2Q20 Earnings Call

Peter Kuipers:

Good afternoon and welcome to the Omnicell second quarter 2020 earnings call. Joining me today is Randall Lipps, Omnicell Founder, Chairman, President, and CEO.

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 July 28th, 2020, 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, I will cover our results for the second quarter of 2020 and our guidance for the third quarter of 2020. Our 2020 second quarter 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. I'd like to start the call by once again recognizing all of the healthcare professionals who are on the frontlines battling COVID-19. These are challenging times and your courage and resilience in the face of this pandemic continues to be nothing short of heroic.

As our healthcare partners continue to navigate the impact of COVID-19, we remain focused on our long-term strategy which we believe is unchanged. We are committed to executing the vision of the autonomous pharmacy by delivering automation, intelligence, and services designed to transform the pharmacy care delivery model to help drive significantly improved outcomes and lower costs.

As the COVID-19 pandemic spread in different regions in the U.S. and internationally, there were several shortages not only in ICU capacity, equipment, and PPE, that occurred at varying levels but also in pharmacy. More specifically in U.S. hospitals, we found that there was a lack of visibility in pharmacy supply of approximately 75 drugs that are critical for COVID patients. In response to help our hospital customers we did two things:

1. We leveraged our analytics platform and rapidly developed specific analytics tools to better inform health systems and help them strengthen their pharmacy supply chain; and

2. As discussed on our last earnings call we also developed and launched a Rapid Response XT automated point of care system offering to help health systems expand bed capacity for potential patient surges.

In speaking with our health system customers and industry groups in recent months, we understand that COVID-19 has made them recognize how critical a sophisticated supply chain is to smooth business operations and quickly react to a surge in patients. COVID-19 also increased the urgency to digitize and automate processes throughout health systems including the digitization and automation of pharmacy to reduce manual touches of medications and to enable healthcare providers to focus more on patient care. As a result we believe that our health systems customers are more willing to take these transformational steps because they see the significant value in what we do.

We are using this moment in time to focus on and invest in those strategic priorities that are within our control to accelerate Omnicell's transformation and we are doubling down on the development of the Vison of the Autonomous Pharmacy in the following areas:

- First, we are accelerating the commercialization of the professional services that we announced in December last year
- Second, we are increasing the momentum of the shift to Cloud based products and services development
- Third, we are speeding up the simplification, speed and efficiencies of quote to cash processes; and
- Fourth, we are continuing to drive to virtualize and digitize commercial, implementation, and engineering processes

We believe that these actions will result in a stronger and even better positioned Omnicell post pandemic conditions.

In terms of building out our offerings, last week we announced another key milestone on the journey to the fully autonomous pharmacy, Omnicell One, which will be generally available in August. Leveraging cloud-based data and predictive, prescriptive analytics, Omnicell One provides real-time visibility, actionable insights, and workflow optimization recommendations that will help improve clinical, financial, and operational outcomes across the pharmacy supply chain. As a result of COVID-19, many of our customers have prioritized supply chain optimization in order to provide critical care to patients. We believe Omnicell One represents a significant step towards leveraging analytics that enable our customers to meet demand in an efficient manner.

At the time of our last earnings call, we had little visibility into the impact of COVID-19 on our customer base. Shelter in place was enforced throughout the U.S. and parts of Europe, elective surgeries had been postponed and hospital systems were ramping up to treat COVID-19 patients. As a result, our sales teams had some difficulty engaging with customers on new bookings. Also some implementations from backlog were being delayed as hospitals were consumed with treating COVID-19 patients or were preparing for a potential surge in COVID-19 patient hospital admissions.

Since the time of the last call, with parts of the U.S. and Europe reopening, our visibility into our customer base and how they are managing their businesses through the pandemic has increased. In addition, customers have a better understanding of how to treat COVID-19 patients and adjust their capacities accordingly while returning to more normal operations. We also have greater visibility into our customers' financial scenario planning and forecasts.

We believe that a leading indicator for the spend environment for our products and services is the level of elective surgeries compared to pre-COVID levels. We have seen an improvement in elective surgery levels and availability of budget spend in our customer base. A recent LEK consulting survey estimated that the levels of elective surgeries versus pre-COVID levels will increase from around 40% in the second quarter, to 65%-75% in the third quarter, to 75%-85% in the fourth quarter, with next year approaching 95%. While this is encouraging, overall we believe that the drivers of a sustained recovery in elective surgeries will likely vary regionally and may be predicated on the extent and duration of COVID outbreaks.

