

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): July 25, 2019

OMNICELL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

000-33043

(Commission File Number)

94-3166458

(IRS Employer Identification Number)

**590 East Middlefield Road
Mountain View, CA 94043**

(Address of principal executive offices, including zip code)

(650) 251-6100

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>	<u>Ticker Symbol</u>
Common Stock, \$0.001 par value	NASDAQ Global Select Market	OMCL

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On July 25, 2019, Omnicell, Inc. issued a press release announcing its financial results for the quarter ended June 30, 2019. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Number</u>	<u>Description of Document</u>
99.1	Press release entitled “Omnicell Reports Results for Second Quarter 2019” dated July 25, 2019

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: July 25, 2019

OMNICELL, INC.

/s/ Peter J. Kuipers

Peter J. Kuipers,

Executive Vice President and Chief Financial Officer

Contact:

Peter Kuipers

Chief Financial Officer

800-850-6664

Peter.Kuipers@Omnicell.com

Omnicell, Inc.

590 East Middlefield Road

Mountain View, CA 94043

Omnicell Reports Results for Second Quarter 2019

Record GAAP and non-GAAP revenues of \$217.4 million, up 15.2% year-over-year

GAAP net income per diluted share of \$0.37, up 131.3% year-over-year

Non-GAAP net income per diluted share of \$0.67, up 45.7% year-over-year

MOUNTAIN VIEW, Calif. -- July 25, 2019 -- Omnicell, Inc. (NASDAQ: OMCL), a leading provider of medication management solutions and adherence tools for healthcare systems and pharmacies, today announced results for its second quarter ended June 30, 2019.

GAAP Results

GAAP revenues for the second quarter of 2019 were \$217.4 million, up \$28.7 million, or 15.2% from the second quarter of 2018. GAAP revenues for the six months ended June 30, 2019 were \$419.9 million, up \$48.6 million, or 13.1%, from the six months ended June 30, 2018.

Second quarter 2019 GAAP net income as reported was \$16.0 million, or \$0.37 per diluted share. This compares to GAAP net income of \$6.6 million, or \$0.16 per diluted share, for the second quarter of 2018.

GAAP net income for the six months ended June 30, 2019 was \$19.3 million, or \$0.45 per diluted share. This compares to GAAP net income of \$9.3 million, or \$0.23 per diluted share, for the six months ended June 30, 2018.

Non-GAAP Results

Non-GAAP revenues for the second quarter of 2019 were \$217.4 million, up \$28.7 million, or 15.2%, from the second quarter of 2018. Non-GAAP revenues for the six months ended June 30, 2019 were \$419.9 million, up \$48.6 million, or 13.1%, from the six months ended June 30, 2018.

Non-GAAP net income for the second quarter of 2019 was \$28.7 million, or \$0.67 per diluted share. This compares to non-GAAP net income of \$18.4 million, or \$0.46 per diluted share, for the second quarter of 2018.

Non-GAAP net income for the six months ended June 30, 2019 was \$54.5 million, or \$1.28 per diluted share. This compares to non-GAAP net income of \$29.8 million, or \$0.75 per diluted share, for the six months ended June 30, 2018.

Non-GAAP net income for each period excludes, when applicable, the effect of share-based compensation expense, amortization expense of acquired intangible assets, acquisition-related expenses, fair value adjustments related to business acquisitions, restructuring and severance-related expenses, tax reform and restructuring income tax benefits and expenses, contingent gains, and amortization of debt issuance cost.

“As we enter the second half of 2019, I’m thrilled to see our Autonomous Pharmacy vision coming to life,” said Randall Lipps, chairman, president, chief executive officer, and founder of Omnicell. “Together with our health system and retail pharmacy partners, we are accelerating the value creation for the industry by transforming the pharmacy care delivery model, revolutionizing the way medications are delivered, reducing costs, and ultimately improving the lives of patients, clinicians, and pharmacists.”

2019 Guidance

For the third quarter of 2019, the Company expects non-GAAP total revenues to be between \$227 million and \$233 million. The Company expects non-GAAP product revenues to be between \$168 million and \$173 million, and non-GAAP service revenues to be between \$59 million and \$60 million. The Company expects third quarter 2019 non-GAAP earnings to be between \$0.67 and \$0.72 per share.

