Kathleen Nemeth

Good afternoon and welcome to the Omnicell fourth quarter and full year 2020 financial results call. On the call with me today are Randall Lipps, Omnicell Founder, Chairman, President and CEO, Scott Seidelmann, Executive Vice President and Chief Commercial Officer, and Peter Kuipers, Executive Vice President and Chief Financial Officer.

This call 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, 2020, 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.

The date of this conference call is February 1, 2021 and all forward-looking statements made on this call are based on the beliefs of Omnicell as of this date only. Future events or simply the passage of time may cause these beliefs to change and we undertake no obligation to update these forward-looking statements. Finally, this conference call is the property of Omnicell, Inc., and any taping, other duplication or rebroadcast without the express written consent of Omnicell is prohibited.

Randall will provide an update on our business. After Randall's remarks, Scott will provide perspective on the healthcare industry, our market momentum, and key customer wins. Peter will cover our results for 2020 and our guidance for 2021. Our 2020 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. Our prepared remarks will also be posted in this same section. Additionally, we'd like to remind you that during this call we will discuss some non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most comparable GAAP financial measures are included in our earnings announcement.

Let me now turn over the call to Randall.

Randall Lipps

Good afternoon and thank you for joining us today.

2020 was an outstanding year for Omnicell as we continued to drive growth in our business, execute well on our strategies, and deliver tremendous value to our health system partners, their patients, and our shareholders. And I am so proud of all of our employees, who consistently put our health systems partners first during this unprecedented year.

Our fiscal 2020 results are at the high end of, or above the preliminary results we announced in mid-January. We are very pleased with our performance, which exceeded our pre-pandemic bookings guidance and the guidance we provided in October 2020 across all key metrics, including revenues, total product bookings and non-GAAP earnings per share. I am especially pleased to note that we ended the year with record product bookings of more than $1 billion dollars.

We achieved substantial increases in new customer wins, underscoring the robust and growing demand for our solutions. At year-end, well over half of the Top 300 health systems in the U.S. were Omnicell customers, and we had long-term, sole-source contracts with 145 of them, including two new customers added in the fourth quarter.

Despite the ongoing pandemic – and the disruption it caused across the healthcare industry in the first half of the year – we also made strong progress advancing our long-term strategic priorities. Notably, we expanded our Autonomous Pharmacy portfolio with the strategic and accretive acquisition of PSG's 340B link business, now Omnicell 340B. We also accelerated our shift to cloud-based solutions and tech-enabled services through the launches of Omnicell One and Central Pharmacy Dispense Services. Omnicell One is a cloud-based platform that connects nearly all of our devices and is a compelling differentiator for Omnicell. This is underscored by the rapid growth we saw in 2020 in our SaaS, Subscription Software & Tech-Enabled Services bookings which significantly exceeded plan for the year. Now with a robust portfolio of tech-enabled services that complement and enhance our core hardware products, we continued to leverage our market-leading position and our large installed base to further drive recurring revenue growth in advanced services. The rapid growth in this important category is positioned to continue for years to come – in fact we are forecasting 50% CAGR in Advanced Services from 2020 through 2025.

Most importantly, the pandemic has shone a spotlight on the importance of pharmacy management, highlighting the need for increased digitization and virtualization of processes throughout the healthcare system and underscoring the strategic relevance of Omnicell's solutions. There is widespread and growing acknowledgment that more sophisticated automation and digitization capabilities enable healthcare providers to focus more on patient care and reduce costly errors – and we are uniquely positioned to enable our customers to do just that. We believe that we are indeed a category creator in that respect. The pandemic made it clear to providers that they needed an entire category of solutions to effectively manage their pharmacy supply chain. We expect to continue to see demand for Autonomous Pharmacy solutions.