Turning to our results for the second quarter and our business outlook. On our last call, we discussed expected disruptions for product implementations as well as new product bookings. At that time, it was difficult to predict how significant these disruptions would be to our business. As time progressed, we gained more visibility into the environment, and I'm pleased to report that the impact to our business was not as significant as we expected, and we exceeded our own internal plans for each of product bookings, revenue, and Non-GAAP EPS during the second quarter.

While the environment continues to change rapidly, we are beginning to see more positive indicators for our business. Although we have seen some delays in new product bookings, we are encouraged by the progress made during the second quarter. In many regions elective surgeries have resumed and in areas less impacted by COVID-19 we have been able to resume some on-site sales activities. The overall level of system implementations has also been increasing. I am also pleased that we have experienced no disruption to our supply chain and implementation capacity was and has been fully available throughout the year.

At this point, knowing what we know, we believe that the second quarter bookings and revenue represent the lowest quarter in 2020. We expect that bookings and revenue will increase sequentially through the third and fourth quarter of 2020.

We have implemented a variety of technology-based tools to assist our customers through this difficult time. Virtual tools that enable customers to self-install certain automation products have been extremely valuable in that we've enabled some implementations of our solutions to continue without the need for our teams to be on-site to perform these services. In addition, we have been successful in leveraging technology to transition to remote product demonstrations which has enabled our sales team to engage with health systems in a virtual environment. We did accelerate the implementation of these virtual tools and intend to continue to use and leverage these tools post pandemic.

For many years, we have talked about our long-term sole source agreements. Today, I'd like to go in depth on these agreements. This is a really important element to our strategy going forward, as it enables us to understand the value of the customers we've already signed on. We have been implementing and expanding this strategy successfully for the last 2 years. In 2018 we realigned our commercial structure to focus on the Top 300 Health Systems in the U.S. with dedicated Customer Success Executives as we believe they represent the vast majority of the available markets we target.

As of the end of the second quarter, more than half of the Top 300 U.S. Health Systems as defined by Definitive Healthcare, are current Omnicell customers. And 141 of those have entered into long-term sole-source arrangements with us, most with a duration of 5 to 10 years. With the majority of these sole source arrangements, we have a co-developed multi-year medication management automation plan to drive increased levels of medication management automation to deliver improved accuracy, patient and financial outcomes.

To assist with your understanding of how a multi-year medication management automation plan works in practice we have included an example for an Omnicell health system customer in the Investor deck posted on the Investor relations portion of our website. This customer example shows a 12-location health system planning to invest in medication automation in each of the next 5 years to deliver increased KPIs and outcomes in efficiency, compliance, safety and people.

Now moving to customer success. Some of the new customer wins during the second quarter include:

Orlando Health, one of Central Florida's largest health systems serving more than 2.7 million patients, will implement Omnicell® XT Automated Dispensing Systems across its 8 hospital system to help improve clinical and operational efficiencies at the point of care.

Moses H. Cone Medical Center in North Carolina will be expanding their Central Pharmacy IV Compounding Program, a comprehensive service model that combines advanced robotic technology, data intelligence, and expertly trained pharmacy technician staff, to insource their sterile compounding to enhance patient safety while reducing overall cost.

Also during this quarter, our Population Health Solutions division successfully launched our first location with **Walmart** as part of an enterprise-wide rollout of our Medication Synchronization platform to all Walmart locations.

In our international market, we recently announced a new software partnership with the **West Yorkshire Association of Acute Trusts**, an innovative collaboration of NHS trusts across West Yorkshire and Harrogate in the United Kingdom. The six NHS trusts in this region will be implementing our SupplyX supply chain solution to improve supply chain, help deliver consistency of care, and openly share data across the collaborative.

We are thrilled to partner with these organizations.

We are committed to working with our healthcare partners during these challenging times, providing the technology and intelligence that will help them navigate a rapidly changing landscape and delivering safe, efficient and high-quality patient care.

Now I'd like to turn the call back over to Peter to discuss our second quarter results and our guidance.

Peter Kuipers:
Thank you, Randall.

As Randall said and as I will discuss in more detail later, COVID-19 has had a negative impact on new bookings and has delayed implementations as our ability to access hospital systems and their staff has been restricted in certain locations. That said, we are encouraged by the results for both product bookings and revenue in the second quarter.

Our second quarter 2020 revenue of $200 million was down 8% over the second quarter of 2019. The decrease in revenue from last year was largely due to delays in implementations of Point of Care XT series related to COVID-19.

Moving to the earnings per share:

The second quarter loss per share in accordance with GAAP was $0.10. This compares to earnings per share of $0.37 per share in the second quarter of 2019. The decrease in earnings per share is largely due to lower profit as a result of a decrease in revenue as well as higher operating expenses compared to the same period last year. The impact of these factors was partially offset by lower income tax expense.