For the year 2019, the Company expects product bookings to be between \$765 million and \$790 million. The Company expects non-GAAP total revenues to be between \$886 million and \$900 million. The Company expects non-GAAP product revenues to be between \$653 million and \$663 million, and non-GAAP service revenues to be between \$233 million and \$237 million. The Company expects 2019 non-GAAP earnings to be between \$2.65 and \$2.82 per share.

The table below summarizes 2019 guidance outlined above.

	Q3'19	2019
Product Bookings	Not provided	\$765 million - \$790 million
Non-GAAP Total Revenues	\$227 million - \$233 million	\$886 million - \$900 million
Non-GAAP Product Revenues	\$168 million - \$173 million	\$653 million - \$663 million
Non-GAAP Service Revenues	\$59 million - \$60 million	\$233 million - \$237 million
Non-GAAP EPS	\$0.67 - \$0.72	\$2.65 - \$2.82

Omnice ll Conference Call Information

Omnice ll will hold a conference call today, Thursday, July 25, 2019 at 1:30 p.m. PT to discuss second quarter financial results. The conference call can be monitored by dialing 1-800-696-5518 within the U.S. or 1-706-758-4883 for all other locations. The Conference ID # is 5149909. Internet users can access the conference call at <http://ir.omnicell.com/communications/events-presentations>. A replay of the call will be available today at approximately 4:30 p.m. PT and will be available until 11:59 p.m. PT on August 24, 2019. The replay access numbers are 1-855-859-2056 within the U.S. and 1-404-537-3406 for all other locations, Conference ID # is 5149909.

About Omnicell

Since 1992, Omnicell has been inspired to create safer and more efficient ways to manage medications across all care settings. Through our industry-leading medication management platform that spans the continuum of care, Omnicell is developing a vision for a fully automated infrastructure, powered by a cloud data platform that supports improved patient care, fewer errors, enhanced safety, and new opportunities for growth.

Omnice ll's vision for the Autonomous Pharmacy integrates a comprehensive set of solutions across three key areas: **Automation** solutions designed to digitize and streamline workflows; **Intelligence** that provides actionable insights to better understand medication usage and improve pharmacy supply chain management; and **Work** - expert services that serve as an extension of pharmacy operations to support improved efficiency, regulatory compliance, and patient outcomes.

Over 5,500 facilities worldwide use Omnicell automation and analytics solutions to help increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. More than 40,000 institutional and retail pharmacies across North America and the United Kingdom leverage Omnicell's innovative medication adherence solutions designed to improve patient engagement and adherence to prescriptions, helping to reduce costly hospital readmissions.

To learn more about Omnicell and our Autonomous Pharmacy vision, please visit www.omnicell.com.

Omnice ll and the Omnicell logo are registered trademarks of Omnicell, Inc. in the United States and other countries.

Forward-Looking Statements

To the extent any statements contained in this release deal with information that is not historical, these statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. As such, they are subject to the occurrence of many events outside Omnicell's control and are subject to various risk factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such statements include, but are not limited to, Omnicell's projected bookings, revenues and earnings per share; pipeline; planned new products and services; new sales opportunities, and statements about Omnicell's strategy, objectives, and vision. Risks that contribute to the uncertain nature of the forward-looking statements include (i) Omnicell's ability to take advantage of the growth opportunities in medication management

across the spectrum of healthcare settings from hospital to home, (ii) Omnicell's ability to develop and commercialize new products, including the XR2 Automated Central Pharmacy System and the IVX Workflow semi-automated workflow solution, and enhance existing products, (iii) Omnicell's ability to deliver on our vision of the Autonomous Pharmacy and the impact that advanced automation, data intelligence, and expert services will have on patient care, (iv) unfavorable general economic and market conditions, (v) risks to growth and acceptance of Omnicell's products and services, including competitive conversions, (vi) growth of the clinical automation and workflow automation market generally, (vii) potential of increasing competition, (viii) potential regulatory changes, (ix) Omnicell's ability to improve sales productivity to grow product bookings, and (x) Omnicell's ability to acquire companies, businesses, or technologies and successfully integrate such acquisitions. These and other risks and uncertainties are described more fully in Omnicell's most recent filings with the Securities and Exchange Commission ("SEC"). Prospective investors are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements contained in this press release speak only as of the date on which they were made. Omnicell undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made.