I also want to briefly touch on our approach to ESG matters and the actions we are taking on this front. First, let me emphasize that we view Omnicell as a company with a social mission: Our focus on reinventing the pharmacy care delivery model is designed to dramatically improve health outcomes and lower healthcare costs for everyone. Our teams are motivated by knowing that our work to improve medication management has a tangible, real-world impact on healthcare workers, patients and communities – and that these are not just numbers. These are our friends, colleagues and our families.

We also recognize that we are accountable not only to our customers and shareholders, but also to the global community. With this in mind, in December we published initial ESG disclosure and performance information, aligned to SASB, TCFD, GRI guidelines. Among other things, we are focused on innovating to drive sustainability across our business; ethically and responsibly sourcing materials by adhering to internationally recognized OECD guidance; and elevating our diversity and inclusion initiatives. We believe there is a better way to do business, are excited about the journey we are beginning and look forward to sharing more in the spring when we release our inaugural Corporate Responsibility Report.

Looking ahead, I'm confident we are very well-positioned to continue to drive growth in our business and to deliver value for our shareholders as we support our healthcare partners on their journey to the Autonomous Pharmacy. We are excited to continue building on our momentum in 2021 and beyond.

While Peter will review the 2020 results and 2021 outlook in more detail, I want to highlight that we are reaffirming the 2021 guidance and long-term targets we provided last month. In terms of our 2025 financial road map, we are targeting a 14%-15% compounded total annual revenue growth rate from 2021 to 2025. Over the same time period we are also targeting an expansion of our non-GAAP EBITDA margin from 21% in 2021 to 25% by 2025, representing a margin expansion of approximately 400 bps. Our strong position in the market, growing customer base and focus on innovation give us confidence that we will be able to achieve these goals.

With that, I'd like to turn the call over to Scott to discuss the industry landscape and key customer engagements.

Scott Seidelmann

Thanks, Randy.

To start, I'd like to take a step back and highlight Omnicell's significant market opportunity and our uniquely differentiated solution and position. Pharmacy is one of the largest portions of the US healthcare system and delivers unquestioned healthcare value. But, like other areas in healthcare, the pharmacy care delivery model has significant problems that decrease quality, increase cost, and increase provider burnout. The reason for this is that, while these are really good people, doing really good work, they're doing it in a very manual way. Several pharmacy leaders validated the need for greater automation in 2019 and published a framework that not only quantifies the opportunity for pharmacy to increase healthcare value, but established that the majority of providers today were early on in this evolution. Because of this significant need, we launched a new category of solutions, called the Autonomous Pharmacy that will automate many of the workflows that prevent pharmacists, nurses, and other caregivers to focus on solving the really big clinical problems. The Autonomous Pharmacy is a new category that combines hardware, software, and services to enable providers to improve quality, reduce costs, and increase human efficiencies. The Autonomous Pharmacy builds on our market leading position in Automated Dispensing Systems, with the delivery of a portfolio of true technology enabled services that not only create real healthcare value for our customers, but also significantly increases our market size and adds material recurring revenue streams. Today, we have over 25 years of experience helping providers solve medication management problems. And as such, we believe we have an unparalleled channel not only into our core growth market, health systems and hospitals, but also the post-acute, and retail portions of the market. Because of our comprehensive product portfolio, our brand, and our unquestioned channel leadership, we are extremely well differentiated and well positioned to realize the full potential of the Autonomous Pharmacy.

Turning to key customer engagements this quarter, we are very proud of the substantial increases in new customer wins and bookings achieved during the fourth quarter and throughout 2020.

As we noted in our preliminary results announcement, we signed two new long-term sole source agreements with Top 300 U.S. Health Systems during the quarter; bringing the total to 145.

SolutionHealth, has signed a 10-year sole-source agreement to expand Omnicell's footprint across its southern New Hampshire network. Interoperability and enhanced visibility across the supply chain were key to SolutionHealth's decision.

Another newly signed long term sole customer is a large**,** West Virginia-based academic medical center that has strengthened its partnership with Omnicell to optimize safety and improve workflow efficiency through a new five year agreement that will extend Omnicell solutions throughout its four hospital system.

