Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2020**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File No. 000-33043**

# OMNICELL, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **94-3166458** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

**590 East Middlefield Road**
**Mountain View, CA 94043**
(Address of registrant's principal executive offices, including zip code)

**(650) 251-6100**

(Registrant's telephone number, including area code)

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

| **Title of each class** | **Trading Symbol** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, $0.001 par value | OMCL | NASDAQ Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 1, 2020, there were 42,619,693 shares of the registrant's common stock, $0.001 par value, outstanding.

**OMNICELL, INC.**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| **PART I** | **FINANCIAL INFORMATION** | |
| Item 1. | Condensed Consolidated Financial Statements (Unaudited) | 3 |
| | Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2020 and December 31, 2019 | 3 |
| | Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2020 and 2019 | 4 |
| | Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 31, 2020 and 2019 | 5 |
| | Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three months ended March 31, 2020 and 2019 | 6 |
| | Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2020 and 2019 | 7 |
| | Notes to Condensed Consolidated Financial Statements | 8 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 25 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 35 |
| Item 4. | Controls and Procedures | 36 |
| **PART II** | **OTHER INFORMATION** | 37 |
| Item 1. | Legal Proceedings | 37 |
| Item 1A. | Risk Factors | 37 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 54 |
| Item 3. | Defaults Upon Senior Securities | 55 |
| Item 4. | Mine Safety Disclosures | 55 |
| Item 5. | Other Information | 55 |
| Item 6. | Exhibits | 56 |
| Signature | | 57 |

## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### OMNICELL, INC.

### CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands, except par value) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 104,080 | $ 127,210 |
| Accounts receivable and unbilled receivables, net of allowances of $3,869 and $3,227, respectively | 233,068 | 218,362 |
| Inventories | 112,785 | 108,011 |
| Prepaid expenses | 14,155 | 14,478 |
| Other current assets | 14,235 | 15,177 |
| Total current assets | 478,323 | 483,238 |
| Property and equipment, net | 52,997 | 54,246 |
| Long-term investment in sales-type leases, net | 19,992 | 19,750 |
| Operating lease right-of-use assets | 54,376 | 56,130 |
| Goodwill | 334,842 | 336,539 |
| Intangible assets, net | 120,063 | 124,867 |
| Long-term deferred tax assets | 14,142 | 14,142 |
| Prepaid commissions | 45,981 | 48,862 |
| Other long-term assets | 110,931 | 103,036 |
| **Total assets** | $ 1,231,647 | $ 1,240,810 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 46,788 | $ 46,380 |
| Accrued compensation | 34,990 | 44,155 |
| Accrued liabilities | 58,060 | 55,567 |
| Deferred revenues, net | 108,602 | 90,894 |
| Total current liabilities | 248,440 | 236,996 |
| Long-term deferred revenues | 6,019 | 7,083 |
| Long-term deferred tax liabilities | 37,810 | 39,090 |
| Long-term operating lease liabilities | 48,851 | 50,669 |
| Other long-term liabilities | 12,027 | 11,718 |
| Long-term debt | — | 50,000 |
| **Total liabilities** | 353,147 | 395,556 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value, 5,000 shares authorized; no shares issued | — | — |
| Common stock, $0.001 par value, 100,000 shares authorized; 51,751 and 51,277 shares issued; 42,606 and 42,132 shares outstanding, respectively | 52 | 51 |
| Treasury stock at cost, 9,145 shares outstanding, respectively | (185,074) | (185,074) |
| Additional paid-in capital | 807,823 | 780,931 |
| Retained earnings | 269,839 | 258,792 |
| Accumulated other comprehensive loss | (14,140) | (9,446) |
| **Total stockholders' equity** | 878,500 | 845,254 |
| **Total liabilities and stockholders' equity** | $ 1,231,647 | $ 1,240,810 |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

**OMNICELL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands, except per share data) | |
| **Revenues:** | | |
| Product revenues | $ 170,073 | $ 145,610 |
| Services and other revenues | 59,613 | 56,907 |
| Total revenues | 229,686 | 202,517 |
| **Cost of revenues:** | | |
| Cost of product revenues | 90,272 | 78,811 |
| Cost of services and other revenues | 29,792 | 26,589 |
| Total cost of revenues | 120,064 | 105,400 |
| **Gross profit** | 109,622 | 97,117 |
| **Operating expenses:** | | |
| Research and development | 18,652 | 16,078 |
| Selling, general, and administrative | 78,819 | 68,278 |
| Total operating expenses | 97,471 | 84,356 |
| Income from operations | 12,151 | 12,761 |
| Interest and other income (expense), net | (822) | (1,410) |
| Income before provision for income taxes | 11,329 | 11,351 |
| Provision for income taxes | 18 | 8,067 |
| **Net income** | $ 11,311 | $ 3,284 |
| **Net income per share:** | | |
| Basic | $ 0.27 | $ 0.08 |
| Diluted | $ 0.26 | $ 0.08 |
| **Weighted-average shares outstanding:** | | |
| Basic | 42,357 | 40,692 |
| Diluted | 43,621 | 42,281 |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

**OMNICELL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Net income | $ 11,311 | $ 3,284 |
| Other comprehensive income (loss), net of reclassification adjustments and taxes: | | |
| Unrealized losses on interest rate swap contracts | — | (317) |
| Foreign currency translation adjustments | (4,694) | 669 |
| Other comprehensive income (loss) | (4,694) | 352 |
| **Comprehensive income** | $ 6,617 | $ 3,636 |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

**OMNICELL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

| | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| | | | | | (In thousands) | | | |
| **Balances as of December 31, 2019** | 51,277 | $ 51 | (9,145) | $ (185,074) | $ 780,931 | $ 258,792 | $ (9,446) | $ 845,254 |
| Net income | — | — | — | — | — | 11,311 | — | 11,311 |
| Other comprehensive loss | — | — | — | — | — | — | (4,694) | (4,694) |
| Share-based compensation | — | — | — | — | 10,659 | — | — | 10,659 |
| Issuance of common stock under employee stock plans | 474 | 1 | — | — | 17,658 | — | — | 17,659 |
| Tax payments related to restricted stock units | — | — | — | — | (1,425) | — | — | (1,425) |
| Cumulative effect of a change in accounting principle related to credit losses | — | — | — | — | — | (264) | — | (264) |
| **Balances as of March 31, 2020** | 51,751 | $ 52 | (9,145) | $ (185,074) | $ 807,823 | $ 269,839 | $ (14,140) | $ 878,500 |

| | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| | | | | | (In thousands) | | | |
| **Balances as of December 31, 2018** | 49,480 | $ 50 | (9,145) | $ (185,074) | $ 678,041 | $ 197,454 | $ (10,854) | $ 679,617 |
| Net income | — | — | — | — | — | 3,284 | — | 3,284 |
| Other comprehensive income | — | — | — | — | — | — | 352 | 352 |
| At the market equity offering, net of costs | 243 | — | — | — | 20,216 | — | — | 20,216 |
| Share-based compensation | — | — | — | — | 8,410 | — | — | 8,410 |
| Issuance of common stock under employee stock plans | 628 | — | — | — | 20,526 | — | — | 20,526 |
| Tax payments related to restricted stock units | — | — | — | — | (1,920) | — | — | (1,920) |
| **Balances as of March 31, 2019** | 50,351 | $ 50 | (9,145) | $ (185,074) | $ 725,273 | $ 200,738 | $ (10,502) | $ 730,485 |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

**OMNICELL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| **Operating Activities** | | |
| Net income | $ 11,311 | $ 3,284 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,043 | 12,637 |
| Loss on disposal of property and equipment | — | 355 |
| Share-based compensation expense | 10,659 | 8,410 |
| Deferred income taxes | (1,149) | 3,075 |
| Amortization of operating lease right-of-use assets | 2,682 | 2,602 |
| Amortization of debt issuance costs | 241 | 573 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and unbilled receivables | (16,052) | (7,251) |
| Inventories | (5,734) | (2,936) |
| Prepaid expenses | 323 | 3,652 |
| Other current assets | 968 | 373 |
| Investment in sales-type leases | (268) | (2,641) |
| Prepaid commissions | 2,881 | 2,474 |
| Other long-term assets | (2,844) | 5,206 |
| Accounts payable | 208 | (233) |
| Accrued compensation | (9,165) | (12,604) |
| Accrued liabilities | 2,734 | 127 |
| Deferred revenues | 16,868 | 7,989 |
| Operating lease liabilities | (2,784) | (2,669) |
| Other long-term liabilities | 309 | 4,074 |
| Net cash provided by operating activities | 25,231 | 26,497 |
| **Investing Activities** | | |
| Software development for external use | (10,602) | (11,717) |
| Purchases of property and equipment | (3,173) | (4,980) |
| Net cash used in investing activities | (13,775) | (16,697) |
| **Financing Activities** | | |
| Repayment of debt and revolving credit facility | (50,000) | (39,000) |
| At the market equity offering, net of offering costs | — | 20,216 |
| Proceeds from issuances under stock-based compensation plans | 17,659 | 20,526 |
| Employees' taxes paid related to restricted stock units | (1,425) | (1,920) |
| Net cash used in financing activities | (33,766) | (178) |
| Effect of exchange rate changes on cash and cash equivalents | (820) | 430 |
| Net increase (decrease) in cash and cash equivalents | (23,130) | 10,052 |
| Cash and cash equivalents at beginning of period | 127,210 | 67,192 |
| Cash and cash equivalents at end of period | $ 104,080 | $ 77,244 |
| **Supplemental disclosure of non-cash activities** | | |
| Unpaid purchases of property and equipment | $ 944 | $ 1,454 |
| Property and equipment transferred to inventory | $ — | $ 105 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ 792 | $ 431 |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

**OMNICELL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## Note 1. Organization and Summary of Significant Accounting Policies

### Business

Omnicell, Inc. was incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. The Company's major products are medication management automation solutions and adherence tools for healthcare systems and pharmacies, which are sold in its principal market, the healthcare industry. The Company's market is primarily located in the United States and Europe. "Omnicell" or the "Company" collectively refer to Omnicell, Inc. and its subsidiaries.

### Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly the financial position of the Company as of March 31, 2020 and December 31, 2019, the results of operations and comprehensive income for the three months ended March 31, 2020 and 2019, and cash flows for the three months ended March 31, 2020 and 2019. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") have been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes included in the Company's annual report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 26, 2020, except as discussed in the sections entitled "Allowance for Credit Losses" and "Recently Adopted Authoritative Guidance" below. The Company's results of operations and comprehensive income for the three months ended March 31, 2020 and cash flows for the three months ended March 31, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020, or for any future period.

### Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

### Reclassifications and Adjustments

Certain prior-year amounts have been reclassified to conform with current-period presentation. This reclassification was a change in the presentation of certain items in the disaggregation of product revenues for the three months ended March 31, 2019 in Note 2, *Revenues*, of the Notes to Condensed Consolidated Financial Statements. This change was not deemed material and was included to conform with current-period classification and presentation.

### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable, including any potential impacts arising from the novel coronavirus ("COVID-19") pandemic. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be different from the estimates.

The Company's critical accounting policies are those that affect its financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition; accounts receivable and notes receivable from investment in sales-type leases; operating lease right-of-use assets and liabilities; inventory valuation; capitalized software development costs; impairment of goodwill and purchased intangibles; share-based compensation; and accounting for income taxes. As of March 31, 2020, the Company is not aware of any events or circumstances that would require an update to its estimates, judgments, or revisions to the carrying value of its assets or liabilities. Given the uncertainty surrounding the COVID-19 pandemic, events or circumstances may arise that could result in a change in estimates, judgments, or revisions to the carrying value of the Company's assets or liabilities.

### Segment Reporting

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. The CODM

allocates resources and evaluates the performance of the Company at the consolidated level using information about its revenues, gross profit, income from operations, and other key financial data. All significant operating decisions are based upon an analysis of the Company as one operating segment, which is the same as its reporting segment.

**Allowance for Credit Losses**

The Company is exposed to credit losses primarily through sales of its products and services, as well as its sales-type leasing arrangements. The Company performs credit evaluations of its customers' financial condition in order to assess each customer's ability to pay. These evaluations require significant judgment and are based on a variety of factors including, but not limited to, current economic trends, payment history, and a financial review of the customer. The Company continues to monitor customers' creditworthiness on an ongoing basis.

The Company maintains an allowance for credit losses for accounts receivable, unbilled receivables, and net investment in sales-type leases based on expected credit losses resulting from the inability of its customers to make required payments. The allowance for credit losses is measured using a loss rate method, considering factors such as customers' credit risk, historical loss experience, current conditions, and forecasts. The allowance for credit losses is measured on a collective (pool) basis by aggregating customer balances with similar risk characteristics. The Company also records a specific allowance based on an analysis of individual past due balances or customer-specific information, such as a decline in creditworthiness or bankruptcy. Actual collection losses may differ from management's estimates, and such differences could be material to the Company's financial position and results of operations.

The allowance for credit losses is presented in the Condensed Consolidated Balance Sheets as a deduction from the respective asset balance. The following table summarizes the Company's allowance for credit losses by asset type:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Allowance for credit losses: | | |
| Accounts receivable and unbilled receivables | $ 3,869 | $ 3,227 |
| Long-term unbilled receivables [1] | 33 | — |
| Net investment in sales-type leases [2] | 247 | 225 |

[1] Included in other long-term assets in the Condensed Consolidated Balance Sheets.

[2] Includes both current and long-term portions presented in other current assets and long-term investment in sales-type leases, net, respectively.

Changes in the allowances for credit losses were not significant for the three months ended March 31, 2020 and 2019.

**Recently Adopted Authoritative Guidance**

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company adopted ASU 2018-15 on January 1, 2020 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, that modifies or replaces existing models for trade and other receivables, debt securities, loans, and certain other financial instruments. For instruments measured at amortized cost, including trade and lease receivables, loans, and held-to-maturity debt securities, the standard replaced the current "incurred loss" approach with an "expected loss" model. Entities are required to estimate expected credit losses over the life of the instrument, considering available relevant information about the collectibility of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The Company adopted the new standard on January 1, 2020 using the modified retrospective transition method, which resulted in the recognition of an immaterial cumulative-effect adjustment to retained earnings.

**Recently Issued Authoritative Guidance**

There was no recently issued and effective authoritative guidance that is expected to have a material impact on the Company's Condensed Consolidated Financial Statements through the reporting date.

**Note 2. Revenues**

**Revenue Recognition**

The Company earns revenues from sales of its products and related services, which are sold in the healthcare industry, its principal market. The Company's customer arrangements typically include one or more of the following performance obligations:

*Products.* Software-enabled equipment that manages and regulates the storage and dispensing of pharmaceuticals, consumable blister cards and packaging equipment and other medical supplies.

*Software.* Additional software applications that enable incremental functionality of the Company's equipment or services.

*Installation.* Installation of equipment as integrated systems at customer sites.

*Post-installation technical support.* Phone support, on-site service, parts, and access to unspecified software updates and enhancements, if and when available.

*Professional services.* Other customer services, such as training and consulting.