Use of Non-GAAP Financial Information

This press release contains financial measures that are not calculated in accordance with GAAP. Our management evaluates and makes operating decisions using various performance measures. In addition to Omnicell's GAAP results, we also consider non-GAAP revenues, non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net income, and non-GAAP net income per diluted share. Additionally, we calculate adjusted EBITDA (another non-GAAP measure) by means of adjustments to GAAP net income. These non-GAAP results should not be considered as an alternative to gross profit, operating expenses, net income, net income per diluted share, or any other performance measure derived in accordance with GAAP. We present these non-GAAP results because we consider them to be important supplemental measures of Omnicell's performance.

Our non-GAAP revenues, non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net income, and non-GAAP net income per diluted share are exclusive of certain items to facilitate management's review of the comparability of Omnicell's core operating results on a period-to-period basis because such items are not related to Omnicell's ongoing core operating results as viewed by management. We define our "core operating results" as those revenues recorded in a particular period and the expenses incurred within that period that directly drive operating income in that period. Management uses these non-GAAP financial measures in making operating decisions because, in addition to meaningful supplemental information regarding operating performance, the measures give us a better understanding of how we should invest in research and development, fund infrastructure growth, and evaluate the effectiveness of marketing strategies. In calculating the above non-GAAP results, management specifically adjusted for the following excluded items:

- a) *Share-based compensation expense.* We excluded from our non-GAAP results the expense related to equity-based compensation plans as they represent expenses that do not require cash settlement from Omnicell.
- b) *Amortization of acquired intangible assets.* We excluded from our non-GAAP results the intangible assets amortization expense resulting from our past acquisitions. These non-cash charges are not considered by management to reflect the core cash-generating performance of the business and therefore are excluded from our non-GAAP results.
- c) *Amortization of debt issuance cost.* Debt issuance cost represents costs associated with the issuance of Term Loan and Revolving Line of Credit facilities. The cost includes underwriting fees, original issue discount, ticking fee, and legal fees. This non-cash expense is not considered by management to reflect the core cash-generating performance of the business and therefore is excluded from our non-GAAP results.
- d) *Severance and other related expenses.* We excluded from our non-GAAP results the expenses which are related to restructuring events. These expenses are unrelated to our ongoing operations, and we do not expect them to occur in the ordinary course of business. We believe that excluding these expenses provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance, and the financial results of peer companies.
- e) *Tax impact from restructuring activity.* We excluded from our non-GAAP results the tax impacts related to restructuring activity. These impacts are unrelated to our ongoing operations, and we do not expect them to occur in the ordinary course of business. We believe that excluding these impacts provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance, and the financial results of peer companies.
- f) *Tax impact from intellectual property ("IP") restructuring.* We excluded from our non-GAAP results the tax impacts related to IP restructuring. These impacts are unrelated to our ongoing operations, and we do not expect them to occur in the ordinary course of business. We believe that excluding these impacts provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance, and the financial results of peer companies.
- g) *Contingent gain.* We excluded from our non-GAAP results the contingent gain related to a settlement agreement associated with the Ateb acquisition. This contingent gain is unrelated to our ongoing operations, and we do not expect it to occur in

the ordinary course of business. We believe that excluding this contingent gain provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance, and the financial results of peer companies.

Management adjusts for the above items because management believes that, in general, these items possess one or more of the following characteristics: their magnitude and timing is largely outside of Omnicell's control; they are unrelated to the ongoing operation of the business in the ordinary course; they are unusual and we do not expect them to occur in the ordinary course of business; or they are non-operational, or non-cash expenses involving stock compensation plans or other items.

We believe that the presentation of these non-GAAP financial measures is warranted for several reasons:

- a) Such non-GAAP financial measures provide an additional analytical tool for understanding Omnicell's financial performance by excluding the impact of items which may obscure trends in the core operating results of the business.
- b) Since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency and enhances investors' ability to compare our performance across financial reporting periods.
- c) These non-GAAP financial measures are employed by Omnicell's management in its own evaluation of performance and are utilized in financial and operational decision making processes, such as budget planning and forecasting.
- d) These non-GAAP financial measures facilitate comparisons to the operating results of other companies in our industry, which use similar financial measures to supplement their GAAP results, thus enhancing the perspective of investors who wish to utilize such comparisons in their analysis of our performance.