A large Midwestern health system and current Omnicell customer, has selected Omnicell's point of care solutions to support safety and efficiency across their nine hospital locations and multiple cancer centers throughout Indiana. This was a significant competitive conversion.

Other customer wins during the quarter include: A major Georgia-based academic healthcare system and long-time Omnicell partner that has signed a 10 year sole source extension to leverage Omnicell's integrated platform of solutions to enhance pharmacy supply chain management across their integrated health network.

Now, a few comments on our progress internationally. First, we announced during the quarter that the South East London Integrated Care System (ICS) will expand the deployment of Omnicell automation systems across six acute hospital sites. This also includes collaboration for Omnicell and the Trust to launch a European-based technology-enabled intelligence center to deliver advanced analytics, manage supplies and medications. This is very exciting and we believe will strengthen our market position in both the UK and across Europe.

Internationally we are also continuing to gain momentum in Asia with recent medication management automation customer agreements in Singapore and Japan.

In addition to those customer wins, we are pleased with the continued momentum within our advanced services portfolio, which is a key component of our strategy. Let's walk through some of the highlights:

OMNICELL ONE We have made good progress in the market and signed several agreements with numerous large health systems. Omnicell One is emerging as a significant competitive differentiator.

CPDS Our Central Pharmacy Dispensing Services combines our XR2 Robot with experts and software to help health systems central pharmacies reduce errors and reduce cost for oral drug distribution. We're very pleased with the positive customer feedback we are receiving on this recently launched solution and look forward to continuing to update you on our progress.

EnlivenHealth combines software, analytics, and experts to help retail pharmacies provide value-added services to patients, and also helps retail pharmacists and payers manage medication issues for complex patient populations. We are very proud of the important contribution EnlivenHealth is making to support the COVID-19 vaccine roll-out.
We launched CareScheduler, an exclusive digital solution that automates the scheduling, patient outreach and reporting for administering the vaccine. We have already signed up numerous pharmacy customers for CareScheduler and are conducting advanced conversations with other partners to purchase the new SaaS technology. To date, CareScheduler has been deployed by over 2,000 retail pharmacy and stand-up vaccine clinics. Previously, we announced that Walgreens' popular Save a Trip Refills® was powered by EnlivenHealth's Medication Synchronization technology. In fact, that program is so successful that Walgreens recently launched a national TV ad

campaign to promote the service. Finally, our health plan business continued to grow during Q4 as EnlivenHealth™ expanded its member adherence and value-based programs with existing industry partners.

Now, let's turn to Omnicell 340B:

Customer reception to our 340B offering has been quite strong. The 340B team closed multiple new opportunities in Q4. These new wins include one of the largest not-for-profit healthcare systems in Texas – and one of the largest in the United States. We are pleased with the strong momentum we are seeing in this business.

The broad adoption of these new tech-enabled services represents a significant milestone along this journey to transform the pharmacy care delivery model.

Overall, we're incredibly excited about our leading position within the healthcare ecosystem. The Autonomous Pharmacy and the launch of our new tech-enabled services have created a meaningful new addressable market, along with significant recurring revenue streams. This strengthens our growing leadership position across a ten year $70 billion total addressable market, as we continue to be a leading strategic partner to those health systems that we focus on.

We believe we have tremendous potential to transform the pharmacy care delivery model, in turn, generating significant value for Omnicell and our shareholders.

Now, I'd like to turn the call over to Peter to discuss our fourth quarter and full year financial results and our 2021 guidance. Peter?

Peter Kuipers
Thank you, Scott.

2020 demonstrated the strength of our strategy and our business model. Our customers are clearly embracing the vision of the Autonomous Pharmacy; which is reflected in the growing percentage of high-visibility, and high predictability recurring revenue. Our customers see the value in Omnicell's platform and solutions and are partnering with us as they advance their pharmacy automation roadmaps.