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.

Second quarter 2020 Non-GAAP EPS was $0.37, compared to $0.67 in the same period last year, representing a 45% decrease. The decrease in earnings per share on a Non-GAAP basis is largely due to lower revenue which was partially offset by lower income tax expense.

Now, I'd like to quickly cover our cash flow and liquidity as we believe it is a strength of our business, particularly during these uncertain times.

At June 30, 2020 our cash balance was $134 million, up from $104 million at March 31, 2020. The increase primarily resulted from free cash flow generated in the quarter of $28 million primarily driven by improvements in our working capital.

Net cash provided by operating activities during the second quarter of 2020 was $47 million up from $27 million during the same period last year. The increase is primarily due to improvements in working capital partially offset by lower net income. Accounts receivable days sales outstanding for the second quarter were 87 days, unchanged from the same period last year and down 6 days sequentially. We had an all-time record collections of accounts receivable in the second quarter.

Our liquidity remains strong. As of June 30, 2020, we had no debt and have access to $500 million of committed capital through the revolving credit facility we put in place in November 2019.

As we discussed on last quarter's call, we took certain cost reduction actions during the first half of 2020. These cost savings actions include:

1. Elimination of all non-essential travel
2. Hiring delays
3. Reduction of consulting costs
4. Elimination of tradeshow and other marketing related expenses
5. Delays in certain capital expenditures

In addition to these actions we have delayed merit increases to 2021 and have reduced other compensation incentives. We also restructured certain parts of our organization to ensure we are operating as efficiently as possible as we accelerate our transformation and pursue our vision for the autonomous pharmacy.

As a result, we eliminated approximately 130 roles within our organization, primarily related to the engineering, service and manufacturing organizations. Approximately two-thirds of these reductions were a result of previously announced strategic decisions, while one-third was volume-related and better enabled us to match our business to the current market.

Strategically this facilitates and accelerates the shift from hardware-based and on premise engineering development capabilities to cloud-based competencies that require different skillsets. And for services this change accelerates our shift from traditional maintenance services to the professional services offerings we announced last year. We recorded approximately $6.5 million of severance and restructuring costs in the second quarter as a result of these actions.

Overall, through our cost reduction actions and this restructuring, we expect to realize an additional approximately $40 million of operating expense savings during calendar 2020 when compared to the original pre-COVID 2020 guidance on February 6 this year. To provide additional color here we expect 2020 operating expenses now to be between $310 and $315 million. We will continue to manage our operating expenses in line with the performance of the business, and would expect a majority of these cost savings to be limited to 2020 as we begin to increase investments over time to support market demand driven future growth.

Moving to our guidance on revenue and Non-GAAP EPS,

While the mid to longer-term outlook remains uncertain, we do believe we have reasonable visibility into the nearer term. As a result, we are providing the following guidance for the third quarter of 2020.

We expect total revenue to be between $204 million and $212 million
We expect product revenue to be between $143 million and $149 million
We expect service revenue to be between $61 million and $63 million
We expect Non-GAAP earnings per share to be between $0.44 and $0.52

We have taken a regional approach to our bookings pipeline as availability of resources, budget, and the level of COVID-19 impact varies by region. And at times there is also variation within one region. While we don't provide guidance on Product bookings at this time we do expect Product Bookings to increase from the second quarter to the third quarter, and from the third quarter to the fourth quarter.

Lastly, we have refreshed our long term market assessment, including our go to market strategy of long-term sole-source partnerships, and we have updated our strategic financial framework goals. We believe that post pandemic conditions, we can return to the path towards our long term goals of:

- 10%-12% organic revenue growth
- 18% non-GAAP operating margin
- 90%-110% Free Cash Flow as a percentage of GAAP Net income

While our long-term framework remains in place, we believe that this will take longer to achieve than initially expected given the uncertainty and duration of COVID-19.