Set forth below are additional reasons why share-based compensation expense is excluded from our non-GAAP financial measures:

- i) While share-based compensation calculated in accordance with Accounting Standard Codification ("ASC") 718 constitutes an ongoing and recurring expense of Omnicell, it is not an expense that requires cash settlement by Omnicell. We therefore exclude these charges for purposes of evaluating core operating results. Thus, our non-GAAP measurements are presented exclusive of share-based compensation expense to assist management and investors in evaluating our core operating results.
- ii) We present ASC 718 share-based payment compensation expense in our reconciliation of non-GAAP financial measures on a pre-tax basis because the exact tax differences related to the timing and deductibility of share-based compensation under ASC 718 are dependent upon the trading price of Omnicell's common stock and the timing and exercise by employees of their stock options. As a result of these timing and market uncertainties, the tax effect related to share-based compensation expense would be inconsistent in amount and frequency and is therefore excluded from our non-GAAP results.

Our adjusted EBITDA calculation is defined as earnings before interest income and expense, taxes, depreciation and amortization, and non-cash expenses, including ASC 718 share-based compensation expense, as well as certain non-GAAP adjustments.

As stated above, we present non-GAAP financial measures because we consider them to be important supplemental measures of performance. However, non-GAAP financial measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for Omnicell's GAAP results. In the future, we expect to incur expenses similar to certain of the non-GAAP adjustments described above and expect to continue reporting non-GAAP financial measures excluding such items. Some of the limitations in relying on non-GAAP financial measures are:

- a) Omnicell's stock option and stock purchase plans are important components of incentive compensation arrangements and will be reflected as expenses in Omnicell's GAAP results for the foreseeable future under ASC 718.
- b) Other companies, including companies in Omnicell's industry, may calculate non-GAAP financial measures differently than Omnicell, limiting their usefulness as a comparative measure.

Pursuant to the requirements of SEC Regulation G, a detailed reconciliation between Omnicell's non-GAAP and GAAP financial results is set forth in the financial tables at the end of this press release. Investors are advised to carefully review and consider this information strictly as a supplement to the GAAP results that are contained in this press release and in Omnicell's SEC filings.

Our 2019 guidance for non-GAAP earnings per share, as well as certain projections to be discussed in the conference call noted above, exclude "certain items," which include but are not limited to: unusual gains and losses; costs associated with future restructurings; acquisition-related expenses; and certain tax and litigation outcomes. We do not provide a reconciliation of non-GAAP earnings per share guidance to the comparable GAAP measure as these items are inherently uncertain and difficult to estimate, and cannot be predicted without unreasonable effort. We believe such a reconciliation would imply a degree of precision that could be confusing to investors. These items may also have a material impact on GAAP earnings per share in future periods.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Product revenues	\$ 158,379	\$ 134,636	\$ 303,989	\$ 265,295
Services and other revenues	59,034	54,037	115,941	105,997
Total revenues	217,413	188,673	419,930	371,292
Cost of revenues:				
Cost of product revenues	84,583	75,076	163,394	150,493
Cost of services and other revenues	28,785	24,814	55,374	49,561
Total cost of revenues	113,368	99,890	218,768	200,054
Gross profit	104,045	88,783	201,162	171,238
Operating expenses:				
Research and development	16,848	15,512	32,926	32,049
Selling, general, and administrative	68,434	65,937	136,712	131,222
Total operating expenses	85,282	81,449	169,638	163,271
Income from operations	18,763	7,334	31,524	7,967
Interest and other income (expense), net	(1,629)	(896)	(3,039)	(3,625)
Income before provision for income taxes	17,134	6,438	28,485	4,342
Provision for (benefit from) income taxes	1,158	(150)	9,225	(4,966)
Net income	\$ 15,976	\$ 6,588	\$ 19,260	\$ 9,308
Net income per share:				
Basic	\$ 0.39	\$ 0.17	\$ 0.47	\$ 0.24
Diluted	\$ 0.37	\$ 0.16	\$ 0.45	\$ 0.23
Weighted-average shares outstanding:				
Basic	41,371	38,970	41,033	38,804
Diluted	42,945	40,000	42,646	39,854