Turning now to our financial results. Our fourth quarter 2020 revenues were $249 million, an increase of $36 million over prior quarter, and up 0.4% over the prior year.

Our full year 2020 revenues were $892 million, a decrease of $5 million from 2019.

Our fourth quarter earnings per share in accordance with GAAP were $0.37 per share, compared to $0.51 per share in the fourth quarter of 2019. Our full year 2020 earnings per share in accordance with GAAP was $0.74 per share, down from $1.43 per share in 2019. 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.

Full year Non-GAAP EBITDA was $159 million dollars, a slight decrease of 4% compared to full year Non-GAAP EBITDA of $167 million dollars in 2019.

Fourth quarter Non-GAAP EBITDA was $52 million dollars, an increase of 13% compared to $46 million dollars in fourth quarter 2019.

Fourth quarter non-GAAP earnings per share was $0.91 per share compared to $0.77 per share in the same period last year, representing an 18% increase. Full year 2020 non-GAAP earnings per share was $2.54 per share compared to $2.81 per share in 2019, representing a 10% decrease.

Product bookings for full year 2020 were $1.002 billion compared to $813 million for the full year 2019, this represents an increase of 23%, despite the impact of COVID-19. Total product backlog at the end of 2020 was $924 million compared to $588 million at the end 2019, representing a significant increase of 57% year-over-year. This was a record year for product bookings, which exceeded even our pre-COVID bookings guidance by over $100 million dollars.

Our guidance beat in product bookings was driven by the increased strategic importance of our medication management automation solutions, resulting in greater than expected product bookings from the 145 long term sole source agreements and increased momentum in Advanced Services.

Of the $924 million in ending product backlog, $307 million or 33 percent is considered long-term. This percentage is up from 20% at the end of 2019. The year over year percentage increase reflects the expected timing of implementations from the strong second half bookings and represents also the growth in Advanced Services.

Non-GAAP Gross margin for the fourth quarter was 51.5%, an increase from 47.1% in the third quarter driven by strong volume leverage and product mix.

The Non-GAAP EBITDA margin for the fourth quarter in 2020 was 20.7%, up from 19.3% in the prior quarter.

I would like to quickly touch on our cash flow, liquidity and capital structure, which positions us very well for future growth. As of December 31, 2020 our cash balance was $486 million. Cash flow from operations during the fourth quarter was $76 million and was $186 million for the year ended December 31, 2020, representing increases from the $35 million and $145 million for the comparable periods in the prior year.

Free cash flow generated in the fourth quarter and year ended December 31, 2020 was $65 million and $131 million respectively, compared favorably to $20 million and $83 million for the comparable periods last year.

In terms of accounts receivable, days sales outstanding for the fourth quarter were 71 days, compared to 81 days for the fourth quarter in 2019. Inventories at December 31, 2020 were $96 million, compared to $103 million in the previous quarter and $108 million as of December 31, 2019.

Before turning to guidance, I would like to walk through the long-term financial framework we presented previously in our preliminary results press release and at the JPM Healthcare conference on January 13th earlier this year. We included a slide deck in our fourth quarter earnings release summarizing our long-term financial framework.

I will walk through the highlights:

Slide 3 highlights how our revenue base is resilient and highly-visible in nature, and is differentiated by five key drivers:

1) Our very robust product backlog
2) Long-term sole source agreements with 145 of the top 300 U.S. health systems
3) Customers clearly value our offerings, as evidenced by our strong customer retention rate of 99%
4) Strong insight into annual service and maintenance revenue from our large installed base of connected devices, which is in the early stages of its upgrade cycle
5) While nearly all of our revenue is high-visibility, roughly 40% of our revenue base is recurring in nature and we are focused on growing this percentage over time

Moving to Slide 4, an area of our business which is driving substantial growth in high-visibility revenue is our SaaS, Subscription Software & Tech Enabled Services revenue, also called advanced services. The strong upside to our 2020 bookings was primarily driven by two factors: 1) general momentum from our long-term sole source partnership agreements, and 2) advanced services significantly exceeding our internal plans. This revenue is seeing great momentum in pipeline and bookings, and we expect a revenue

CAGR of approximately 50% from 2020 to 2025 for these advanced services, with advanced services revenues expected to reach 20%-30% of total Omnicell revenues by 2025. This is subscription-based, recurring revenue with high-margin unit economics.