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Product revenues	$ 138,942	$ 158,379	$ 309,015	$ 303,989
Services and other revenues	60,679	59,034	120,292	115,941
Total revenues	199,621	217,413	429,307	419,930
Cost of revenues:				
Cost of product revenues	85,779	84,583	176,051	163,394
Cost of services and other revenues	30,617	28,785	60,409	55,374
Total cost of revenues	116,396	113,368	236,460	218,768
Gross profit	83,225	104,045	192,847	201,162
Operating expenses:				
Research and development	20,830	16,848	39,482	32,926
Selling, general, and administrative	69,386	68,434	148,205	136,712
Total operating expenses	90,216	85,282	187,687	169,638
Income (loss) from operations	(6,991)	18,763	5,160	31,524
Interest and other income (expense), net	174	(1,629)	(648)	(3,039)
Income (loss) before provision for income taxes	(6,817)	17,134	4,512	28,485
Provision for (benefit from) income taxes	(2,518)	1,158	(2,500)	9,225
Net income (loss)	$ (4,299)	$ 15,976	$ 7,012	$ 19,260
Net income (loss) per share:				
Basic	$ (0.10)	$ 0.39	$ 0.16	$ 0.47
Diluted	$ (0.10)	$ 0.37	$ 0.16	$ 0.45
Weighted-average shares outstanding:				
Basic	42,659	41,371	42,509	41,033
Diluted	42,659	42,945	43,616	42,646

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

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 133,583	$ 127,210
Accounts receivable and unbilled receivables, net	188,918	218,362
Inventories	114,245	108,011
Prepaid expenses	13,297	14,478
Other current assets	15,122	15,177
Total current assets	465,165	483,238
Property and equipment, net	57,866	54,246
Long-term investment in sales-type leases, net	20,961	19,750
Operating lease right-of-use assets	52,537	56,130
Goodwill	335,034	336,539
Intangible assets, net	115,710	124,867
Long-term deferred tax assets	14,154	14,142
Prepaid commissions	44,822	48,862
Other long-term assets	116,197	103,036
Total assets	$ 1,222,446	$ 1,240,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,587	$ 46,380
Accrued compensation	41,057	44,155
Accrued liabilities	52,979	55,567
Deferred revenues, net	107,940	90,894
Total current liabilities	236,563	236,996
Long-term deferred revenues	6,101	7,083
Long-term deferred tax liabilities	29,561	39,090
Long-term operating lease liabilities	46,690	50,669
Other long-term liabilities	16,070	11,718
Long-term debt	—	50,000
Total liabilities	334,985	395,556
Total stockholders' equity	887,461	845,254
Total liabilities and stockholders' equity	$ 1,222,446	$ 1,240,810

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

	Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net income	$ 7,012	$ 19,260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,779	25,874
Loss on disposal of property and equipment	—	399
Share-based compensation expense	22,010	16,670
Deferred income taxes	(9,409)	3,810
Amortization of operating lease right-of-use assets	5,157	5,226
Amortization of debt issuance costs	482	1,145
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	28,236	(9,244)
Inventories	(7,271)	(4,466)
Prepaid expenses	1,181	1,021
Other current assets	219	(830)
Investment in sales-type leases	(1,375)	(4,412)
Prepaid commissions	4,040	1,536
Other long-term assets	(4,580)	3,061
Accounts payable	(11,254)	2,066
Accrued compensation	(3,098)	(8,041)
Accrued liabilities	(2,824)	1,810
Deferred revenues	16,264	253
Operating lease liabilities	(5,186)	(5,269)
Other long-term liabilities	4,352	3,891
Net cash provided by operating activities	72,735	53,760
Investing Activities		
Software development for external use	(20,002)	(22,581)
Purchases of property and equipment	(13,211)	(9,369)
Net cash used in investing activities	(33,213)	(31,950)
Financing Activities		
Repayment of debt and revolving credit facility	(50,000)	(60,000)
At the market equity offering, net of offering costs	—	37,806
Proceeds from issuances under stock-based compensation plans	21,162	25,333
Employees’ taxes paid related to restricted stock units	(3,470)	(4,722)
Net cash used in financing activities	(32,308)	(1,583)
Effect of exchange rate changes on cash and cash equivalents	(841)	63
Net increase in cash and cash equivalents	6,373	20,290
Cash and cash equivalents at beginning of period	127,210	67,192
Cash and cash equivalents at end of period	$ 133,583	$ 87,482