A portion of the Company's sales are made to customers who are members of Group Purchasing Organizations ("GPOs"). GPOs are often owned fully or in part by the Company's customers, and the Company pays fees to the GPO on completed contracts. The Company considers these fees consideration paid to customers and records them as reductions to revenue. Fees to GPOs were $2.9 million and $2.2 million for the three months ended March 31, 2020 and 2019, respectively.

**Disaggregation of Revenues**

The following table summarizes the Company's product revenues disaggregated by revenue type for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Hardware and software | $ 142,433 | $ 118,814 |
| Consumables | 23,270 | 23,707 |
| Other | 4,370 | 3,089 |
| Total product revenues | $ 170,073 | $ 145,610 |

The following table summarizes the Company's revenues disaggregated by geographic region, which is determined based on customer location, for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| United States | $ 207,734 | $ 180,020 |
| Rest of world [1] | 21,952 | 22,497 |
| Total revenues | $ 229,686 | $ 202,517 |

[1] No individual country represented more than 10% of total revenues.

**Contract Assets and Contract Liabilities**

The following table reflects the Company's contract assets and contract liabilities:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Short-term unbilled receivables, net [1] | $ 10,048 | $ 11,707 |
| Long-term unbilled receivables, net [2] | 14,338 | 12,260 |
| Total contract assets | $ 24,386 | $ 23,967 |
| | | |
| Short-term deferred revenues, net | $ 108,602 | $ 90,894 |
| Long-term deferred revenues | 6,019 | 7,083 |
| Total contract liabilities | $ 114,621 | $ 97,977 |

[1] Included in accounts receivable and unbilled receivables in the Condensed Consolidated Balance Sheets.

[2] Included in other long-term assets in the Condensed Consolidated Balance Sheets.

The portion of the transaction price allocated to the Company's unsatisfied performance obligations for which invoicing has occurred is recorded as deferred revenues.

Short-term deferred revenues of $108.6 million and $90.9 million include deferred revenues from product sales and service contracts, net of deferred cost of sales of $15.4 million and $13.1 million, as of March 31, 2020 and December 31, 2019, respectively. The short-term deferred revenues from product sales relate to delivered and invoiced products, pending installation and acceptance, expected to occur within the next twelve months. During the three months ended March 31, 2020, the Company recognized revenues of $43.4 million that were included in the corresponding gross short-term deferred revenues balance of $104.0 million as of December 31, 2019.

Long-term deferred revenues include deferred revenues from service contracts of $6.0 million and $7.1 million as of March 31, 2020 and December 31, 2019, respectively. Remaining performance obligations primarily relate to maintenance contracts and are recognized ratably over the remaining term of the contract, generally not more than five years.

**Significant Customers**

There were no customers that accounted for more than 10% of the Company's total revenues for the three months ended March 31, 2020 and 2019. Also, there were no customers that accounted for more than 10% of the Company's accounts receivable balance as of March 31, 2020 and December 31, 2019.

**Note 3. Net Income Per Share**

Basic net income per share is computed by dividing net income for the period by the weighted-average number of shares outstanding during the period. In periods of net loss, all potential common shares are anti-dilutive, so diluted net loss per share equals the basic net loss per share. In periods of net income, diluted net income per share is computed by dividing net income for the period by the basic weighted-average number of shares plus any dilutive potential common stock outstanding during the period. Potential common stock includes the effect of outstanding dilutive stock options, restricted stock awards, and restricted stock units computed using the treasury stock method. Any anti-dilutive weighted-average dilutive shares related to stock award plans are excluded from the computation of the diluted net income per share.

The basic and diluted net income per share calculations for the three months ended March 31, 2020 and 2019 were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands, except per share data) | |
| Net income | $ 11,311 | $ 3,284 |
| Weighted-average shares outstanding — basic | 42,357 | 40,692 |
| Effect of dilutive securities from stock award plans | 1,264 | 1,589 |
| Weighted-average shares outstanding — diluted | 43,621 | 42,281 |
| Net income per share - basic | $ 0.27 | $ 0.08 |
| Net income per share - diluted | $ 0.26 | $ 0.08 |
| | | |
| Anti-dilutive weighted-average shares related to stock award plans | 1,744 | 635 |

**Note 4. Cash and Cash Equivalents and Fair Value of Financial Instruments**

Cash and cash equivalents of $104.1 million and $127.2 million as of March 31, 2020 and December 31, 2019, respectively, consisted of bank accounts with major financial institutions.

**Fair Value Hierarchy**

The Company measures its financial instruments at fair value. The Company’s cash and cash equivalents are classified within Level 1 of the fair value hierarchy as they are valued primarily using quoted market prices utilizing market observable inputs. The Company's interest rate swap contracts and debt are classified within Level 2 as the valuation inputs are based on quoted prices or market observable data of similar instruments. Refer to Note 8, *Debt and Credit Agreements*, of the Notes to Condensed Consolidated Financial Statements for further information regarding the Company’s credit facilities.

**Interest Rate Swap Contracts**

The Company uses interest rate swap agreements to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company’s interest rate swaps, which are designated as cash flow hedges, involve the receipt of variable amounts from counterparties in exchange for the Company making fixed-rate payments over the life of the agreements. The Company does not hold or issue any derivative financial instruments for speculative trading purposes.

During 2016, the Company entered into an interest rate swap agreement with a combined notional amount of $100.0 million with one counterparty that became effective on June 30, 2016 and matured on April 30, 2019. The swap agreement required the Company to pay a fixed rate of 0.8% and provided that the Company received a variable rate based on the one month London Interbank Offered Rate (“LIBOR”), subject to a LIBOR floor of 0.0%. Amounts payable by or due to the Company were net settled with the respective counterparty on the last business day of each month, commencing July 31, 2016.

**Note 5. Balance Sheet Components**

Balance sheet details as of March 31, 2020 and December 31, 2019 are presented in the tables below:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| **Inventories:** | | |
| Raw materials | $ 33,945 | $ 31,331 |
| Work in process | 11,957 | 7,620 |
| Finished goods | 66,883 | 69,060 |
| Total inventories | $ 112,785 | $ 108,011 |
| | | |
| **Other long-term assets:** | | |
| Capitalized software, net | $ 90,395 | $ 85,070 |
| Unbilled receivables, net | 14,338 | 12,260 |
| Deferred debt issuance costs | 4,459 | 4,700 |
| Other assets | 1,739 | 1,006 |
| Total other long-term assets | $ 110,931 | $ 103,036 |
| | | |
| **Accrued liabilities:** | | |
| Operating lease liabilities, current portion | $ 9,986 | $ 10,058 |
| Advance payments from customers | 6,442 | 4,006 |
| Rebates and lease buyouts | 15,156 | 14,911 |
| Group purchasing organization fees | 5,382 | 5,934 |
| Taxes payable | 5,974 | 3,744 |
| Other accrued liabilities | 15,120 | 16,914 |
| Total accrued liabilities | $ 58,060 | $ 55,567 |

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Foreign currency translation adjustments | Unrealized gain (loss) on interest rate swap hedges | Total | Foreign currency translation adjustments | Unrealized gain (loss) on interest rate swap hedges | Total |
| | (In thousands) | | | | | |
| Beginning balance | $ (9,446) | $ — | $ (9,446) | $ (11,274) | $ 420 | $ (10,854) |
| Other comprehensive income (loss) before reclassifications | (4,694) | — | (4,694) | 669 | 100 | 769 |
| Amounts reclassified from other comprehensive income (loss), net of tax | — | — | — | — | (417) | (417) |
| Net current-period other comprehensive income (loss), net of tax | (4,694) | — | (4,694) | 669 | (317) | 352 |
| Ending balance | $ (14,140) | $ — | $ (14,140) | $ (10,605) | $ 103 | $ (10,502) |

**Note 6. Property and Equipment**

The following table represents the property and equipment balances as of March 31, 2020 and December 31, 2019:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Equipment | $ 90,128 | $ 88,569 |
| Furniture and fixtures | 7,828 | 7,925 |
| Leasehold improvements | 19,767 | 18,979 |
| Software | 48,885 | 48,309 |
| Construction in progress | 6,106 | 6,179 |
| Property and equipment, gross | 172,714 | 169,961 |
| Accumulated depreciation and amortization | (119,717) | (115,715) |
| Total property and equipment, net | $ 52,997 | $ 54,246 |

Depreciation and amortization expense of property and equipment was $4.3 million and $4.0 million for the three months ended March 31, 2020 and 2019, respectively.

The geographic location of the Company's property and equipment, net, is based on the physical location in which it is located. The following table summarizes the geographic information for property and equipment, net, as of March 31, 2020 and December 31, 2019:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| United States | $ 47,955 | $ 48,769 |
| Rest of world [1] | 5,042 | 5,477 |
| Total property and equipment, net | $ 52,997 | $ 54,246 |

[1] No individual country represented more than 10% of total property and equipment, net.

**Note 7. Goodwill and Intangible Assets**

**Goodwill**

The following table represents changes in the carrying amount of goodwill:

| | December 31, 2019 | Additions | Foreign currency exchange rate fluctuations | March 31, 2020 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Goodwill | $ 336,539 | $ — | $ (1,697) | $ 334,842 |

**Intangible Assets, Net**

The carrying amounts and useful lives of intangible assets as of March 31, 2020 and December 31, 2019 were as follows:

| | March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Gross carrying amount [1] | Accumulated amortization | Foreign currency exchange rate fluctuations | Net carrying amount | Useful life (years) |
| | (In thousands, except for years) | | | | |
| Customer relationships | $ 134,889 | $ (56,727) | $ (1,398) | $ 76,764 | 10 - 30 |
| Acquired technology | 77,029 | (38,058) | 4 | 38,975 | 5 - 20 |
| Backlog | 1,150 | (863) | — | 287 | 4 |
| Trade names | 7,650 | (5,206) | 9 | 2,453 | 6 - 12 |
| Patents | 3,217 | (1,633) | — | 1,584 | 2 - 20 |
| Total intangibles assets, net | $ 223,935 | $ (102,487) | $ (1,385) | $ 120,063 | |

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Gross carrying amount [1] | Accumulated amortization | Foreign currency exchange rate fluctuations | Net carrying amount | Useful life (years) |
| | (In thousands, except for years) | | | | |
| Customer relationships | $ 135,234 | $ (54,860) | $ (1,058) | $ 79,316 | 10 - 30 |
| Acquired technology | 77,142 | (36,194) | 5 | 40,953 | 3 - 20 |
| Backlog | 1,150 | (791) | — | 359 | 4 |
| Trade names | 7,650 | (5,037) | 11 | 2,624 | 6 - 12 |
| Patents | 3,217 | (1,603) | 1 | 1,615 | 2 - 20 |
| Total intangibles assets, net | $ 224,393 | $ (98,485) | $ (1,041) | $ 124,867 | |

[1] The differences in gross carrying amounts between periods are primarily due to the write-off of certain fully amortized intangible assets.

Amortization expense of intangible assets was $4.5 million and $4.8 million for the three months ended March 31, 2020 and 2019, respectively.

The estimated future amortization expenses for amortizable intangible assets were as follows:

| | March 31, 2020 |
|---|---|
| | (In thousands) |
| Remaining nine months of 2020 | $ 12,987 |
| 2021 | 16,123 |
| 2022 | 14,775 |
| 2023 | 13,679 |
| 2024 | 7,920 |
| Thereafter | 54,579 |
| Total | $ 120,063 |

**Note 8. Debt and Credit Agreements**

**2016 Senior Credit Facility**

On January 5, 2016, the Company entered into a $400.0 million senior secured credit facility pursuant to a credit agreement with certain lenders, Wells Fargo Securities, LLC as sole lead arranger, and Wells Fargo Bank, National Association

as administrative agent (as subsequently amended as discussed below, the "Prior Credit Agreement"). The Prior Credit Agreement provided for (a) a five-year revolving credit facility of $200.0 million, which was subsequently increased pursuant to the amendment discussed below (the "Prior Revolving Credit Facility") and (b) a five-year $200.0 million term loan facility (the "Prior Term Loan Facility" and together with the Prior Revolving Credit Facility, the "Prior Facilities"). In addition, the Prior Credit Agreement included a letter of credit sub-limit of up to $10.0 million and a swing line loan sub-limit of up to $10.0 million. The Prior Credit Agreement had an expiration date of January 5, 2021, upon which date all remaining outstanding borrowings were due and payable.

Loans under the Prior Facilities bore interest, at the Company's option, at a rate equal to either (a) LIBOR, plus an applicable margin ranging from 1.50% to 2.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the Prior Credit Agreement), or (b) an alternate base rate equal to the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month, plus an applicable margin ranging from 0.50% to 1.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the Prior Credit Agreement). Undrawn commitments under the Prior Revolving Credit Facility were subject to a commitment fee ranging from 0.20% to 0.35% per annum based on the Company's Consolidated Total Net Leverage Ratio on the average daily unused portion of the Prior Revolving Credit Facility.

On each of April 11, 2017 and December 26, 2017, the parties entered into amendments to the Prior Credit Agreement. Under these amendments, the Prior Revolving Credit Facility was increased from $200.0 million to $315.0 million, and certain other modifications were made. In connection with the December 2017 amendment, the Company incurred and capitalized an additional $2.1 million of debt issuance costs.

**2019 Revolving Credit Facility**

On November 15, 2019, the Company refinanced the Prior Credit Agreement and entered into an Amended and Restated Credit Agreement (the "A&R Credit Agreement") with the lenders from time to time party thereto, Wells Fargo Securities, LLC, Citizens Bank, N.A., and JPMorgan Chase Bank, N.A., as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The A&R Credit Agreement replaced the Prior Credit Agreement and provides for (a) a five-year revolving credit facility of $500.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to $250.0 million (the "Incremental Facility"). In addition, the A&R Credit Agreement includes a letter of credit sub-limit of up to $15.0 million and a swing line loan sub-limit of up to $25.0 million. The A&R Credit Agreement has an expiration date of November 15, 2024, upon which date all remaining outstanding borrowings will be due and payable.

On November 15, 2019, the $80.0 million outstanding term loan balance under the Prior Facilities was transferred to the Current Revolving Credit Facility.

Loans under the Current Revolving Credit Facility bear interest, at the Company's option, at a rate equal to either (a) LIBOR, plus an applicable margin ranging from 1.25% to 2.00% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the A&R Credit Agreement), or (b) an alternate base rate equal to the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.25% to 1.00% per annum based on the Company's Consolidated Total Net Leverage Ratio. Undrawn commitments under the Current Revolving Credit Facility are subject to a commitment fee ranging from 0.15% to 0.30% per annum based on the Company's Consolidated Total Net Leverage Ratio on the average daily unused portion of the Current Revolving Credit Facility. The applicable margin for and certain other terms of any term loans under the Incremental Facility will be determined prior to the incurrence of such loans. The Company is permitted to make voluntary prepayments at any time without payment of a premium or penalty.