There are several key factors that enabled us to grow our advanced services revenue so rapidly:

1) COVID clearly increased the urgency to digitize and automate processes throughout health systems including the digitization and automation of the pharmacy to reduce manual touches of medications and to enable healthcare providers to focus more on patient care. Against the backdrop of the pandemic our solutions are more strategically relevant than ever,
2) The increased need from health systems for outcome-based solutions is driving advance services growth, and
3) Our strong and unparalleled channel and installed base of connected devices

Slide 5 underscores our commitment to drive profitable growth through disciplined execution. We are now targeting a 14%-15% compounded total annual growth rate from 2021 to 2025, reaching $1.9 billion to $2.0 billion in 2025. Of course if you measured that CAGR starting from 2020, it would be materially higher.

On an organic basis, we are targeting a 11%-12% CAGR from 2021 to 2025, reaching $1.65 billion to $1.75 billion in 2025. The main organic revenue growth drivers are:

- Grow and expand within the existing customer base
- Upgrade cycles
- Market share gains, and
- Growth from innovation as we continue to deliver on the next levels of the autonomous pharmacy

And from an inorganic perspective, we are targeting 3% CAGR from 2021 to 2025. We have a team focused on this and we are actively evaluating potential opportunities that will fit into our market-leading platform. We also believe that we can leverage our strong channel to drive value from potential acquisitions.

And slide 6 details our path toward continued margin expansion. We're targeting a non-GAAP operating margin of 21% and a non-GAAP EBITDA margin of 25% by 2025. This represents a non- GAAP operating margin and non-GAAP EBITDA margin expansion of approximately 400 bps from 2021. We have built a company that is able to scale very well, and believe we are well positioned to deliver this margin expansion in the coming years, driven by a number of factors including improved business mix, long-term customer partnerships, economies of scale, manufacturing savings and process efficiencies. As we continue to scale the business, we expect to redeploy some of these savings into value creating growth and innovation initiatives.

Now, moving onto our full year 2021 guidance. As we look to the rest of the year, we expect to continue our strong momentum, particularly as the healthcare operating environment normalizes. Since the third quarter 2020, we generally have seen and continue to see our healthcare partners manage their strategic systems implementations well during a pandemic surge. To that end, we expect 2021 product bookings to be between $1.090 and $1.150 billion. We expect total revenues to be between $1.085 and $1.105 billion. We expect product revenue to range between $770 million and $785 million. We expect service revenue to be between $315 million and $320 million. We expect total year non-GAAP EBITDA to be between $228 million and $240 million. We expect 2021 non-GAAP earnings to be between $3.40 and $3.60 per share.

For the first quarter of 2021, we are providing the following guidance. As we noted last quarter, we continue to invest in scaling our business to support the expected increase in revenue and the timing of customer implementations. We expect total revenues to be between $243 and $248 million, with product revenues between $171 million and $174 million and service revenues between $72 million and $74 million. We expect non-GAAP EBITDA of $40 million to $43 million. We expect first quarter non-GAAP earnings to be between $0.64 and $0.69 per share. This is above typical first quarter seasonal patterns as a result of our strong exiting year-end backlog.

In summary, we are very pleased with our financial and operational results for the fourth quarter and full year 2020. And combined with the fact that we are still in the early stages of our journey towards the Autonomous Pharmacy, we are confident that Omnicell has a very bright future ahead.

