%	—%		313	0.9%	0.9%		313	0.2 %	0.2 %
Severance and other expenses		204	0.1%	0.1%		—	—%	—%		204	0.1 %	0.1 %
Non-GAAP Operating income	$	43,620		26.7%	$	3,103		8.8%	$	46,723		23.6 %
GAAP Corporate costs									$	21,800	11.0 %	
Less: Stock-based compensation expense										(2,982)	(1.5)%	(1.5)%
Less: Acquisition-related expenses										(263)	(0.1)%	(0.1)%
Non-GAAP Corporate costs									$	18,555		9.4 %
Non-GAAP Income from operations									$	28,168		14.2 %

Omnicell, Inc.
Segment Information - Non-GAAP Gross Profit 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%		$ 8,312	29.3%		$ 74,329	43.2%	
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		51.3%	$ 8,866		31.2%	$ 83,960		48.1%
GAAP Operating income	$ 18,615	13.0%		$ 988	3.5%		$ 19,603	11.4%	
Stock-based compensation expense	2,672	1.9%	1.8%	270	1.0%	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		22.1%	$ 2,781		9.8%	$ 35,169		20.1%
GAAP Corporate costs							$ 19,784	11.5%	
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		9.4%
Non-GAAP Income from operations							$ 18,692		10.7%