The A&R Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends, and other distributions. The A&R Credit Agreement contains financial covenants that require the Company and its subsidiaries to not exceed a maximum consolidated total net leverage ratio and maintain a minimum interest coverage ratio. In addition, the A&R Credit Agreement contains certain customary events of default including, but not limited to, failure to pay interest, principal and fees or other amounts when due, material misrepresentations or misstatements in any representation or warranty, covenant defaults, certain cross defaults to other material indebtedness, certain judgment defaults and events of bankruptcy. The Company's obligations under the A&R Credit Agreement and any swap obligations and banking services obligations owing to a lender (or an affiliate of a lender) are guaranteed by certain of its domestic subsidiaries and secured by substantially all of its and such subsidiary guarantors' assets. In connection with entering into the A&R Credit Agreement, and as a condition precedent to borrowing loans thereunder, the Company and certain of the Company's other direct and indirect subsidiaries have entered into certain ancillary agreements, including, but not limited to, a reaffirmation agreement, which amends certain terms of the existing collateral agreement and

reaffirms their obligations under the existing guaranty agreement. The Company was in full compliance with all covenants as of March 31, 2020.

The refinancing of the Prior Credit Agreement was evaluated in accordance with Accounting Standards Codification ("ASC") 470-50, *Debt - Modifications and Extinguishments*. In determining whether the refinancing was to be accounted for as a debt extinguishment or a debt modification, the Company considered whether lenders within the syndicate remained the same or changed and whether the changes in debt terms were substantial. This assessment was performed on an individual lender basis within the syndicate. As a result, the refinancing was accounted for as a modification with the exception of certain lenders that exited the syndicate. The exit of certain lenders resulted in an immaterial write-off of existing unamortized debt issuance costs. The remaining unamortized debt issuance costs related to debt modification, along with the new deferred costs, will be amortized over the remaining term of the A&R Credit Agreement.

In connection with the A&R Credit Agreement, the Company incurred and capitalized an additional $2.3 million of debt issuance costs. The debt issuance costs are being amortized to interest expense using the straight-line method through 2024. Amortization expense related to debt issuance costs was approximately $0.2 million and $0.6 million for the three months ended March 31, 2020 and 2019, respectively.

Interest expense (exclusive of fees and debt issuance cost amortization) was approximately $0.2 million and $1.3 million for the three months ended March 31, 2020 and 2019, respectively.

The following table represents changes in the carrying amount of the Company's debt obligations:

| | Current Revolving Credit Facility |
|---|---|
| | (In thousands) |
| Balance as of December 31, 2019 | $ 50,000 |
| Proceeds | — |
| Repayments | (50,000) |
| Balance as of March 31, 2020 | $ — |

The following table represents changes in the balance of the Company's deferred debt issuance costs:

| | (In thousands) |
|---|---|
| Balance as of December 31, 2019 | $ 4,700 |
| Additions | — |
| Amortization | (241) |
| Balance as of March 31, 2020 | $ 4,459 |

**Note 9. Lessor Leases**

**Sales-Type Leases**

On a recurring basis, the Company enters into multi-year, sales-type lease agreements, with the majority varying in length from one to five years. The Company optimizes cash flows by selling a majority of its non-U.S. government sales-type leases to third-party leasing finance companies on a non-recourse basis. The Company has no obligation to the leasing company once the lease has been sold. Some of the Company's sales-type leases, mostly those relating to U.S. government hospitals which comprise approximately 61% of the lease receivable balance, are retained in-house.

The following table presents the Company's income recognized from sales-type leases for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Sales-type lease revenues | $ 6,392 | $ 11,507 |
| Cost of sales-type lease revenues | (2,569) | (4,820) |
| Selling profit on sales-type lease revenues | $ 3,823 | $ 6,687 |
| | | |
| Interest income on sales-type lease receivables | $ 461 | $ 409 |

The receivables as a result of these types of transactions are collateralized by the underlying equipment leased and consist of the following components at March 31, 2020 and December 31, 2019:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Net minimum lease payments to be received | $ 32,681 | $ 32,360 |
| Less: Unearned interest income portion | (2,893) | (2,840) |
| Net investment in sales-type leases | 29,788 | 29,520 |
| Less: Current portion [1] | (9,796) | (9,770) |
| Long-term investment in sales-type leases, net | $ 19,992 | $ 19,750 |

[1] The current portion of the net investment in sales-type leases is included in other current assets in the Condensed Consolidated Balance Sheets.

The carrying amount of the Company's sales-type lease receivables is a reasonable estimate of fair value.

The maturity schedule of future minimum lease payments under sales-type leases retained in-house and the reconciliation to the net investment in sales-type leases reported on the Condensed Consolidated Balance Sheets was as follows:

| | March 31, 2020 |
|---|---|
| | (In thousands) |
| Remaining nine months of 2020 | $ 8,838 |
| 2021 | 8,048 |
| 2022 | 7,283 |
| 2023 | 5,110 |
| 2024 | 2,393 |
| Thereafter | 1,009 |
| Total future minimum sales-type lease payments | 32,681 |
| Present value adjustment | (2,893) |
| Total net investment in sales-type leases | $ 29,788 |

**Operating Leases**

The Company entered into certain leasing agreements that were classified as operating leases prior to the adoption of ASC 842, *Leases*, on January 1, 2019. These agreements in place prior to January 1, 2019 will continue to be treated as operating leases, however any new leasing agreements entered into on or after January 1, 2019 under these programs are classified and accounted for as sales-type leases in accordance with ASC 842. The operating lease arrangements generally have initial terms of one to seven years.

The following table represents the Company's income recognized from operating leases for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Rental income | $ 2,977 | $ 3,287 |

**Note 10. Lessee Leases**

The Company has operating leases for office buildings, data centers, office equipment, and vehicles. The Company's leases have initial terms of one to 12 years. As of March 31, 2020, the Company did not have any additional material operating leases that were entered into, but not yet commenced.

The maturity schedule of future minimum lease payments under operating leases and the reconciliation to the operating lease liabilities reported on the Condensed Consolidated Balance Sheets was as follows:

| | March 31, 2020 |
|---|---|
| | (In thousands) |
| Remaining nine months of 2020 | $ 10,076 |
| 2021 | 13,274 |
| 2022 | 12,157 |
| 2023 | 8,595 |
| 2024 | 8,014 |
| Thereafter | 20,100 |
| Total operating lease payments | 72,216 |
| Present value adjustment | (13,379) |
| Total operating lease liabilities [(1)] | $ 58,837 |

[(1)] Amount consists of a current and long-term portion of operating lease liabilities of $10.0 million and $48.9 million, respectively. The short-term portion of the operating lease liabilities is included in accrued liabilities in the Condensed Consolidated Balance Sheets.

Operating lease costs were $3.6 million and $3.7 million for the three months ended March 31, 2020 and 2019, respectively. Short-term lease costs and variable lease costs were immaterial for the three months ended March 31, 2020 and 2019.

The following table summarizes supplemental cash flow information related to the Company's operating leases for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 3,735 | $ 3,761 |
| Right-of-use assets obtained in exchange for new lease liabilities | $ 792 | $ 431 |

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate related to the Company's operating leases as of March 31, 2020 and 2019:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Weighted-average remaining lease term, years | 6.3 | 6.4 |
| Weighted-average discount rate, % | 6.4 % | 6.4 % |

**Note 11. Commitments and Contingencies**

**Purchase Obligations**

In the ordinary course of business, the Company issues purchase orders based on its current manufacturing needs. As of March 31, 2020, the Company had non-cancelable purchase commitments of $91.7 million, of which $90.2 million are expected to be paid within the year ending December 31, 2020.

**Legal Proceedings**

The Company is currently involved in various legal proceedings. As required under ASC 450, *Contingencies*, the Company accrues for contingencies when it believes that a loss is probable and that it can reasonably estimate the amount of any such loss. The Company has not recorded any accrual for contingent liabilities associated with the legal proceedings described below based on its belief that any potential loss, while reasonably possible, is not probable. Further, any possible range of loss in these matters cannot be reasonably estimated at this time. The Company believes that it has valid defenses with respect to legal proceedings pending against it. However, litigation is inherently unpredictable, and it is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of this contingency or because of the diversion of management's attention and the creation of significant expenses.

On January 10, 2018, a lawsuit was filed against a number of individuals, governmental agencies, and corporate entities, including the Company and one of its former subsidiaries, Aesynt Incorporated ("Aesynt"), which, through a series of mergers, has been merged into the Company, in the Circuit Court for the City of Richmond, Virginia, captioned *Ruth Ann Warner, as Guardian of Jonathan James Brewster Warner v. Centra Health, Inc., et al., Case No. CL18-152-1*. The complaint sought monetary recovery of compensatory and punitive damages in addition to certain declaratory relief based upon, as against the individuals, governmental agencies, and corporate entities other than the Company and Aesynt, allegations of the use of excessive force, unlawful detention, false imprisonment, battery, simple and gross negligence and negligent hiring, detention, and training; and, as against the Company and Aesynt, claims of product liability, negligence, and breach of implied warranties. The Company and Aesynt were never served with the complaint. Upon motion of the plaintiff, the Court issued an order on February 21, 2019 nonsuiting (dismissing) the case without prejudice. On August 21, 2019, a new lawsuit was filed against the Company and Aesynt, in the Circuit Court for the County of Albemarle, Virginia, captioned *Ruth Ann Warner, as Guardian of Jonathan James Brewster Warner v. Aesynt Incorporated, et al., Case No CL19-1301*. The complaint seeks monetary recovery of damages based upon claims of product liability, negligence, and breach of implied warranties. The Company and Aesynt have not been served with the complaint. The Company intends to defend the lawsuit vigorously.

A declaratory judgment action was filed against the Company, on August 30, 2018, in the United States District Court for the Northern District of California, captioned *Zurich American Insurance Company; American Guarantee & Liability Company v. Omnicell, Inc. and Does 1-10, inclusive, Case No. 3:18-CV-05345*. The complaint seeks a declaration that the plaintiffs have no duty to defend or indemnify the Company in connection with the underlying litigation, *Yana Mazya, et al. v. Northwestern Lake Forest Hospital, et al., Case No. 2018-CH-07161* pending in the Circuit Court of Cook County, Illinois, Chancery Division (a class action lawsuit filed against a customer of the Company, the customer's parent company, and two vendors of medication dispensing systems, one of which is the Company, seeking statutory damages and certain declaratory, injunctive, and other relief based on causes of action directed to allegations of violation of the Illinois Biometric Information Privacy Act ("BIPA") and of negligence by the defendants from which the Company was subsequently dismissed without prejudice) ("Mazya Action"), together with claims for reimbursement and unjust enrichment relating to the defense of the Mazya Action in the form of attorneys' fees and other related costs. The Company has not responded to the complaint. On February 12, 2019, the Court stayed the action pending the outcome of the Mazya Action and administratively closed the case. On October 15, 2019, the plaintiffs filed a notice advising the Court of the dismissal of the Company from the Mazya Action and requesting that the Court lift the stay in the case and set dates for filing a responsive pleading by the Company and initial discovery and scheduling matters. By order dated November 13, 2019, the Court (i) lifted the stay in the case, (ii) set a case management conference for February 5, 2020, and (iii) ordered the parties to file a joint case management statement by January 29, 2020. The parties subsequently reached a settlement of the case in principle and the Court, after notice of the parties, continued the case management conference until April 29, 2020. The parties entered into a written settlement agreement on April 9, 2020. Since the conditions precedent in the settlement agreement to dismissing the case had not yet been fulfilled, the Court, upon the petition of the parties, again continued the case management conference until May 27, 2020. Upon fulfillment of the conditions precedent to finalizing the settlement, the plaintiffs filed a notice of dismissal with prejudice on May 4, 2020, thereby finally terminating the action.

A class action lawsuit was filed against the Company, on June 5, 2019, in the Circuit Court of Cook County, Illinois, Chancery Division, captioned *Corey Heard, individually and on behalf of all others similarly situated, v. Omnicell, Inc., Case No. 2019-CH-06817*. The complaint seeks class certification, monetary damages in the form of statutory damages for willful and/or reckless or, in the alternative, negligent violation of BIPA, and certain declaratory, injunctive, and other relief based on

causes of action directed to allegations of violation of BIPA by the Company. The complaint was served on the Company on June 13, 2019. On July 31, 2019, the Company filed a motion to stay or consolidate the case with the Mazya Action. The Court subsequently, on October 10, 2019, denied the motion, without prejudice, as being moot in view of the Company's dismissal from the Mazya Action. The Company filed a motion to dismiss the complaint on October 31, 2019. The motion to dismiss is fully-briefed. The hearing on the Company's motion to dismiss was previously set for March 16, 2020, but has been continued to May 27, 2020. The Company intends to defend the lawsuit vigorously.

In August 2019, the Company received a letter from the Denver office of the SEC seeking information related to the Company's accounting processes and procedures. The Company responded and fully cooperated with the SEC. On February 12, 2020, the Company received a letter from the SEC confirming that it has concluded its investigation and that the SEC does not intend to recommend any enforcement action against the Company.

**Note 12. Income Taxes**

The Company generally provides for income taxes in interim periods based on the estimated annual effective tax rate for the year, adjusting for discrete items in the quarter in which they arise. The annual effective tax rate before discrete items was 26.6% and 23.3% for the three months ended March 31, 2020 and 2019, respectively. The Company's effective tax rate for the three months ended March 31, 2020 was based on best estimates, which may fluctuate through the remainder of the year due to the volatility and uncertainty of global economic conditions in connection with the COVID-19 pandemic.

Due to continuing global operational centralization activities and legal entity rationalization, the Company recognized gain on the sale of certain intellectual property rights by Aesynt B.V. to Omnicell, Inc., which resulted in a tax expense, net of tax benefit, of $9.6 million during the three months ended March 31, 2019. The Company did not recognize a gain or loss from such activities during the three months ended March 31, 2020. The Company also recognized a discrete tax benefit related to equity compensation in the amount of $2.8 million and $4.6 million for the three months ended March 31, 2020 and 2019, respectively.

The 2020 annual effective tax rate differed from the statutory rate of 21% primarily due to the unfavorable impact of state income taxes, non-deductible compensation and equity charges, and non-deductible expenses, partially offset by the favorable impact of research and development credits and foreign derived intangible income ("FDII") benefit deduction. The 2019 annual effective tax rate differed from the statutory rate of 21% primarily due to the unfavorable impact of state income taxes, non-deductible equity charges, and non-deductible expenses, partially offset by the favorable impact of research and development credits, foreign rate differential, and FDII benefit deduction.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law in response to the COVID-19 pandemic. The CARES Act, among other provisions, includes provisions related to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operation losses carryback periods, alternative minimum tax credit refunds, modification to net interest expense deduction limitation, and technical amendments to tax depreciation methods for qualified improvement property placed in service after December 31, 2017. The Company does not expect these provisions of the CARES Act to have a material impact on income taxes.

As of March 31, 2020 and December 31, 2019, the Company had gross unrecognized tax benefits of $17.0 million and $16.8 million, respectively. It is the Company's policy to classify accrued interest and penalties as part of the unrecognized tax benefits, but to record interest and penalties in interest and other income (expense), net in the Condensed Consolidated Statements of Operations. As of March 31, 2020 and December 31, 2019, the amount of accrued interest and penalties was $1.1 million and $1.0 million, respectively.

The Company files income tax returns in the United States and various states and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities, including major jurisdictions such as the United States, Germany, Italy, Netherlands, and the United Kingdom. With few exceptions, as of March 31, 2020, the Company was no longer subject to United States, state, and foreign examination for years before 2016, 2015, and 2015, respectively.