With that, we would like to open the call for your questions.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Revenues:				
Product revenues	$ 175,679	$ 187,125	$ 636,031	$ 659,602
Services and other revenues	73,523	61,167	256,177	237,425
Total revenues	249,202	248,292	892,208	897,027
Cost of revenues:				
Cost of product revenues	91,264	94,825	354,004	344,914
Cost of services and other revenues	34,284	29,864	124,912	115,201
Total cost of revenues	125,548	124,689	478,916	460,115
Gross profit	123,654	123,603	413,292	436,912
Operating expenses:				
Research and development	15,482	19,093	70,161	68,644
Selling, general, and administrative	87,958	82,328	307,605	289,916
Total operating expenses	103,440	101,421	377,766	358,560
Income from operations	20,214	22,182	35,526	78,352
Interest and other income (expense), net	(6,338)	(212)	(6,177)	(4,419)
Income before provision for income taxes	13,876	21,970	29,349	73,933
Provision for (benefit from) income taxes	(2,501)	(125)	(2,845)	12,595
Net income	$ 16,377	$ 22,095	$ 32,194	$ 61,338
Net income per share:				
Basic	$ 0.39	$ 0.53	$ 0.76	$ 1.48
Diluted	$ 0.37	$ 0.51	$ 0.74	$ 1.43
Weighted-average shares outstanding:				
Basic	42,510	41,993	42,583	41,462
Diluted	44,001	43,327	43,743	42,943

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

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 485,928	$ 127,210
Accounts receivable and unbilled receivables, net	190,117	218,362
Inventories	96,298	108,011
Prepaid expenses	16,027	14,478
Other current assets	41,044	15,177
Total current assets	829,414	483,238
Property and equipment, net	59,073	54,246
Long-term investment in sales-type leases, net	22,156	19,750
Operating lease right-of-use assets	55,114	56,130
Goodwill	499,309	336,539
Intangible assets, net	168,211	124,867
Long-term deferred tax assets	15,019	14,142
Prepaid commissions	56,919	48,862
Other long-term assets	119,289	103,036
Total assets	$ 1,824,504	$ 1,240,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 40,309	$ 46,380
Accrued compensation	55,750	44,155
Accrued liabilities	80,311	55,567
Deferred revenues, net	100,053	90,894
Total current liabilities	276,423	236,996
Long-term deferred revenues	5,673	7,083
Long-term deferred tax liabilities	39,633	39,090
Long-term operating lease liabilities	48,897	50,669
Other long-term liabilities	19,174	11,718
Revolving credit facility	—	50,000
Convertible senior notes, net	467,201	—
Total liabilities	857,001	395,556
Total stockholders' equity	967,503	845,254
Total liabilities and stockholders' equity	$ 1,824,504	$ 1,240,810

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

	Year Ended December 31,	
	2020	**2019**
Operating Activities		
Net income	$ 32,194	$ 61,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,067	53,559
Loss on disposal of property and equipment	267	445
Share-based compensation expense	44,697	34,049
Deferred income taxes	(6,546)	(1,339)
Amortization of operating lease right-of-use assets	10,528	10,562
Amortization of debt issuance costs	1,597	2,204
Amortization of discount on convertible senior notes	4,766	—
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	36,842	(21,540)
Inventories	12,359	(8,123)
Prepaid expenses	(2,081)	2,909
Other current assets	(6,408)	(2,010)
Investment in sales-type leases	(2,882)	(3,699)
Prepaid commissions	(8,057)	(2,719)
Other long-term assets	(7,675)	4,528
Accounts payable	(6,300)	7,893
Accrued compensation	11,595	2,495
Accrued liabilities	4,374	3,045
Deferred revenues	7,620	5,445
Operating lease liabilities	(9,543)	(10,040)
Other long-term liabilities	7,456	6,006
Net cash provided by operating activities	185,870	145,008
Investing Activities		
Software development for external use	(32,024)	(45,770)
Purchases of property and equipment	(22,842)	(15,894)
Business acquisition	(225,000)	—
Net cash used in investing activities	(279,866)	(61,664)
Financing Activities		
Proceeds from revolving credit facility	150,000	—
Repayment of debt and revolving credit facility	(200,000)	(90,000)
Payments for debt issuance costs for revolving credit facility	(550)	(2,321)
Proceeds from issuance of convertible senior notes, net of issuance costs	559,665	—
Purchase of convertible note hedge	(100,625)	—
Proceeds from sale of warrants	51,290	—
At the market equity offering, net of offering costs	—	37,806
Proceeds from issuances under stock-based compensation plans	54,270	40,706
Employees' taxes paid related to restricted stock units	(8,738)	(9,670)
Stock repurchases	(53,035)	—
Change in customer funds, net	3,992	—
Net cash provided by (used in) financing activities	456,269	(23,479)
Effect of exchange rate changes on cash and cash equivalents	437	153
Net increase in cash, cash equivalents, and restricted cash	362,710	60,018
Cash, cash equivalents, and restricted cash at beginning of period	127,210	67,192
Cash, cash equivalents, and restricted cash at end of period	$ 489,920	$ 127,210
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheets:		
Cash and cash equivalents	$ 485,928	$ 127,210
Restricted cash included in Other current assets	3,992	—
Cash, cash equivalents, and restricted cash at end of period	$ 489,920	$ 127,210