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 87,482	\$ 67,192
Accounts receivable and unbilled receivables, net	205,353	196,238
Inventories	103,906	100,868
Prepaid expenses	19,679	20,700
Other current assets	13,419	12,136
Total current assets	429,839	397,134
Property and equipment, net	52,847	51,500
Long-term investment in sales-type leases, net	21,041	17,082
Operating lease right-of-use assets	61,482	—
Goodwill	335,699	335,887
Intangible assets, net	134,101	143,686
Long-term deferred tax assets	31,195	15,197
Prepaid commissions	44,607	46,143
Other long-term assets	86,167	74,613
Total assets	\$ 1,196,978	\$ 1,081,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 40,183	\$ 38,038
Accrued compensation	33,619	41,660
Accrued liabilities	54,570	43,047
Deferred revenues, net	83,012	81,835
Total current liabilities	211,384	204,580
Long-term deferred revenues	9,658	10,582
Long-term deferred tax liabilities	61,292	41,484
Long-term operating lease liabilities	55,237	—
Other long-term liabilities	9,603	9,562
Long-term debt, net	76,562	135,417
Total liabilities	423,736	401,625
Total stockholders' equity	773,242	679,617
Total liabilities and stockholders' equity	\$ 1,196,978	\$ 1,081,242

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

	Six months ended June 30,	
	2019	2018
Operating Activities		
Net income	\$ 19,260	\$ 9,308
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,874	24,829
Loss on disposal of property and equipment	399	—
Share-based compensation expense	16,670	13,766
Deferred income taxes	3,810	(6,655)
Amortization of operating lease right-of-use assets	5,226	—
Amortization of debt financing fees	1,145	1,145
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	(9,244)	15,476
Inventories	(4,466)	(9,789)
Prepaid expenses	1,021	2,126
Other current assets	(830)	(2,283)
Investment in sales-type leases	(4,412)	(1,838)
Prepaid commissions	1,536	2,812
Other long-term assets	3,061	(2,797)
Accounts payable	2,066	(12,229)
Accrued compensation	(8,041)	3,927
Accrued liabilities	1,810	(2,574)
Deferred revenues	253	5,336
Operating lease liabilities	(5,269)	—
Other long-term liabilities	3,891	167
Net cash provided by operating activities	<u>53,760</u>	<u>40,727</u>
Investing Activities		
Software development for external use	(22,581)	(13,091)
Purchases of property and equipment	(9,369)	(14,985)
Net cash used in investing activities	<u>(31,950)</u>	<u>(28,076)</u>
Financing Activities		
Repayment of debt and revolving credit facility	(60,000)	(12,500)
At the market offering, net of offering costs	37,806	—
Proceeds from issuances under stock-based compensation plans	25,333	16,117
Employees' taxes paid related to restricted stock units	(4,722)	(3,062)
Net cash (used in) provided by financing activities	<u>(1,583)</u>	<u>555</u>
Effect of exchange rate changes on cash and cash equivalents	63	538
Net increase in cash and cash equivalents	20,290	13,744
Cash and cash equivalents at beginning of period	67,192	32,424
Cash and cash equivalents at end of period	<u>\$ 87,482</u>	<u>\$ 46,168</u>

Omniceil, 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,	
	2019	2018	2019	2018
Reconciliation of GAAP revenues to non-GAAP revenues:				
GAAP revenues	\$ 217,413	\$ 188,673	\$ 419,930	\$ 371,292
Non-GAAP revenues	\$ 217,413	\$ 188,673	\$ 419,930	\$ 371,292
Reconciliation of GAAP gross profit to non-GAAP gross profit:				
GAAP gross profit	\$ 104,045	\$ 88,783	\$ 201,162	\$ 171,238
GAAP gross margin	47.9%	47.1%	47.9%	46.1%
Share-based compensation expense	1,416	1,177	2,878	2,196
Amortization of acquired intangibles	2,044	2,756	4,110	5,547
Non-GAAP gross profit	\$ 107,505	\$ 92,716	\$ 208,150	\$ 178,981
Non-GAAP gross margin	49.4%	49.1%	49.6%	48.2%
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:				
GAAP operating expenses	\$ 85,282	\$ 81,449	\$ 169,638	\$ 163,271
GAAP operating expenses % to total revenues	39.2%	43.2%	40.4%	44.0%
Share-based compensation expense	(6,844)	(6,061)	(13,792)	(11,570)
Amortization of acquired intangibles	(2,630)	(3,126)	(5,346)	(6,364)
Severance and other expenses	(440)	(1,735)	(726)	(3,247)
Non-GAAP operating expenses	\$ 75,368	\$ 70,527	\$ 149,774	\$ 142,090
Non-GAAP operating expenses % to total non-GAAP revenues	34.7%	37.4%	35.7%	38.3%
Reconciliation of GAAP income from operations to non-GAAP income from operations:				
GAAP income from operations	\$ 18,763	\$ 7,334	\$ 31,524	\$ 7,967
GAAP operating income % to total revenues	8.6%	3.9%	7.5%	2.1%
Share-based compensation expense	8,260	7,238	16,670	13,766
Amortization of acquired intangibles	4,674	5,882	9,456	11,911
Severance and other expenses	440	1,735	726	3,247
Non-GAAP income from operations	\$ 32,137	\$ 22,189	\$ 58,376	\$ 36,891
Non-GAAP operating income % to total non-GAAP revenues	14.8%	11.8%	13.9%	9.9%