Although the Company believes it has adequately provided for uncertain tax positions, the provisions on these positions may change as revised estimates are made or the underlying matters are settled or otherwise resolved. It is not possible at this time to reasonably estimate changes in the unrecognized tax benefits within the next twelve months.

**Note 13. Employee Benefits and Share-Based Compensation**

**Stock-Based Plans**

For a detailed explanation of the Company's stock plans, refer to Note 13, *Employee Benefits and Share-Based Compensation*, of the Company's annual report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 26, 2020.

**Share-Based Compensation Expense**

The following table sets forth the total share-based compensation expense recognized in the Company's Condensed Consolidated Statements of Operations for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Cost of product and service revenues | $ 1,770 | $ 1,462 |
| Research and development | 1,768 | 1,702 |
| Selling, general, and administrative | 7,121 | 5,246 |
| Total share-based compensation expense | $ 10,659 | $ 8,410 |

**Stock Options and ESPP Shares**

The following assumptions were used to value stock options and Employee Stock Purchase Plan ("ESPP") shares granted pursuant to the Company's equity incentive plans for the three months ended March 31, 2020 and 2019:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| **Stock options** | | |
| Expected life, years | 4.7 | 4.5 |
| Expected volatility, % | 33.6 % | 33.1 % |
| Risk-free interest rate, % | 1.4 % | 2.6 % |
| Estimated forfeiture rate, % | 5.7 % | 7.2 % |
| Dividend yield, % | — % | — % |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| **Employee stock purchase plan shares** | | |
| Expected life, years | 0.5 - 2.0 | 0.5 - 2.0 |
| Expected volatility, % | 30.4% - 39.9% | 28.2% - 38.4% |
| Risk-free interest rate, % | 1.4% - 2.7% | 1.3% - 2.7% |
| Dividend yield, % | — % | — % |

*Stock Options Activity*

The following table summarizes the share option activity under the Company's equity incentive plans during the three months ended March 31, 2020:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (In thousands, except per share data) | | | |
| Outstanding at December 31, 2019 | 3,902 | $ 52.75 | 7.7 | $ 113,198 |
| Granted | 430 | 85.32 | | |
| Exercised | (227) | 36.20 | | |
| Expired | (2) | 51.50 | | |
| Forfeited | (65) | 64.06 | | |
| Outstanding at March 31, 2020 | 4,038 | $ 56.96 | 7.8 | $ 57,180 |
| Exercisable at March 31, 2020 | 1,586 | $ 39.38 | 6.3 | $ 42,826 |
| Vested and expected to vest at March 31, 2020 and thereafter | 3,846 | $ 56.18 | 7.7 | $ 56,526 |

The weighted-average fair value per share of options granted during the three months ended March 31, 2020 and 2019 was $26.31 and $24.07, respectively. The intrinsic value of options exercised during the three months ended March 31, 2020 and 2019 was $9.9 million and $17.1 million, respectively.

As of March 31, 2020, total unrecognized compensation cost related to unvested stock options was $46.6 million, which is expected to be recognized over a weighted-average vesting period of 2.9 years.

*Employee Stock Purchase Plan Activity*

For the three months ended March 31, 2020 and 2019, employees purchased approximately 217,000 and 210,000 shares of common stock, respectively, under the ESPP at weighted average prices of $43.51 and $40.20, respectively. As of March 31, 2020, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately $7.7 million and is expected to be recognized over a weighted-average period of 1.4 years.

**Restricted Stock Units ("RSUs") and Restricted Stock Awards ("RSAs")**

Summaries of the restricted stock activity under the Company's 2009 Equity Incentive Plan, as amended (the "2009 Plan") are presented below for the three months ended March 31, 2020:

| | Number of Shares | Weighted-Average Grant Date Fair Value | Weighted-Average Remaining Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (In thousands, except per share data) | | | |
| **Restricted stock units** | | | | |
| Outstanding at December 31, 2019 | 544 | $ 66.65 | 1.6 | $ 44,492 |
| Granted (Awarded) | 62 | 85.05 | | |
| Vested (Released) | (33) | 54.41 | | |
| Forfeited | (17) | 66.06 | | |
| Outstanding and unvested at March 31, 2020 | 556 | $ 69.44 | 1.6 | $ 36,482 |

As of March 31, 2020, total unrecognized compensation cost related to RSUs was $34.1 million, which is expected to be recognized over the remaining weighted-average vesting period of 3.0 years.

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| | (In thousands, except per share data) | |
| **Restricted stock awards** | | |
| Outstanding at December 31, 2019 | 17 | $ 81.92 |
| Granted (Awarded) | — | — |
| Vested (Released) | — | — |
| Outstanding and unvested at March 31, 2020 | 17 | $ 81.92 |

As of March 31, 2020, total unrecognized compensation cost related to RSAs was $0.2 million, which is expected to be recognized over the remaining weighted-average vesting period of 0.1 years.

**Performance-Based Restricted Stock Units ("PSUs")**

A summary of the performance-based restricted stock activity under the 2009 Plan is presented below for the three months ended March 31, 2020:

| | Number of Shares | Weighted-Average Grant Date Fair Value Per Unit |
|---|---|---|
| | (In thousands, except per share data) | |
| Outstanding at December 31, 2019 | 134 | $ 55.82 |
| Granted | 63 | 82.41 |
| Vested | (15) | 72.02 |
| Forfeited | — | — |
| Outstanding and unvested at March 31, 2020 | 182 | $ 63.63 |

As of March 31, 2020, total unrecognized compensation cost related to PSUs was approximately $6.7 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.5 years.

**Summary of Shares Reserved for Future Issuance under Equity Incentive Plans**

The Company had the following ordinary shares reserved for future issuance under its equity incentive plans as of March 31, 2020:

| | Number of Shares |
|---|---|
| | (In thousands) |
| Share options outstanding | 4,038 |
| Non-vested restricted stock awards | 755 |
| Shares authorized for future issuance | 2,252 |
| ESPP shares available for future issuance | 1,322 |
| Total shares reserved for future issuance | 8,367 |

**Stock Repurchase Program**

On August 2, 2016, the Company's Board of Directors (the "Board") authorized a stock repurchase program providing for the repurchase of up to $50.0 million of the Company's common stock (the "2016 Repurchase Program"). The 2016 Repurchase Program is in addition to the stock repurchase program approved by the Board on November 4, 2014. As of March 31, 2020, the maximum dollar value of shares that may yet be purchased under the two repurchase programs was $54.9 million. The stock repurchase programs do not obligate the Company to repurchase any specific number of shares, and the Company may terminate or suspend the repurchase programs at any time.

During the three months ended March 31, 2020 and 2019, the Company did not repurchase any of its outstanding common stock.

**Note 14. Equity Offerings**

On November 3, 2017, the Company entered into a Distribution Agreement (the "Distribution Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, and HSBC Securities (USA) Inc., as its sales agents, pursuant to which the Company may offer and sell from time to time through the sales agents up to $125.0 million maximum aggregate offering price of the Company's common stock. Sales of the common stock pursuant to the Distribution Agreement may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933, including sales made directly on the Nasdaq Stock Market, or sales made to or through a market maker other than on an exchange.

For the three months ended March 31, 2020, the Company did not sell any of its common stock under the Distribution Agreement.

For the three months ended March 31, 2019, the Company received gross proceeds of $20.6 million from sales of its common stock under the Distribution Agreement and incurred issuance costs of $0.4 million on sales of approximately 243,000 shares of its common stock at an average price of approximately $84.98 per share.

As of March 31, 2020, the Company had an aggregate of $31.5 million available to be offered under the Distribution Agreement.

**Note 15. Restructuring Expenses**

In the first quarter of 2020, the Company announced a company-wide organizational realignment initiative in order to more effectively align its organizational infrastructure and operations with the strategic vision of the autonomous pharmacy. During the three months ended March 31, 2020, the Company incurred and accrued $3.5 million of employee severance costs and related expenses. As of March 31, 2020, the unpaid balance related to this restructuring plan was $1.7 million.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

*This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The forward-looking statements are contained throughout this report, including in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include, but are not limited to, statements about:*

- *our expectations about the impact of the ongoing global novel coronavirus (COVID-19) pandemic (including efforts to contain the spread of the pandemic) on our workforce and operations, as well as the impacts on our customers and suppliers, and the anticipated effects of the pandemic and associated containment measures on our business, financial condition, liquidity, and results of operations;*
- *our expectations regarding our future pipeline and product bookings;*
- *the extent and timing of future revenues, including the amounts of our current backlog;*
- *the size or growth of our market or market share;*
- *our beliefs about drivers of demand for our solutions, market opportunities in certain product categories and continued expansion in these product categories, as well as our belief that our technology, services, and solutions within these categories position us well to address the needs of retail, acute, and post-acute pharmacy providers;*
- *our ability to acquire companies, businesses, products or technologies on commercially reasonable terms and integrate such acquisitions effectively;*
- *our goal of advancing our platform with new product introductions annually;*
- *our ability to deliver on the autonomous pharmacy vision, as well as our plan to integrate our current offerings and technologies on a cloud infrastructure and invest in broadening our solutions across certain key areas as we execute on this vision;*
- *continued investment in the autonomous pharmacy vision, our beliefs about the anticipated benefits of such investments, and our expectations regarding continued growth in subscription and cloud-based offerings as we execute on this vision;*
- *our belief that our solutions and vision for fully autonomous medication management are strongly aligned with long-term trends in the healthcare market and well-positioned to address the evolving needs of the healthcare institutions;*
- *planned new products and services;*
- *the bookings, revenue, and margin opportunities presented by new products, emerging markets, and international markets;*
- *our ability to align our cost structure and headcount with our current business expectations;*
- *the operating margins or earnings per share goals we may set;*
- *the outcome of any legal proceedings to which we are a party;*
- *our projected target long-term revenues and revenue growth rate, long-term operating margins, and free cash flow conversion;*

- *our ability to protect our intellectual property and operate our business without infringing the intellectual property rights of others;*
- *the expected impacts of new accounting standards or changes to existing accounting standards;*
- *our expected future uses of cash and the sufficiency of our sources of funding; and*
- *our ability to generate cash from operations and our estimates regarding the sufficiency of our cash resources.*

*In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "seeks," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," and variations of these terms and similar expressions. Forward-looking statements are based on our current expectations and assumptions and are subject to known and unknown risks and uncertainties, which may cause our actual results, performance, or achievements to be materially different from those expressed or implied in the forward-looking statements.*

*Such risks and uncertainties include those described throughout this quarterly report, including in Part II - Item 1A. "Risk Factors" below and Part I - Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" below. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. You should carefully read this quarterly report and the documents that we reference in this quarterly report and have filed as exhibits, as well as other documents we file from time to time with the Securities and Exchange Commission, with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements in this quarterly report represent our estimates and assumptions only as of the date of this quarterly report. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those expressed or implied in any forward-looking statements, even if new information becomes available in the future.*

*All references in this report to "Omnicell," "our," "us," "we," or the "Company" collectively refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries. The term "Omnicell, Inc.," refers only to Omnicell, Inc., excluding its subsidiaries.*

*We own various trademarks and service marks used in our business, including the following registered and unregistered marks which appear in this report: Omnicell®, the Omnicell logo, Ateb®, InPharmics®, Aesynt®, and Performance Center™. This report also includes the trademarks and service marks of other companies. All other trademarks and service marks used in this report are the marks of their respective holders.*

## OVERVIEW

### Our Business

We are a leading provider of medication management automation solutions and adherence tools for healthcare systems and pharmacies. As we build on the vision of the autonomous pharmacy - a more fully automated and digitized system of medication management - we believe we will further help enable healthcare providers to improve patient safety, increase efficiency, lower costs, tighten regulatory compliance, and address population health challenges.

Over 6,000 facilities worldwide use our 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 our innovative medication adherence and population health solutions to improve patient engagement and adherence to prescriptions, helping to reduce costly hospital readmissions. We sell our product and consumable solutions together with related service offerings. Revenues generated in the United States represented 90% and 89% of our total revenues for the three months ended March 31, 2020 and 2019, respectively.

Over the past several years, our business has expanded from a single-point solution to a platform of products and services that will help to further the vision of the autonomous pharmacy. This has resulted in larger deal sizes across multiple products and installations for customers and, we believe, more comprehensive, valuable, and enduring relationships.

We utilize product bookings as an indicator of the success of our business. Product bookings consist of all firm orders, as evidenced generally by a non-cancelable contract and purchase order for equipment and software products, and by a purchase order for consumables. Equipment and software product bookings are generally installable within twelve months of booking, and other than sales based on subscription services, generally recorded as revenue upon customer receipts of goods or acceptance of the installation.

In addition to product solution sales, we provide services to our customers. We provide installation planning and consulting as part of most product sales which is included in the initial price of the solution. To help assure the maximum

availability of our systems, our customers typically purchase maintenance and support contracts in increments of one to five years. As a result of the growth of our installed base of customers, our service revenues have also grown.

Our full-time headcount was approximately 2,750 and 2,700 on March 31, 2020 and December 31, 2019, respectively.

We have not in the past sold, and have no future plans to sell, our products, either directly or indirectly, to customers located in countries that are identified as state sponsors of terrorism by the U.S. Department of State, or those subject to economic sanctions and export controls.

**Operating Segments**

We manage our operations as a single segment for the purposes of assessing performance and making operating decisions. Our Chief Operating Decision Maker ("CODM") is our Chief Executive Officer. The CODM allocates resources and evaluates the performance of Omnicell at the consolidated level using information about its revenues, gross profit, income from operations, and other key financial data. All significant operating decisions are based upon an analysis of Omnicell as one operating segment, which is the same as our reporting segment.

**Strategy**

We are committed to being the care provider’s most trusted partner and executing on the vision of the autonomous pharmacy by delivering automation, intelligence, and services designed to transform the pharmacy care delivery model, helping to dramatically improve outcomes and lower costs for our healthcare partners. We believe there are significant challenges in pharmacy that drive the demand for our solutions and represent large market opportunities in three product categories:

- **Point of Care.** As a market leader, we expect to continue expansion of this product category as customers increase use of our dispensing systems in more areas within their hospitals. In addition, we are early in the replacement cycle of our XT Series automated dispensing systems which we believe is a significant market opportunity and we expect to continue to focus on further penetrating markets through competitive conversion. We believe our current portfolio within the Point of Care market and new innovation and services will continue to drive improved outcomes and lower costs for our customers.

- **Central Pharmacy.** This market represents the beginning of the medication management process in Acute Care Settings, and, we believe, the next big automation opportunity to replace manual and repetitive processes which are common in the pharmacy today. Manual processes are prone to significant errors, and products such as our IV sterile compounding solutions and XR2 Automated Central Pharmacy system automate these manual processes and are designed to reduce the risk of error for our healthcare partners. We believe new products and innovation in the Central Pharmacy market create opportunities to replace prior generation Central Pharmacy robotics and carousels. The Central Pharmacy also represents an opportunity to provide technology enabled services designed to reduce the administrative burden on the pharmacy and allow clinicians to operate at the top of their license.