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(Unaudited, in thousands, except per share data and percentage)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Reconciliation of GAAP gross profit to non-GAAP gross profit:				
GAAP gross profit	$ 123,654	$ 123,603	$ 413,292	$ 436,912
GAAP gross margin	*49.6%*	*49.8%*	*46.3%*	*48.7%*
Share-based compensation expense	1,811	1,454	7,469	5,648
Amortization of acquired intangibles	2,901	2,035	9,001	8,182
Severance-related expenses	—	—	2,564	—
Non-GAAP gross profit	$ 128,366	$ 127,092	$ 432,326	$ 450,742
Non-GAAP gross margin	*51.5%*	*51.2%*	*48.5%*	*50.2%*
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:				
GAAP operating expenses	$ 103,440	$ 101,421	$ 377,766	$ 358,560
GAAP operating expenses % to total revenues	*41.5%*	*40.8%*	*42.3%*	*40.0%*
Share-based compensation expense	(9,852)	(7,420)	(37,228)	(28,401)
Amortization of acquired intangibles	(3,545)	(2,690)	(10,601)	(10,581)
Acquisition-related expenses	(2,482)	—	(5,603)	—
Severance-related and other expenses [(a)]	(1,113)	(795)	(9,385)	(1,715)
Non-GAAP operating expenses	$ 86,448	$ 90,516	$ 314,949	$ 317,863
Non-GAAP operating expenses % to total revenues	*34.7%*	*36.5%*	*35.3%*	*35.4%*
Reconciliation of GAAP income from operations to non-GAAP income from operations:				
GAAP income from operations	$ 20,214	$ 22,182	$ 35,526	$ 78,352
GAAP operating income % to total revenues	*8.1%*	*8.9%*	*4.0%*	*8.7%*
Share-based compensation expense	11,663	8,874	44,697	34,049
Amortization of acquired intangibles	6,446	4,725	19,602	18,763
Acquisition-related expenses	2,482	—	5,603	—
Severance-related and other expenses [(a)]	1,113	795	11,949	1,715
Non-GAAP income from operations	$ 41,918	$ 36,576	$ 117,377	$ 132,879
Non-GAAP operating margin (non-GAAP operating income % to total revenues)	*16.8%*	*14.7%*	*13.2%*	*14.8%*