Omniceil, 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,	
	2019	2018	2019	2018
Reconciliation of GAAP net income to non-GAAP net income:				
GAAP net income	\$ 15,976	\$ 6,588	\$ 19,260	\$ 9,308
Tax benefit for restructuring activity	—	—	—	(4,205)
Tax impact of IP restructuring	—	—	9,624	—
Share-based compensation expense	8,260	7,238	16,670	13,766
Amortization of acquired intangibles	4,674	5,882	9,456	11,911
Severance and other expenses ^(a)	1,013	2,308	1,872	4,393
Contingent gain	—	(2,456)	—	(2,456)
Tax effect of the adjustments above ^(b)	(1,194)	(1,204)	(2,378)	(2,907)
Non-GAAP net income	<u>\$ 28,729</u>	<u>\$ 18,356</u>	<u>\$ 54,504</u>	<u>\$ 29,810</u>

Reconciliation of GAAP net income per share - diluted to non-GAAP net income per share - diluted:

Shares - diluted GAAP	42,945	40,000	42,646	39,854
Shares - diluted Non-GAAP	42,945	40,000	42,646	39,854
GAAP net income per share - diluted	\$ 0.37	\$ 0.16	\$ 0.45	\$ 0.23
Tax benefit for restructuring activity	—	—	—	(0.11)
Tax impact of IP restructuring	—	—	0.23	—
Share-based compensation expense	0.19	0.18	0.39	0.35
Amortization of acquired intangibles	0.11	0.15	0.22	0.30
Severance and other expenses	0.03	0.06	0.05	0.11
Contingent gain	—	(0.06)	—	(0.06)
Tax effect of the adjustments above ^(b)	(0.03)	(0.03)	(0.06)	(0.07)
Non-GAAP net income per share - diluted	<u>\$ 0.67</u>	<u>\$ 0.46</u>	<u>\$ 1.28</u>	<u>\$ 0.75</u>

Reconciliation of GAAP net income to non-GAAP Adjusted EBITDA^(c):

GAAP net income	\$ 15,976	\$ 6,588	\$ 19,260	\$ 9,308
Share-based compensation expense	8,260	7,238	16,670	13,766
Interest (income) and expense, net	687	1,615	1,393	3,387
Depreciation and amortization expense	13,237	12,519	25,874	24,829
Severance and other expenses	1,013	2,308	1,872	4,393
Contingent gain	—	(2,456)	—	(2,456)
Income tax expense (benefit)	1,158	(150)	9,225	(4,966)
Non-GAAP adjusted EBITDA	<u>\$ 40,331</u>	<u>\$ 27,662</u>	<u>\$ 74,294</u>	<u>\$ 48,261</u>

^(a) For the three months ended June 30, 2019, other expenses include \$0.4 million and \$0.2 million of amortization of debt issuance costs related to prior acquisitions and credit facilities amendments, respectively, and \$0.4 million of tax restructuring costs. For the three months ended June 30, 2018, other expenses include \$0.2 million of consulting-related restructuring expenses, and \$0.4 million and \$0.2 million of amortization of debt issuance costs related to prior acquisitions and credit facilities amendments, 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 2019 and 2018.

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