- **Retail, Institutional, and Payer.** We believe the Retail, Institutional, and Payer market represents a large opportunity as the majority of drugs are distributed in the non-acute sector. New technology is leading to innovation at traditional retail providers, which combined with the move to value-based care results, we believe will incentivize the market to adopt solutions to help providers and payers engage patients in new ways that lower the total cost of care. We believe adoption of our Population Health Solutions portfolio of software products and services, along with medication adherence packaging, will increase adherence performance rates, increase prescription volume for our customers and reduce hospital and emergency room visits due to improved adherence.

We believe our technology, services, and solutions within these three product categories position us well to address the needs of retail, acute, and post-acute pharmacy providers.

**Omnicell’s Response to Coronavirus (COVID-19)**

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and a U.S national emergency. Efforts to contain the spread of COVID-19 have intensified, with the implementation of travel restrictions, shelter-in-place orders, business closures and suspensions, cancelled events, and social distancing.

Keeping in mind our role in the healthcare industry, we are closely monitoring the COVID-19 pandemic. Our top priorities are protecting the health and well-being of our customers, their patients, and our employees, while maintaining business continuity to meet the needs of our customers. In order to operate in a safe manner, we are following the health and safety guidelines of the U.S. Centers for Disease Control and Prevention, and local and state public health departments in each of the regions where we operate. All of our manufacturing, distribution, and other facilities are operating under these guidelines. Manufacturing and distribution facilities have remained open due to our qualification as an essential business and we continue

to manufacture our products with limited disruptions. In addition to increased cleaning and disinfection processes at our manufacturing facilities, we have implemented alternative scheduling procedures to enhance social distancing protocols. We have also procured and distributed personal protective equipment ("PPE") to our customer-facing and manufacturing personnel consistent with guidelines we developed to help ensure proper distribution and use of such PPE. The vast majority of our non-manufacturing and non-customer facing personnel have transitioned to a work from home environment.

To support the needs of our customers on the frontline of the pandemic, we have launched a Rapid Response program to fast-track production and deployment of our XT Series automated dispensing systems to our customers. We have streamlined our ordering and installation processes with preconfigured XT Series medication and supply dispensing systems that are designed to offer our customers flexibility and maximum emergency impact. We believe these models have ample capacity and flexibility to meet a wide variety of needs of our customers, while maintaining security, safety, and workflow efficiency. In addition, to minimize the need for onsite visits and respect social distancing protocols, we are providing remote service options, training programs, and product demonstrations for our customers, and leveraging technology to enable our sales team to operate in a remote sales environment.

From a supply chain perspective, we are working closely with our vendors to help ensure we are able to source key components and maintain appropriate inventory levels to meet customer demand. To date, we have experienced very little disruption in our supply chain, which has enabled us to continue operating our factories at full capacity to serve our customer base. However, we cannot predict how long the pandemic and measures intended to contain the spread of COVID-19 will continue and what effect COVID-19 and the associated containment measures will have on our suppliers and vendors, in particular for any of our suppliers and vendors that may not qualify as essential businesses and suffer more significant disruptions to their business operations.

Health systems are facing increased costs due to large surge expenditures to cover COVID-19 caseload and increasing prices for needed equipment, decreased revenue due to cancelled or postponed elective procedures and other reduced demand, as well as cash flow challenges. We believe these financial pressures have led our customers to delay or defer purchasing decisions and/or implementation of our solutions and expect that our customers will continue such delays and deferrals for the near to medium-term future. Moreover, the COVID-19 pandemic and measures to contain its impact have caused material disruptions in both national and global financial markets and economies. During the second half of March 2020 and into May 2020, we started to see a slowdown of product bookings and expect to see lower product bookings and revenues during the fiscal year 2020 compared to management's expectations prior to the COVID-19 outbreak. With respect to bookings for new sales, beginning in the second half of March, we have seen hospitals begin to slow purchasing decisions. Additionally, our ability to access hospitals in order to perform implementations of capital equipment will likely be delayed in many cases, as many hospitals are consumed with treating sick patients. As a result of the slowdown in purchasing decisions and our reduced interactions with our customers due to social distancing protocols, our bookings are behind our internal estimates as of this time. In response to the COVID-19 pandemic, we have implemented and continue to focus on cost reduction initiatives in all aspects of our business, including, but not limited to, reduced travel costs, decreases in employee-related expenses, negotiating discounts with vendors, and delayed hiring and capital expenditures.

In addition, on March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law in response to the COVID-19 pandemic, and provides tax relief to businesses. The CARES Act includes deferral of certain payroll taxes, relief for retaining employees, and certain other provisions. We are evaluating the impact of the CARES Act and currently expect to benefit from the deferral of certain payroll taxes through the end of fiscal year 2020.

While our fiscal year 2020 results will be impacted by the challenges and opportunities brought on by the COVID-19 pandemic, we remain confident in the overall health of our business and in our ability to continue to execute on our long-term strategy and navigate through these unusual times. However, the impact of the COVID-19 pandemic and related containment measures cannot be predicted and may adversely affect, perhaps materially, our business, results of operations, financial condition, and liquidity.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We regularly review our estimates and assumptions, which are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements:

- Revenue recognition;
- Allowance for credit losses for accounts receivable, unbilled receivables, and net investment in sales-type leases;
- Leases;
- Inventory;
- Software development costs;
- Impairment of goodwill and intangible assets;
- Share-based compensation; and
- Accounting for income taxes.

There were no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the three months ended March 31, 2020 as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2019, except as discussed in "Recently Adopted Authoritative Guidance" in Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

**Recently Issued Authoritative Guidance**

Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Condensed Consolidated Financial Statements in this quarterly report for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial position, and cash flows.

## RESULTS OF OPERATIONS

**Total Revenues**

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | | | Change in | |
| | 2020 | 2019 | $ | % |
| | (Dollars in thousands) | | | |
| Product revenues | $ 170,073 | $ 145,610 | $ 24,463 | 17% |
| *Percentage of total revenues* | *74%* | *72%* | | |
| Services and other revenues | 59,613 | 56,907 | 2,706 | 5% |
| *Percentage of total revenues* | *26%* | *28%* | | |
| Total revenues | $ 229,686 | $ 202,517 | $ 27,169 | 13% |

Product revenues represented 74% and 72% of total revenues for the three months ended March 31, 2020 and 2019, respectively. Product revenues increased by $24.5 million, primarily driven by the growth of XT Series automated dispensing systems due to increased XT Series upgrades from the previous generation of product, competitive conversions, and other add-on equipment.

Services and other revenues represented 26% and 28% of total revenues for the three months ended March 31, 2020 and 2019, respectively. Services and other revenues include revenues from service and maintenance contracts, and rentals of automation systems. Services and other revenues increased by $2.7 million, primarily due to an increase in our installed customer base, as well as an increase in revenues from Population Health Solutions and IV solutions.

Our international sales represented 10% and 11% of total revenues for the three months ended March 31, 2020 and 2019, respectively, and are expected to be affected by foreign currency exchange rate fluctuations. We are unable to predict the extent to which revenues in future periods will be impacted by changes in foreign currency exchange rates.

Our ability to continue to grow revenues is dependent on our ability to continue to obtain orders from customers, our ability to produce quality products and consumables to fulfill customer demand, the volume of installations we are able to complete, our ability to meet customer needs by providing a quality installation experience, and our flexibility in manpower

allocations among customers to complete installations on a timely basis. The timing of our product revenues for equipment is primarily dependent on when our customers' schedules allow for installations.

The COVID-19 pandemic has not had a significant impact on our revenues for the three months ended March 31, 2020. The pandemic creates uncertainties related to delays in installations and potential reductions in hospitals' capital and overall spending in the near to medium-term future, and depending on the duration of the COVID-19 pandemic and related containment measures, potentially into the longer-term. During the second half of March 2020 and into May 2020, we started to see a slowdown of product bookings and expect to see lower product bookings and revenues during the fiscal year 2020 compared to management's expectations prior to the COVID-19 outbreak. These reductions are expected to be partially offset by revenues generated from the Rapid Response program. We cannot estimate the extent to which the COVID-19 pandemic will impact our revenues in future periods.

**Cost of Revenues and Gross Profit**

Cost of revenues is primarily comprised of three general categories: (i) standard product costs, which account for the majority of the product cost of revenues that are provided to customers, and are inclusive of purchased material, labor to build the product and overhead costs associated with production; (ii) installation costs as we install our equipment at the customer site and include costs of the field installation personnel, including labor, travel expenses, and other expenses; and (iii) other costs, including variances in standard costs and overhead, scrap costs, rework, warranty, provisions for excess and obsolete inventory, and amortization of software development costs and intangibles.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | | | Change in | |
| | 2020 | 2019 | $ | % |
| | (Dollars in thousands) | | | |
| Cost of revenues: | | | | |
| Cost of product revenues | $ 90,272 | $ 78,811 | $ 11,461 | 15% |
| *As a percentage of related revenues* | *53%* | *54%* | | |
| Cost of services and other revenues | 29,792 | 26,589 | 3,203 | 12% |
| *As a percentage of related revenues* | *50%* | *47%* | | |
| Total cost of revenues | $ 120,064 | $ 105,400 | $ 14,664 | 14% |
| *As a percentage of total revenues* | *52%* | *52%* | | |
| | | | | |
| Gross profit | $ 109,622 | $ 97,117 | $ 12,505 | 13% |
| *Gross margin* | *48%* | *48%* | | |

Cost of revenues for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 increased by $14.7 million, of which $11.5 million was attributed to the increase in cost of product revenues and $3.2 million was attributed to the increase in cost of services and other revenues. The increase in cost of product revenues was primarily driven by the increase in product revenues of $24.5 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, partially offset by sales of product portfolios with higher margins, lower costs associated with the XT Series supply chain and manufacturing cost-saving initiatives, as well as economies of scale. The increase in cost of services and other revenues was primarily driven by the increase in services and other revenues of $2.7 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, as well as additional investments in our service business to support new product offerings.

The overall gross margin remained relatively consistent due to lower costs associated with the XT Series supply chain and manufacturing cost-saving initiatives, economies of scale, and product mix, offset by additional investments in our service business. Our gross profit for the three months ended March 31, 2020 was $109.6 million, as compared to $97.1 million for the three months ended March 31, 2019.

While there has not been a significant impact to cost of revenues and gross margins due to the COVID-19 pandemic during the three months ended March 31, 2020, we expect to incur additional costs related to the COVID-19 pandemic including, but not limited to, higher delivery costs to expedite shipments, additional compensation for certain essential employees, and the purchase of personal protective equipment for our customer-facing and manufacturing personnel. However, the impact the COVID-19 pandemic will have on gross margins cannot be estimated.

**Operating Expenses and Interest and Other Income (Expense), Net**

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | | | Change in | |
| | 2020 | 2019 | $ | % |
| | (Dollars in thousands) | | | |
| Operating expenses: | | | | |
| Research and development | $ 18,652 | $ 16,078 | $ 2,574 | 16% |
| *As a percentage of total revenues* | *8%* | *8%* | | |
| Selling, general, and administrative | 78,819 | 68,278 | 10,541 | 15% |
| *As a percentage of total revenues* | *34%* | *34%* | | |
| Total operating expenses | $ 97,471 | $ 84,356 | $ 13,115 | 16% |
| *As a percentage of total revenues* | *42%* | *42%* | | |
| | | | | |
| Interest and other income (expense), net | $ (822) | $ (1,410) | $ 588 | (42)% |

*Research and Development.* Research and development expenses increased by $2.6 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily attributed to increases in employee-related expenses due to the higher headcount in the research and development function as well as employee-related expenses related to a restructuring initiative. The increased spend is a result of our continued investments into automation, intelligence, and the cloud data platform.

*Selling, General, and Administrative*. Selling, general, and administrative expenses increased by $10.5 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, primarily due to overall growth of operations and increase in overall headcount. The increase was primarily due to an increase of $6.1 million in employee-related expenses primarily related to increased headcount, an increase of $2.7 million related to a restructuring initiative, and an increase of $1.4 million in consulting expenses.

In response to the COVID-19 pandemic, we have implemented and continue to focus on cost reduction initiatives in all aspects of our business, including, but not limited to, reduced travel costs, decreases in employee-related expenses, negotiating discounts with vendors, and delayed hiring and capital expenditures. However, we cannot predict the full impact of the COVID-19 pandemic on our operating expenses.

*Interest and Other Income (Expense), Net.* Interest and other income (expense), net decreased by $0.6 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, primarily driven by a $0.5 million increase in other income and a $0.1 million decrease in other expenses. The increase in other income was primarily attributable to rebates and benefits from certain arrangements outside of our normal course of business. The decrease in other expenses was primarily due to lower interest expense as a result of lower outstanding debt balance during the three months ended March 31, 2020 as compared to the three months ended March 31, 2019, partially offset by unfavorable foreign currency fluctuations during the period.

**Provision for (Benefit from) Income Taxes**

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | | | Change in | |
| | 2020 | 2019 | $ | % |
| | (Dollars in thousands) | | | |
| Provision for income taxes | $ 18 | $ 8,067 | $ (8,049) | (100)% |

Our annual effective tax rate before discrete items was 26.6% and 23.3% for the three months ended March 31, 2020 and 2019, respectively. The increase in the estimated annual effective tax rate for the three months ended March 31, 2020 compared to the same period in 2019 was primarily due to state income taxes and non-deductible equity charges.

Provision for income taxes for the three months ended March 31, 2020 included net discrete income tax benefit of $3.0 million, primarily due to a $2.8 million tax benefit from equity compensation.

Provision for income taxes for the three months ended March 31, 2019 included net discrete income tax expense of $5.4 million. The net discrete income tax expense was primarily due to a recognized gain on the sale of certain intellectual

property rights by Aesynt B.V. to Omnicell, Inc., which resulted in a tax expense, net of tax benefit, of $9.6 million, partially offset by a $4.6 million tax benefit from equity compensation benefit.

Refer to Note 12, *Income Taxes*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report for more details.

## LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of $104.1 million at March 31, 2020 compared to $127.2 million at December 31, 2019. All of our cash and cash equivalents are invested in bank accounts with major financial institutions.

Our cash position and working capital at March 31, 2020 and December 31, 2019 were as follows:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (In thousands) | |
| Cash | $ 104,080 | $ 127,210 |
| Working Capital | $ 229,883 | $ 246,242 |

Our ratio of current assets to current liabilities was 1.9:1 at March 31, 2020 and 2.0:1 at December 31, 2019.

### Sources of Cash

*Credit Agreements*

On January 5, 2016, we entered into a $400.0 million senior secured credit facility pursuant to a credit agreement with certain lenders, Wells Fargo Securities, LLC as sole lead arranger, and Wells Fargo Bank, National Association, as administrative agent (as subsequently amended as discussed below, the "Prior Credit Agreement"). The Prior Credit Agreement provided for a $200.0 million term loan facility (the "Prior Term Loan Facility"), and prior to the amendment discussed below, a $200.0 million revolving credit facility (the "Prior Revolving Credit Facility" and together with the Prior Term Loan Facility, the "Prior Facilities"). In addition, the Prior Credit Agreement included a letter of credit sub-limit of up to $10.0 million and a swing line loan sub-limit of up to $10.0 million.