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(Unaudited, in thousands, except per share data and percentage)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Reconciliation of GAAP net income to non-GAAP net income:				
GAAP net income	$ 16,377	$ 22,095	$ 32,194	$ 61,338
Tax impact of IP restructuring	—	(2,192)	—	7,432
Share-based compensation expense	11,663	8,874	44,697	34,049
Amortization of acquired intangibles	6,446	4,725	19,602	18,763
Acquisition-related expenses	2,482	—	5,603	—
Severance-related and other expenses [(a)]	1,113	795	11,949	1,715
Amortization of debt issuance costs	843	486	1,597	2,205
Amortization of discount on convertible senior notes	4,517	—	4,766	—
Tax effect of the adjustments above [(b)]	(3,234)	(1,261)	(9,139)	(4,762)
Non-GAAP net income	$ 40,207	$ 33,522	$ 111,269	$ 120,740
Reconciliation of GAAP net income per share - diluted to non-GAAP net income per share - diluted:				
Shares - diluted GAAP	44,001	43,327	43,743	42,943
Dilution offset from convertible note hedge transaction [(c)]	(45)	—	—	—
Shares - diluted Non-GAAP	43,956	43,327	43,743	42,943
GAAP net income per share - diluted	$ 0.37	$ 0.51	$ 0.74	$ 1.43
Tax impact of IP restructuring	—	(0.05)	—	0.17
Share-based compensation expense	0.26	0.20	1.01	0.79
Amortization of acquired intangibles	0.14	0.11	0.45	0.44
Acquisition-related expenses	0.06	—	0.13	—
Severance-related and other expenses	0.03	0.02	0.27	0.04
Amortization of debt issuance costs	0.02	0.01	0.04	0.05
Amortization of discount on convertible senior notes	0.10	—	0.11	—
Tax effect of the adjustments above [(b)]	(0.07)	(0.03)	(0.21)	(0.11)
Non-GAAP net income per share - diluted	$ 0.91	$ 0.77	$ 2.54	$ 2.81
Reconciliation of GAAP net income to non-GAAP EBITDA [(d)]:				
GAAP net income	$ 16,377	$ 22,095	$ 32,194	$ 61,338
Share-based compensation expense	11,663	8,874	44,697	34,049
Interest (income) and expense, net	(82)	(587)	360	1,378
Depreciation and amortization expense	17,164	14,034	61,067	53,559
Acquisition-related expenses	2,482	—	5,603	—
Severance-related and other expenses [(a)]	1,113	795	11,949	1,715
Amortization of debt issuance costs	843	486	1,597	2,205
Amortization of discount on convertible senior notes	4,517	—	4,766	—
Income tax expense (benefit)	(2,501)	(125)	(2,845)	12,595
Non-GAAP EBITDA	$ 51,576	$ 45,572	$ 159,388	$ 166,839
Non-GAAP EBITDA margin (non-GAAP EBITDA % to total revenues)	*20.7%*	*18.4%*	*17.9%*	*18.6%*

(a) For the three months ended December 31, 2020, other expenses included approximately $0.1 million of IP and legal entities restructuring costs, and $1.0 million of certain litigation costs. For the year ended December 31, 2020, other expenses included approximately $1.0 million of IP and legal entities restructuring costs, and $1.0 million of certain litigation costs. For the three months and year ended December 31, 2019, other expenses included approximately $0.8 million and $1.7 million of IP and legal entities restructuring costs, respectively.

(b) Tax effects calculated for all adjustments except tax benefits and expenses, and share-based compensation expense, using an estimated annual effective tax rate of 21% for both fiscal years 2020 and 2019.

(c) Non-GAAP diluted shares exclude the impact of dilutive convertible senior notes for which the Company is economically hedged through its anti-dilutive convertible note hedge transaction.

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

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(Unaudited, in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	**2019**	**2020**	**2019**
Reconciliation of GAAP net cash provided by operating activities to non-GAAP free cash flow:				
GAAP net cash provided by operating activities	$ 76,448	$ 34,820	$ 185,870	$ 145,008
Software development for external use	(6,115)	(11,641)	(32,024)	(45,770)
Purchases of property and equipment	(5,577)	(3,262)	(22,842)	(15,894)
Non-GAAP free cash flow	$ 64,756	$ 19,917	$ 131,004	$ 83,344