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of GAAP revenues to non-GAAP revenues:				
GAAP revenues	$ 199,621	$ 217,413	$ 429,307	$ 419,930
Non-GAAP revenues	$ 199,621	$ 217,413	$ 429,307	$ 419,930
Reconciliation of GAAP gross profit to non-GAAP gross profit:				
GAAP gross profit	$ 83,225	$ 104,045	$ 192,847	$ 201,162
GAAP gross margin	*41.7%*	*47.9%*	*44.9%*	*47.9%*
Share-based compensation expense	2,130	1,416	3,900	2,878
Amortization of acquired intangibles	2,033	2,044	4,068	4,110
Severance and other expenses	2,489	—	2,564	—
Non-GAAP gross profit	$ 89,877	$ 107,505	$ 203,379	$ 208,150
Non-GAAP gross margin	*45.0%*	*49.4%*	*47.4%*	*49.6%*
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:				
GAAP operating expenses	$ 90,216	$ 85,282	$ 187,687	$ 169,638
GAAP operating expenses % to total revenues	*45.2%*	*39.2%*	*43.7%*	*40.4%*
Share-based compensation expense	(9,221)	(6,844)	(18,110)	(13,792)
Amortization of acquired intangibles	(2,325)	(2,630)	(4,720)	(5,346)
Severance and other expenses	(4,162)	(440)	(8,188)	(726)
Non-GAAP operating expenses	$ 74,508	$ 75,368	$ 156,669	$ 149,774
Non-GAAP operating expenses % to total non-GAAP revenues	*37.3%*	*34.7%*	*36.5%*	*35.7%*
Reconciliation of GAAP income (loss) from operations to non-GAAP income from operations:				
GAAP income (loss) from operations	$ (6,991)	$ 18,763	$ 5,160	$ 31,524
GAAP operating income (loss) % to total revenues	*(3.5)%*	*8.6%*	*1.2%*	*7.5%*
Share-based compensation expense	11,351	8,260	22,010	16,670
Amortization of acquired intangibles	4,358	4,674	8,788	9,456
Severance and other expenses	6,651	440	10,752	726
Non-GAAP income from operations	$ 15,369	$ 32,137	$ 46,710	$ 58,376
Non-GAAP operating income % to total non-GAAP	*7.7%*	*14.8%*	*10.9%*	*13.9%*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of GAAP net income (loss) to non-GAAP net income:				
GAAP net income (loss)	$ (4,299)	$ 15,976	$ 7,012	$ 19,260
Tax impact of IP restructuring	—	—	—	9,624
Share-based compensation expense	11,351	8,260	22,010	16,670
Amortization of acquired intangibles	4,358	4,674	8,788	9,456
Severance and other expenses [a]	6,892	1,013	11,234	1,872
Tax effect of the adjustments above [b]	(2,363)	(1,194)	(4,205)	(2,378)
Non-GAAP net income	$ 15,939	$ 28,729	$ 44,839	$ 54,504
Reconciliation of GAAP net income (loss) per share - diluted to non-GAAP net income per share - diluted:				
Shares - diluted GAAP	42,659	42,945	43,616	42,646
Shares - diluted Non-GAAP	43,589	42,945	43,616	42,646
GAAP net income (loss) per share - diluted	$ (0.10)	$ 0.37	$ 0.16	$ 0.45
Tax impact of IP restructuring	—	—	—	0.23
Share-based compensation expense	0.26	0.19	0.50	0.39
Amortization of acquired intangibles	0.10	0.11	0.20	0.22
Severance and other expenses	0.16	0.03	0.27	0.05
Tax effect of the adjustments above [b]	(0.05)	(0.03)	(0.10)	(0.06)
Non-GAAP net income per share - diluted	$ 0.37	$ 0.67	$ 1.03	$ 1.28
Reconciliation of GAAP net income (loss) to non-GAAP Adjusted EBITDA[c]:				
GAAP net income (loss)	$ (4,299)	$ 15,976	$ 7,012	$ 19,260
Share-based compensation expense	11,351	8,260	22,010	16,670
Interest (income) and expense, net	76	687	62	1,393
Depreciation and amortization expense	14,736	13,237	28,779	25,874
Severance and other expenses	6,892	1,013	11,234	1,872
Income tax expense (benefit)	(2,518)	1,158	(2,500)	9,225
Non-GAAP adjusted EBITDA	$ 26,238	$ 40,331	$ 66,597	$ 74,294
Reconciliation of GAAP net cash provided by operating activities to non-GAAP free cash flow:				
GAAP net cash provided by operating activities	$ 47,504	$ 27,263	$ 72,735	$ 53,760
Software development for external use	(9,400)	(10,864)	(20,002)	(22,581)
Purchases of property and equipment	(10,038)	(4,389)	(13,211)	(9,369)
Non-GAAP free cash flow	$ 28,066	$ 12,010	$ 39,522	$ 21,810

(a) For the three months ended June 30, 2020 and 2019, other expenses include $0.2 million and $0.6 million of amortization of debt issuance costs, respectively, and $0.3 million and $0.4 million of IP and legal entities restructuring costs, respectively. For the six months ended June 30, 2020 and 2019, other expenses include $0.5 million and $1.1 million of amortization of debt issuance costs, respectively, and $0.8 million and $0.7 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) Defined as earnings before interest income and expense, taxes, depreciation and amortization, share-based compensation, as well as excluding certain non-GAAP adjustments.