On April 11, 2017 and December 26, 2017, we entered into amendments to the Prior Credit Agreement. Under these amendments, the Prior Revolving Credit Facility was increased from $200.0 million to $315.0 million and certain other modifications were made.

On November 15, 2019, we refinanced the Prior Credit Agreement and entered into an Amended and Restated Credit Agreement (the "A&R Credit Agreement") with the lenders from time to time party thereto, Wells Fargo Securities, LLC, Citizens Bank, N.A., and JPMorgan Chase Bank, N.A., as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The A&R Credit Agreement replaced the Prior Credit Agreement and provides for (a) a five-year revolving credit facility of $500.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to $250.0 million. In addition, the A&R Credit Agreement includes a letter of credit sub-limit of up to $15.0 million and a swing line loan sub-limit of up to $25.0 million. On November 15, 2019, the $80.0 million outstanding term loan balance under the Prior Facilities was transferred to the Current Revolving Credit Facility.

As of March 31, 2020, there was no outstanding loan balance for the Current Revolving Credit Facility and we were in full compliance with all covenants. Refer to Note 8, *Debt and Credit Agreements*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report. We expect to use future loans under the Current Revolving Credit Facility, if any, for working capital, potential acquisitions, and other general corporate purposes.

*Distribution Agreement*

On November 3, 2017, we entered into a Distribution Agreement (the "Distribution Agreement") with J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and HSBC Securities (USA) Inc., as our sales agents, pursuant to which we may offer and sell from time to time through the sales agents up to $125.0 million maximum aggregate offering price of our common stock. Sales of the common stock pursuant to the Distribution Agreement may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933, including sales made directly on the Nasdaq Stock Market, or sales made to or through a market maker other than on an exchange. We intend to use the net proceeds from the sale, if any, of common stock in the offering for general corporate purposes, which may include, without limitation, the acquisition of complementary businesses, the repayment of outstanding indebtedness, capital expenditures, and working capital.

For the three months ended March 31, 2020, we did not sell any of our common stock under the Distribution Agreement.

For the three months ended March 31, 2019, we received gross proceeds of $20.6 million from sales of our common stock under the Distribution Agreement and incurred issuance costs of $0.4 million on sales of approximately 243,000 shares of our common stock at an average price of approximately $84.98 per share.

As of March 31, 2020, we had an aggregate of $31.5 million available to be offered under the Distribution Agreement.

**Uses of Cash**

Our future uses of cash are expected to be primarily for working capital, capital expenditures, and other contractual obligations. We also expect a continued use of cash for potential acquisitions and acquisition-related activities.

Our stock repurchase programs have a total of $54.9 million remaining for future repurchases as of March 31, 2020, which may result in additional use of cash. Refer to “Stock Repurchase Program” under Note 13, *Employee Benefits and Share-Based Compensation*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report. There were no stock repurchases during the three months ended March 31, 2020 and 2019.

Based on our current business plan and revenue backlog, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations, cash generated from the exercise of employee stock options and purchases under our employee stock purchase plan, along with the availability of funds under the Current Revolving Credit Facility will be sufficient to meet our cash needs for working capital, capital expenditures, potential acquisitions, and other contractual obligations for at least the next twelve months. For periods beyond the next twelve months, we also anticipate that our net operating cash flows plus existing balances of cash and cash equivalents will suffice to fund the continued growth of our business.

We believe that our current financial position and resources will allow us to manage the anticipated impact of the COVID-19 pandemic on our business for the foreseeable future, including any potential changes in timing of revenue recognition or potential extensions in customer payments. However, COVID-19 and related measures to contain its impact have caused material disruptions in both national and global financial markets and economies. The future impact of COVID-19 and these containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition, and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

**Cash Flows**

The following table summarizes, for the periods indicated, selected items in our Condensed Consolidated Statements of Cash Flows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (In thousands) | |
| Net cash provided by (used in): | | |
| Operating activities | $ 25,231 | $ 26,497 |
| Investing activities | (13,775) | (16,697) |
| Financing activities | (33,766) | (178) |
| Effect of exchange rate changes on cash and cash equivalents | (820) | 430 |
| Net increase (decrease) in cash and cash equivalents | $ (23,130) | $ 10,052 |

*Operating Activities*

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results, and the timing of other liability payments.

Net cash provided by operating activities was $25.2 million for the three months ended March 31, 2020, primarily consisting of net income of $11.3 million adjusted for non-cash items of $26.5 million, offset by changes in assets and liabilities of $12.6 million. The non-cash items primarily consisted of depreciation and amortization expense of $14.0 million, share-based compensation expense of $10.7 million, amortization of operating lease right-of-use assets of $2.7 million, amortization of debt issuance costs of $0.2 million, and a change in deferred income taxes of $1.1 million. Changes in assets and liabilities

include cash outflows from (i) an increase in accounts receivable and unbilled receivables of $16.1 million primarily due to an increase in billings late in the quarter as well as timing of collections, (ii) a decrease in accrued compensation of $9.2 million primarily due to a decrease in accrued commissions and bonuses, as well as timing of payroll and ESPP purchases, (iii) an increase in inventories of $5.7 million to support higher production for forecasted sales and to fulfill order backlog, (iv) an increase in other long-term assets of $2.8 million; and (v) a decrease in operating lease liabilities of $2.8 million. These cash outflows were partially offset by (i) an increase in deferred revenues of $16.9 million primarily due to the timing of order shipments and recognition of revenues for product requiring installation, (ii) a decrease in prepaid commissions of $2.9 million, (iii) an increase in accrued liabilities of $2.7 million, and (iv) a decrease in other current assets of $1.0 million.

Net cash provided by operating activities was $26.5 million for the three months ended March 31, 2019, primarily consisting of net income of $3.3 million adjusted for non-cash items of $27.7 million, offset by changes in assets and liabilities of $4.5 million. The non-cash items primarily consisted of depreciation and amortization expense of $12.6 million, share-based compensation expense of $8.4 million, amortization of operating lease right-of-use assets of $2.6 million, amortization of debt issuance costs of $0.6 million, and a change in deferred income taxes of $3.1 million. Changes in assets and liabilities include cash outflows from (i) a decrease in accrued compensation of $12.6 million primarily due to a decrease in accrued commissions, as well as timing of payroll and ESPP purchases, (ii) an increase in accounts receivable and unbilled receivables of $7.3 million primarily due to an increase in billings, (iii) an increase in inventories of $2.9 million due to inventory buildup in support of forecasted sales, (iv) a decrease in operating lease liabilities of $2.7 million, and (v) an increase in investment in sales-type leases of $2.6 million. These cash outflows were partially offset by (i) an increase in deferred revenues of $8.0 million primarily due to timing of orders and revenues being recognized for installed product, (ii) a decrease in other long-term assets of $5.2 million, (iii) an increase in other long-term liabilities of $4.1 million, (iv) a decrease in prepaid expenses of $3.7 million, and (v) a decrease in prepaid commissions of $2.5 million.

*Investing Activities*

Net cash used in investing activities was $13.8 million for the three months ended March 31, 2020, which consisted of capital expenditures of $3.2 million for property and equipment, and $10.6 million for costs of software development for external use.

Net cash used in investing activities was $16.7 million for the three months ended March 31, 2019, which consisted of capital expenditures of $5.0 million for property and equipment, and $11.7 million for costs of software development for external use.

*Financing Activities*

Net cash used in financing activities was $33.8 million for the three months ended March 31, 2020, primarily due to the repayment of $50.0 million of the Current Revolving Credit Facility and $1.4 million in employees' taxes paid related to restricted stock unit vesting, partially offset by $17.7 million in proceeds from employee stock option exercises and employee stock plan purchases.

Net cash used in financing activities was $0.2 million for the three months ended March 31, 2019, primarily due to the repayment of $39.0 million of the Prior Facilities and $1.9 million in employees' taxes paid related to restricted stock unit vesting, partially offset by $20.5 million of proceeds from employee stock option exercises and employee stock plan purchases, and $20.2 million of proceeds from sales of our common stock under the Distribution Agreement.

**Contractual Obligations**

There have been no significant changes during the three months ended March 31, 2020 to the contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our annual report on Form 10-K for the year ended December 31, 2019.

Contractual obligations as of March 31, 2020 were as follows:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Remainder of 2020 | 2021 - 2022 | 2023 - 2024 | 2025 and thereafter |
| | | | (In thousands) | | |
| Operating leases [1] | $ 72,216 | $ 10,076 | $ 25,431 | $ 16,609 | $ 20,100 |
| Purchase obligations [2] | 91,668 | 90,196 | 821 | 608 | 43 |
| Total [3] | $ 163,884 | $ 100,272 | $ 26,252 | $ 17,217 | $ 20,143 |

(1) Commitments under operating leases relate primarily to leased office buildings, data centers, office equipment, and vehicles. Refer to Note 10, *Lessee Leases*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

(2) We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These amounts are associated with agreements that are enforceable and legally binding. The amounts under such contracts are included in the table above because we believe that cancellation of these contracts is unlikely and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.

(3) Refer to Note 11, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

**Off-Balance Sheet Arrangements**

As of March 31, 2020, we had no off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) of the Exchange Act and the instructions thereto.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks related to fluctuations in foreign currency exchange rates and interest rates.

**Foreign Currency Exchange Risk**

We operate in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which are the British Pound and the Euro. In order to manage foreign currency risk, at times we enter into foreign exchange forward contracts to mitigate risks associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities of our foreign subsidiaries. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. By working only with major banks and closely monitoring current market conditions, we seek to limit the risk that counterparties to these contracts may be unable to perform. We do not enter into derivative contracts for trading purposes. As of March 31, 2020, we did not have any outstanding foreign exchange forward contracts.

**Interest Rate Fluctuation Risk**

We are exposed to interest rate risk through our borrowing activities. As of March 31, 2020, there was no outstanding balance under the A&R Credit Agreement. Refer to Note 8, *Debt and Credit Agreements*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report.

We use interest rate swap agreements to protect against adverse fluctuations in interest rates by reducing our exposure to variability in cash flows relating to interest payments on a portion of our outstanding debt. Our interest rate swaps, which are designated as cash flow hedges, involve the receipt of variable amounts from counterparties in exchange for us making fixed-rate payments over the life of the agreements. We do not hold or issue any derivative financial instruments for speculative trading purposes. As of March 31, 2020, we did not have any outstanding interest rate swap agreements. Our interest rate swap agreement matured during the second quarter of 2019.

There were no significant changes in our market risk exposures during the three months ended March 31, 2020 as compared to the market risk exposures disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7A, of our annual report on Form 10-K for the year ended December 31, 2019.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in this report was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

### Limitations on Effectiveness of Controls

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. GAAP. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met.

### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended March 31, 2020.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 11, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations, or financial condition could suffer and the market price of our common stock could decline.

In assessing these risks, you should also refer to other information contained in this quarterly report on Form 10-Q, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Condensed Consolidated Financial Statements and related Notes. We have marked with an asterisk (*) those risks, when applicable, that reflect substantive changes from, or additions to, the risks described in our annual report on Form 10-K for the year ended December 31, 2019, if any.

***We face risks related to outbreaks of contagious diseases or other adverse public health epidemics, including the ongoing global novel coronavirus (COVID-19) pandemic, which could have a material adverse effect on our business, financial condition, and results of operations.****

As a global provider of solutions for healthcare systems, our business may be adversely impacted by public health crises such as the ongoing global COVID-19 pandemic. In December 2019, an outbreak of the coronavirus which causes COVID-19 was first reported in Wuhan, China. The contagious disease has since spread to most of the countries in the world and throughout the United States, and, in March 2020, was declared a global pandemic by the World Health Organization and a U.S. national emergency. In the United States and many countries across the globe, efforts to contain the spread of COVID-19 have intensified, with the implementation of quarantines, government restrictions on travel and movement (including shelter-in-place orders), business closures and suspensions, cancelled events and activities, social distancing and other voluntary and/or mandated changes in behavior. The continued spread of COVID-19, concerns over the pandemic and related containment measures have impacted our workforce and operations, as well as those of our customers and suppliers, and could potentially have a material adverse effect on our business, financial condition, and results of operations.

In these challenging and dynamic circumstances, we are working to maintain business continuity in order to support the needs of our customers, while protecting the health and well-being of our customers, their patients and our own employees (including those who are carrying out business-critical activities, such as service, implementation, training, supply chain and certain research and development activities). We have prohibited non-essential travel while prioritizing travel that is essential to the implementation and support of our products, suspended participation in group meetings and events while leveraging remote communication technology, and the vast majority of our non-manufacturing and non-customer facing personnel have transitioned to a work from home environment. While our manufacturing and distribution facilities have remained open due to our qualification as an essential business, we have increased cleaning and disinfection processes, implemented alternative scheduling procedures at our manufacturing facilities to enhance social distancing protocols, and procured and distributed personal protective equipment ("PPE") to our customer-facing and manufacturing personnel consistent with guidelines we developed to help ensure proper distribution and use of such PPE. However, if significant or critical portions of our workforce are unable to work effectively, or at all, as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations, our operations would be adversely impacted. In addition, we have suspended in-person participation in certain customer, industry and investor meetings and other events, or such events have been cancelled, postponed or moved to virtual-only experiences, which has reduced our ability to engage with the healthcare and investor communities, and could negatively impact our business.

To support the needs of our customers on the frontline of the COVID-19 pandemic, we have launched a Rapid Response program to accelerate production and deployment of our XT Series automated dispensing systems to our customers. We have streamlined our ordering and installation processes with preconfigured XT Series medication and supply dispensing systems that are designed to offer our customers flexibility and maximum emergency impact. However, our Rapid Response program may not meet customer expectations and demand may be less than we anticipate. In addition, to minimize the need for onsite visits and respect social distancing protocols, we are providing remote service options, training programs, and product demonstrations for our customers, and leveraging technology to enable our sales team to operate in a remote sales environment. However, our remote training materials, and sales and service capabilities may be less effective than our ordinary in-person

programs and service visits, which could adversely affect our relationships with new and prospective customers and harm our business.

Demand for our solutions, many of which involve a significant initial financial commitment from our customers, is largely dependent on our customers' financial strength and capital and operating budgets. As a result of the pandemic, health systems may be facing increased costs due to large surge expenditures to cover COVID-19 caseload and increasing prices for needed equipment, decreased revenue due to cancelled or postponed elective procedures and other reduced demand, as well as cash flow challenges. In addition, due to social distancing concerns, our customers may cancel, defer or delay purchases or installations of our solutions in order to reduce the number of personnel entering their facilities. Decisions by our customers to cancel, defer or delay capital expenditure projects, or generally reduced capital expenditures by healthcare facilities, could decrease demand for our products and related services, resulting in decreased revenue and lower revenue growth rates, which would have a material adverse effect on our operating results. For example, during the second half of March 2020 and into May 2020, we started to see a slowdown of product bookings and expect to see lower product bookings and revenues during the fiscal year 2020 compared to management's expectations prior to the COVID-19 outbreak.

In addition, we cannot predict how long the pandemic and measures intended to contain the spread of COVID-19 will continue and what effect COVID-19 and the associated containment measures will have on our suppliers and vendors, in particular for any of our suppliers and vendors that may not qualify as essential businesses and suffer more significant disruptions to their business operations. Any prolonged disruption to our suppliers in impacted countries, whether as a result of restricted travel, quarantine requirements, or closures of factories or businesses, or otherwise, could significantly disrupt our supply chain and impact our ability to produce our products to meet customer demand, which would negatively impact our sales and operating results.

Furthermore, the COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to disruption and volatility in the global capital markets, which could increase the cost of capital and adversely impact access to capital not only for us, but also for our customers and suppliers. Weak economic conditions and inability to access capital in a timely manner, or at all, could reduce our customers' demand for our products and services, which would have a material adverse effect on our operating results. In addition, a recession, depression or other sustained adverse market event resulting from the pandemic could materially and adversely affect our business and the market price of our common stock.

The global COVID-19 pandemic continues to rapidly evolve, and the extent to which COVID-19 will impact our business, results of operations, and financial position will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening certain other risks described in this "Risk Factors" section, including, but not limited to, those relating to unfavorable economic and market conditions, our ability to develop new products or enhance existing products, our need to generate sufficient cash flows to service our indebtedness, our tax rates, and our international operations.

***Unfavorable economic and market conditions, a decreased demand in the capital equipment market, and uncertainty regarding the rollout of government legislation in the healthcare industry could adversely affect our operating results.****

Customer demand for our products is significantly linked to the strength of the economy. If decreases in demand for capital equipment caused by weak economic conditions and decreased corporate and government spending, including due to economic disruption caused by public health crises such as the COVID-19 pandemic, any effects of fiscal budget balancing at the federal level, deferrals or delays of capital equipment projects, longer time frames for capital equipment purchasing decisions, or generally reduced expenditures for capital solutions occurs, we will experience decreased revenues and lower revenue growth rates, and our operating results could be materially and adversely affected.

Additionally, as the U.S. Federal Government implements healthcare reform legislation, and as Congress, regulatory agencies, and other state governing organizations continue to review and assess additional healthcare legislation and regulations, there may be an impact on our business. Healthcare facilities may decide to postpone or reduce spending until the implications of such healthcare enactments are more clearly understood, which may affect the demand for our products and harm our business.

***If we fail to develop new products or enhance our existing products to react to rapid technological change and market demands in a timely and cost-effective manner, or if more newly developed solutions, such as our XT Series, XR2 Automated Central Pharmacy System, and IVX Workflow, are not adopted in the same time frame and/or quantity as we anticipate, this could have a material adverse effect on our business, financial condition, and results of operations.****

We must develop new products or enhance our existing products with improved technologies to meet rapidly evolving customer requirements. We are constantly engaged in the development process for next generation products, and we need to successfully design our next generation and other products for customers who continually require higher performance and functionality at lower costs. The development process for these advancements is lengthy and usually requires us to accurately anticipate technological innovations and market trends. Developing and enhancing these products can be time-consuming, costly, and complex. Our ability to fund product development and enhancements partially depends on our ability to generate revenues from our existing products.

There is a risk that these new product developments, such as our XT Series, XR2 Automated Central Pharmacy System and IVX semi-automated workflow solution, product enhancements, or preconfigured/non-customizable product offerings such as our Rapid Response XT Series automated dispensing systems, will be late, will have technical problems, will fail to meet customer or market specifications or will not be competitive with other products using alternative technologies that offer comparable performance and functionality. For example, we experienced technical quality issues with respect to early shipments of our XT Series automated dispensing systems to customers. These issues required significant resources to analyze the source of the deficiencies and implement corrective actions. We may discover technical quality issues in the future related to new products, or product enhancements, that require analysis and corrective action, which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

While our business strategy includes a goal of advancing our platform with new product introductions annually, we may be unable to successfully develop additional next generation products, new products or product enhancements on an annual basis or at all. Our next generation products, such as our XT Series, or any of our newer products, such as our XR2 Automated Central Pharmacy System or IVX Workflow, or product enhancements may not be accepted in new or existing markets.

Our ability to execute successfully on our recently-launched vision of a fully digitized and autonomous pharmacy depends on our ability to continue to develop and introduce new products or product enhancements, and integrate new products with existing offerings, in furtherance of this vision in a timely manner and on a cost-effective basis. If we fail to do so, we may be unable to achieve the vision of the autonomous pharmacy, we may not realize the anticipated benefits of our investments in support of this vision, and this could have a material adverse effect on our business, financial condition, and results of operations.

***We operate in highly competitive markets, and we may be unable to compete successfully against new entrants and established companies with greater resources and/or existing business relationships with our current and potential customers.***

The markets in which we operate are intensely competitive. We expect continued and increased competition from current and future competitors, many of which have significantly greater financial, technical, marketing and other resources than we do. Our current direct competitors in the medication management automation solutions market include Becton, Dickinson and Company; ARxIUM; Cerner Corporation; Swisslog Healthcare as a division of KUKA; Cardinal Health, Inc.; PAR Excellence Systems, Inc.; TECSYS Inc.; Baxter Healthcare Corporation; Grifols, S.A.; Willach Pharmacy Solutions; DIH Technologies Corporation; Yuyama Co., Ltd; RoboPharma B.V.; Meditech-Pharma; Knapp AG; KLS Steuerungstechnik GmbH; Gollmann Kommissioniersysteme GmbH, and Loccioni. Our current direct competitors in the medication adherence solutions market include Drug Package, Inc.; ARxIUM; Manchac Technologies, LLC; RX Systems, Inc.; McKesson Corporation; Digital Pharmacist Inc.; Tabula Rasa Healthcare, Inc. (through its acquisition of PrescribeWellness); Synergy Medical; Parata Systems; and Medicine-On-Time in the United States, and Jones Packaging Ltd.; Synergy Medical; and WebsterCare outside the United States.

The competitive challenges we face in the markets in which we operate include, but are not limited to, the following:

- certain competitors may offer or have the ability to offer a broader range of solutions in the marketplace that we are unable to match;
- certain competitors may develop alternative solutions to the customer problems our products are designed to solve that may provide a better customer outcome or a lower cost of operation;
- certain competitors may develop new features or capabilities for their products not previously offered that could compete directly with our products;

- competitive pressures could result in increased price competition for our products and services, fewer customer orders, and reduced gross margins, any of which could harm our business;
- current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, including larger, more established healthcare supply companies, thereby increasing their ability to develop and offer a broader suite of products and services to address the needs of our prospective customers;
- our competitive environment has recently experienced a significant degree of consolidation which could lead to competitors developing new business models that require us to adapt how we market, sell, or distribute our products; for example, in 2018, we initiated a company-wide organizational realignment in order to align our organizational infrastructure to centrally manage our business, including the marketing, sale, and distribution of our products, in part to address the continuing consolidation in the healthcare industry;
- other established or emerging companies may enter the markets in which we operate with products and services that are preferred by our current and potential customers based on factors such as features, capabilities, or cost;
- our competitors may develop, license, or incorporate new or emerging technologies or devote greater resources to the development, promotion, and sale of their products and services than we do;
- certain competitors have greater brand name recognition and a more extensive installed base of medication management automation solutions or other products and services than we do, and such advantages could be used to increase their market share;
- certain competitors may have existing business relationships with our current and potential customers, which may cause these customers to purchase competing products and services from these competitors; and
- our competitors may secure products and services from suppliers on more favorable terms or secure exclusive arrangements with suppliers or buyers that may impede the sales of our products and services.

If we fail to compete successfully against new entrants and established companies, it could materially adversely affect our business, financial condition, results of operations, and cash flows.

***Any reduction in the demand for or adoption of our medication management automation solutions, medication packaging systems, or related services would reduce our revenues.****

Our medication management automation solutions represent only one approach to managing the distribution of pharmaceuticals and supplies at acute healthcare facilities, and our medication packaging systems represent only one way of managing medication distribution at non-acute care facilities. While a significant portion of domestic acute care facilities have adopted some level of medication and/or supply automation, a significant portion of domestic and international healthcare facilities still use traditional approaches in some form that do not include fully automated methods of medication management. As a result, we must continuously educate existing and prospective customers about the advantages of our products, which requires significant sales efforts, particularly when we are seeking to replace an incumbent supplier of medication management automation solutions and can cause longer sales cycles. Despite our significant efforts and extensive time commitments in sales to healthcare facilities, we cannot be assured that our efforts will result in sales to these customers.

In addition, our medication management automation solutions and our more complex automated packaging systems typically represent a sizable initial capital expenditure for healthcare organizations. Changes in the budgets of these organizations and the timing of spending under these budgets can have a significant effect on the demand for our medication management automation solutions, medication packaging systems, and related services. These budgets are often supported by cash flows that can be negatively affected by declining investment income and influenced by limited resources, increased operational and financing costs, macroeconomic conditions such as unemployment rates, and conflicting spending priorities among different departments. Any decrease in expenditures by healthcare facilities or increased financing costs (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) could decrease demand for our medication management automation solutions, medication packaging systems, and related services, and reduce our revenues.

***The transition to selling more products which include a software as a service or solution as a service subscription presents a number of risks.***

We currently offer our IV compounding robots, Medication Packager products, and XR2 Automated Central Pharmacy System together with personnel to operate the equipment, through subscription agreements. We also offer Performance Center, Patient Engagement, and certain other products and solutions as a subscription and/or service. IVX Workflow also contains a payment stream as part of the license fees in its pricing structure. As we continue to execute on the autonomous pharmacy

vision and grow subscription and cloud-based offerings, we may offer additional products and services on a subscription basis. The transition to selling more products and services on a subscription basis presents a number of risks. The shift requires an investment of technical, financial, compliance and sales resources, and we cannot guarantee that we will recoup the costs of such investments, or that these investments will improve our long-term growth and results of operations. If adoption of certain subscription products takes place faster than anticipated, the shift to subscription revenues from capital equipment sales will defer revenue recognition and we may experience a temporary reduction of revenues. If any of our subscription products do not substantially meet customer requirements, customers may cancel subscriptions, causing a decline in revenue. Customers may elect not to renew their subscriptions upon expiration, or they may attempt to renegotiate pricing or other contractual terms at or prior to renewal on terms that are less favorable to us. In addition, since revenue is generally recognized over the term of the subscription, any decrease in customer purchases of our subscription-based products and services will not be fully reflected in our operating results until future periods, and it will also be more difficult for us to rapidly increase our revenue through additional subscription sales in any one period.

***We are subject to laws, regulations, and other legal obligations related to privacy, data protection, and information security, and the costs of compliance with, and potential liability associated with, our actual or perceived failure to comply with such obligations could harm our business.***

We receive, store, and process personal information and other data from and about customers, in addition to our employees and services providers. In addition, our customers use our solutions to obtain and store personal information, including personal health information. For example, our customers use our Omnicell Patient Engagement platform to guide and track patient notes, interventions and appointments, which involves the collection of personal health information of patients. Our handling of data is subject to a variety of laws and regulations by state, local, and foreign agencies, as well as contractual obligations and industry standards. Regulatory focus on data privacy and security concerns continues to increase globally, and laws and regulations concerning the collection, use, and disclosure of personal information are expanding and becoming more complex. In the United States, these include federal health information privacy laws (such as the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), discussed below), security breach notification laws, and consumer protection laws, as well as state laws addressing privacy and data security. For example, The California Consumer Privacy Act of 2018, which became effective in January 2020, imposes additional obligations on companies that process information on California residents.

Internationally, various foreign jurisdictions in which we operate have established, or are developing, their own data privacy and security legal framework with which we or our customers must comply. In certain cases, these international laws and regulations are more restrictive than many regulations in the United States. For example, within the European Union, the General Data Protection Regulation (“GDPR”), which became effective in May 2018, imposes more stringent data protection requirements on U.S.-based companies such as ours which receive or process personal information from EU residents, and establishes greater penalties for non-compliance. Violations of the GDPR can result in penalties up to the greater of €20.0 million or 4% of global annual revenues, and may also lead to damages claims by data controllers and data subjects. Such penalties are in addition to any civil litigation claims by data controllers, customers, and data subjects. Further, Brexit (discussed in the risk factor *“The United Kingdom’s recent withdrawal from the European Union could adversely affect us”* below) has created uncertainty regarding the regulation of data protection in the United Kingdom. In particular, although the United Kingdom enacted a Data Protection Act in May 2018 that is designed to be consistent with the GDPR, uncertainty remains regarding how data transfers to and from the United Kingdom will be regulated following the Brexit Transition Period (also discussed below).

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us. We also expect that there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, and information security. We cannot predict the scope of any such future laws, regulations, and standards that may be applicable to us, or how courts, agencies, or data protection authorities might interpret current ones. It is possible that these laws and other obligations may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our solutions, and we cannot predict the impact of such potential, future, inconsistent interpretations.

Compliance with privacy, data protection, and information security laws, regulations, and other obligations is costly, and we may encounter difficulties, delays, or significant expenses in connection with our compliance, or because of our customers’ need to comply or our customers’ interpretation of their own legal requirements. In addition, any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security could result in governmental investigations and enforcement actions, litigation, fines and penalties, exposure to indemnification obligations or other liabilities, and adverse publicity, all of which could have an adverse effect on our reputation, as well as our business, financial condition, and results of operations. For example, as discussed further in the section entitled “Legal Proceedings” in Note 11, *Commitments and Contingencies*, of the

Notes to Condensed Consolidated Financial Statements included in this quarterly report, we are currently and have in the past been subject to certain class action lawsuits asserting, among other allegations, claims of violation of the Illinois Biometric Information Privacy Act.

***If we experience a significant disruption in our information technology systems, breaches of data security, or cyber-attacks on our systems or solutions, our business could be adversely affected.****

We rely on information technology systems to keep financial records and corporate records, communicate with staff and external parties, and operate other critical functions, including sales and manufacturing processes. In addition, we also utilize third-party cloud services in connection with our operations. Our information technology systems and third-party cloud services are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses, public health crises such as the ongoing COVID-19 pandemic, other catastrophic events or environmental impact. If we were to experience a prolonged system disruption in our information technology systems or third-party cloud services, it could negatively impact the coordination of our sales, planning, and manufacturing activities, which could adversely affect our business. In addition, in order to maximize our information technology efficiency, we have physically consolidated our primary corporate data and computer operations. This concentration, however, exposes us to a greater risk of disruption to our internal information technology systems. Although we maintain offsite back-ups of our data, if operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable time frame.

Our information technology systems and third-party cloud services are potentially vulnerable to cyber-attacks or other data security breaches, whether by employees or others, which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of sensitive and confidential information of our employees, customers, suppliers, and others, any of which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, a security breach or privacy violation that leads to disclosure or modification of, or prevents access to, patient information, including personally identifiable information or protected health information, could harm our reputation, result in litigation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents, and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenues.

In addition, we sell certain solutions that receive, store, and process our customers' data. For example, our Performance Center solution combines a cloud-based predictive intelligence platform with expert services designed to monitor pharmacy operations and recommend opportunities to help improve efficiency, regulatory compliance and patient outcomes. In addition, our Omnicell Patient Engagement platform is a private cloud-based solution that supports improving patient adherence goals through a single web-based platform that hosts functionality to guide and track patient notes, interventions and appointments. An effective attack on our solutions could disrupt the proper functioning of our solutions, allow unauthorized access to sensitive and confidential information of our customers (including protected health information), and disrupt our customers' operations. Any of these events could cause our solutions to be perceived as having security vulnerabilities and reduce demand for our solutions, which could have a material adverse effect on our business, financial condition, and results of operations. These risks are likely to increase as we continue to grow our cloud-based offerings, including in support of the autonomous pharmacy vision, and as we receive, store, and process more of our customers' data. We use third-party cloud providers in connection with certain of our cloud-based offerings or third-party providers to host our own data, in which case we rely on the processes, controls, and security such third parties have in place to protect the infrastructure. We also may acquire companies, products, services, and technologies and inherit such risks when we integrate these acquisitions within Omnicell.

While we have implemented a number of security measures designed to protect our systems and data, including firewalls, antivirus and malware detection tools, patches, log monitors, routine back-ups, system audits, routine password modifications, and disaster recovery procedures, and have designed certain security features into our solutions, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events, and in some cases we may be unaware of an incident or its magnitude and effects. Any failure to prevent such security breaches or privacy violations, or implement satisfactory remedial measures, could require us to expend significant resources to remediate any damage, disrupt our operations or the operations of our customers, damage our reputation, or expose us to a risk of financial loss, litigation, regulatory penalties, contractual indemnification obligations, or other liability because of lost or misappropriated information, including sensitive patient data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

***We have incurred substantial debt, which could impair our flexibility and access to capital and adversely affect our financial position.****

On November 15, 2019, we refinanced our existing senior secured credit facility pursuant to an amended and restated agreement with certain lenders, and Wells Fargo Bank, National Association, as administrative agent (the "A&R Credit Agreement"). The A&R Credit Agreement provides for a five-year revolving credit facility of $500.0 million and an uncommitted incremental loan facility of up to $250.0 million. At March 31, 2020, there was no outstanding loan balance for the revolving credit facility.

Our debt may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions, or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business, and other factors affecting our operations (including the impact of the ongoing COVID-19 pandemic), many of which are beyond our control. If we do not have sufficient funds to meet our debt service obligations, we may be required to refinance or restructure all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can assure you that we would be able to do in a timely manner, or at all. In addition, as more fully described in the risk factor titled "Covenants in our A&R Credit Agreement restrict our business and operations in many ways and if we do not effectively manage our compliance with these covenants, our financial conditions and results of operations could be adversely affected" below, the A&R Credit Agreement includes customary restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to take actions that could be in our best interests.

In addition, borrowings under the A&R Credit Agreement bear interest based on the London Interbank Offered Rate ("LIBOR"). LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of borrowings under the A&R Credit Agreement and other financial contracts that we may enter into that are indexed to LIBOR.

***We may fail to realize the potential benefits of acquired businesses which could negatively affect our business, financial condition, and operating results.***

We have in the past acquired businesses, including Aesynt and Ateb in 2016 and InPharmics in 2017, and expect to continue to seek to acquire businesses, technologies, or products in the future. We cannot provide assurance that any acquisition or any future transaction we complete will result in long-term benefits to us or our stockholders, or that we will be able to integrate or manage the acquired business effectively.

These transactions may involve significant challenges, uncertainties, and risks, including:

- difficulties in combining previously separate businesses into a single unit and the complexity of managing a more dispersed organization as sites are acquired;
- complying with international labor laws that may restrict our ability to right-size organizations and gain synergies across acquired operations;
- complying with regulatory requirements, such as those of the FDA, that we were not previously subject to;
- failure to understand and compete effectively in markets in which we have limited previous experience;
- the substantial costs that may be incurred and the substantial diversion of management's attention from day-to-day business when evaluating and negotiating such transactions and then integrating an acquired business, including any unforeseen delays and expenditures that may result;

- discovery, after completion of the acquisition, of liabilities assumed from the acquired business or of assets acquired that are broader in scope and magnitude or are more difficult to manage than originally assumed;
- difficulties related to assimilating and retaining key personnel of an acquired business, including due to changes in compensation, changes in management, reporting relationships, future prospects, office culture, or the direction of the acquired business;
- failure to achieve anticipated benefits such as cost savings and revenue enhancements;
- difficulties in integrating newly acquired products and solutions in our offerings to our customers and an inability or failure to expand product bookings and sales;
- the inability to maintain business relationships with customers and suppliers of newly acquired companies due to post-acquisition disruption;
- the inability or failure to effectively coordinate sales and marketing efforts to communicate the capabilities of the combined company;
- the inability or failure to successfully integrate and harmonize financial reporting and information technology systems; and
- the inability or failure to achieve the expected operational and cost efficiencies.

If we are not able to successfully integrate or manage the acquired businesses and their operations, or if there are delays in combining the businesses, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected and our business, financial condition, and operating results may be negatively impacted.

***If goodwill or other intangible assets that we recorded in connection with the Aesynt, Ateb, and InPharmics acquisitions, or have recorded in connection with prior acquisitions, become impaired, we could be required to take significant charges against earnings.***

In connection with the accounting for the Aesynt and Ateb acquisitions in 2016, and the InPharmics acquisition in 2017, we recorded a significant amount of goodwill and other intangible assets, and we maintain significant goodwill and other intangible assets relating to prior acquisitions, such as our acquisitions of MTS, Avantec, and Mach4. As of March 31, 2020, we had recorded approximately $453.3 million net, in goodwill and intangible assets in connection with past acquisitions. Under U.S. generally accepted accounting principles, we must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders' equity in future periods.

***Changing customer requirements could decrease the demand for our products and services, and our new product solutions may not achieve market acceptance.***

The markets in which we operate are characterized by evolving technologies and industry standards, frequent new product introductions and dynamic customer requirements that may render existing products obsolete or less competitive. These markets could erode rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our future success will depend in part upon our ability to enhance our existing products and services, and to develop and introduce new products and services to meet changing customer requirements. The process of developing products and services such as those we offer is extremely complex, and is expected to become increasingly more complex and expensive in the future as new technologies are introduced. If we are unable to enhance our existing products and services or develop new solutions to meet changing customer requirements, and bring such enhancements and solutions to market in a timely manner, demand for our products or services could decrease.

We cannot provide assurance that we will be successful in marketing any new products or services that we introduce, that new products or services will compete effectively with similar products or services sold by our competitors, or that the level of market acceptance of such products or services will be sufficient to generate expected revenues and synergies with our other products or services. For example, our XT Series, XR2 Automated Central Pharmacy System, and IVX Workflow are relatively new to the market and we cannot guarantee that demand will meet our expectations. Deployment of new products or services often requires interoperability with other Omnicell products or services as well as with healthcare facilities' existing information management systems. If these products or services fail to satisfy these demanding technological objectives, our customers may be dissatisfied, and we may be unable to generate future sales.

***The healthcare industry faces changes to healthcare legislation and other healthcare reform, as well as financial constraints and consolidation, which could adversely affect the demand for our products and services.***

The healthcare industry has faced, and will likely continue to face, significant financial constraints. U.S. government legislation such as the American Recovery and Reinvestment Act of 2009, the Patient Protection and Affordable Care Act of 2010, the Budget Control Act of 2011, and other health reform legislation, or the repeal of all or a portion of any such legislation, may cause customers to postpone purchases of our products due to reductions in federal healthcare program reimbursement rates and/or needed changes to their operations in order to meet the requirements of legislation. Our automation solutions often involve a significant financial commitment from our customers and, as a result, our ability to grow our business is largely dependent on our customers' capital and operating budgets. To the extent legislation promotes spending on other initiatives or healthcare providers' spending declines or increases more slowly than we anticipate, demand for our products and services could decline.

Healthcare providers have consolidated to create larger healthcare delivery organizations in order to achieve economies of scale and/or greater market power. If this consolidation continues, it would increase the size of certain target customers, which could increase the cost, effort, and difficulty in selling our products to such target customers, or could cause our existing customers or potential new customers to begin utilizing our competitors' products if such customers are acquired by healthcare providers that prefer our competitors' products to ours. In addition, the resulting organizations could have greater bargaining power, which may lead to price erosion.

***Government regulation of the healthcare industry could reduce demand for our products, or substantially increase the cost to produce our products.***

The manufacture and sale of most of our current products are not regulated by the FDA, or the Drug Enforcement Administration ("DEA"). Through our acquisition of Aesynt, we have both Class I and Class II, 510(k) exempt medical devices which are subject to FDA regulation and require compliance with the FDA Quality System Regulation as well as medical device reporting. Additional products may be regulated in the future by the FDA, DEA, or other federal agencies due to future legislative and regulatory initiatives or reforms. Direct regulation of our business and products by the FDA, DEA, or other federal agencies could substantially increase the cost to produce our products and increase the time required to bring those products to market, reduce the demand for our products, and reduce our revenues. In addition, healthcare providers and facilities that use our equipment and dispense controlled substances are subject to regulation by the DEA. The failure of these providers and facilities to comply with DEA requirements, including the Controlled Substances Act and its implementing regulations, could reduce demand for our products and harm our competitive position, results of operations, and financial condition. Pharmacies are regulated by individual state boards of pharmacy that issue rules for pharmacy licensure in their respective jurisdictions. State boards of pharmacy do not license or approve our medication management automation solutions; however, pharmacies using our equipment are subject to state board approval. The failure of such pharmacies to meet differing requirements from a significant number of state boards of pharmacy could decrease demand for our products and harm our competitive position, results of operations, and financial condition. Similarly, hospitals must be accredited by an accrediting organization approved by the Centers for Medicare & Medicaid Services, such as The Joint Commission, in order to be eligible for Medicaid and Medicare funds. The Joint Commission does not accredit medication management automation solutions; however, failure by our customers to meet The Joint Commission standards for medication management could decrease demand for our products and harm our competitive position, results of operations, and financial condition.

While we have implemented a Privacy and Use of Information Policy and adhere to established privacy principles, use of customer information guidelines, and related federal and state statutes, we cannot assure you that we will be in compliance with all federal and state healthcare information privacy and security laws that we are directly or indirectly subject to, including, without limitation, HIPAA. Among other things, this legislation required the Secretary of Health and Human Services to adopt national standards governing the conduct of certain electronic health information transactions and protecting the privacy and security of personally identifiable health information maintained or transmitted by "covered entities," which include pharmacies and other healthcare providers with which we do business.

The standards adopted to date include, among others, the "Standards for Privacy of Individually Identifiable Health Information," which restrict the use and disclosure of personally identifiable health information by covered entities, and the "Security Standards," which require covered entities to implement administrative, physical, and technical safeguards to protect the integrity and security of certain electronic health information. Under HIPAA, we are considered a "business associate" in relation to many of our customers that are covered entities, and as such, most of these customers have required that we enter into written agreements governing the way we handle and safeguard certain patient health information we may encounter in providing our products and services, and may impose liability on us for failure to meet our contractual obligations. Further, pursuant to changes in HIPAA under the American Recovery and Reinvestment Act of 2009, we are covered under HIPAA similar to other covered entities and in some cases, subject to the same civil and criminal penalties as a covered entity. A number of states have also enacted privacy and security statutes and regulations that, in some cases, are more stringent than

HIPAA and may also apply directly to us. If our past or present operations are found to violate any of these laws, we may be subject to fines, penalties, and other sanctions.

In addition, we cannot predict the potential impact of future HIPAA standards and other federal and state privacy and security laws that may be enacted at any time on our customers or on Omnicell. These laws could restrict the ability of our customers to obtain, use, or disseminate patient information, which could reduce the demand for our products or force us to redesign our products in order to meet regulatory requirements.

***Our software products are complex and may contain defects, which could harm our reputation, results of operations, and financial condition.***

We market products that contain software and products that are software only. Although we perform extensive testing prior to releasing software products, these products may contain undetected errors or bugs when first released. These may not be discovered until the product has been used by customers in different application environments. Failure to discover product deficiencies or bugs could require design modifications to previously shipped products or cause delays in the installation of our products and unfavorable publicity or negatively impact system shipments, any of which could harm our business, financial condition, and results of operations.

***When we experience delays in installations of our medication management automation solutions or our more complex medication packaging systems, resulting in delays in our ability to recognize revenue, our competitive position, results of operations, and financial condition could be harmed.****

The purchase of our medication management automation solutions or our more complex medication packaging systems is often part of a customer's larger initiative to re-engineer its pharmacy and their distribution and materials management systems. As a result, our sales cycles are often lengthy. The purchase of our systems often entails larger strategic purchases by customers that frequently require more complex and stringent contractual requirements and generally involve a significant commitment of management attention and resources by prospective customers. These larger and more complex transactions often require the input and approval of many decision-makers, including pharmacy directors, materials managers, nurse managers, financial managers, information systems managers, administrators, lawyers, and boards of directors. In addition, new product announcements, such as that of our XT Series, can cause a delay in our customers' decision to purchase our products or convert orders from our older products to those of our newer products, such as the XT Series. For these and other reasons, the sales cycle associated with sales of our medication management automation solutions and our more complex medication packaging systems is often lengthy and subject to a number of delays over which we have little or no control. A delay in, or loss of, sales of these systems (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) could have an adverse effect upon our operating results and could harm our business.

In addition, and in part as a result of the complexities inherent in larger transactions, the time between the purchase and installation of our systems can generally range from two weeks to one year. Delays in installation can occur for reasons that are often outside of our control. We have also experienced fluctuations in our customer and transaction size mix, which makes our ability to forecast our product bookings more difficult. Because we recognize revenues for our medication management automation solutions and our more complex medication packaging systems only upon installation at a customer's site, any delay in installation by our customers (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) will also cause a delay in the recognition of the revenues for that system.

***Our international operations may subject us to additional risks that can adversely affect our operating results.****

We currently have operations outside of the United States, including sales efforts centered in Canada, Europe, the Middle East, and Asia-Pacific regions, and supply chain efforts in Asia. We intend to continue to expand our international operations, particularly in certain markets that we view as strategic, including the Middle East. Our international operations subject us to a variety of risks, including:

- our reliance on distributors for the sale and post-sale support of our medication management automation solutions outside the United States and Canada;
- the difficulty of managing an organization operating in various countries;
- political sentiment against international outsourcing of production;
- reduced protection for intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes, which could make it more costly for us to enforce, and more difficult for us to stop the infringement or misappropriation of, our intellectual property rights in these jurisdictions;
- changes in foreign regulatory requirements;

- the requirement to comply with a variety of international laws and regulations, including privacy and security, labor, import, export, trade, environmental standards, product compliance, tax, anti-bribery, and employment laws;
- fluctuations in currency exchange rates and difficulties in repatriating funds from certain countries;
- additional investment, coordination, and lead-time necessary to successfully interface our automation solutions with the existing information systems of our customers or potential customers outside of the United States;
- political unrest, terrorism, and the potential for other hostilities in areas in which we have facilities or operations;
- epidemics, pandemics or other major public health crises, such as the ongoing COVID-19 pandemic; and
- natural disasters.

If we are unable to anticipate and address these risks properly, our business or operating results will be harmed.

Furthermore, changes in export or import regulation and other trade barriers and uncertainties may have an adverse effect on our business. For example, the current U.S. administration has advocated greater restrictions on trade generally and tariff increases on certain goods imported into the United States, particularly from China. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and other countries (including China), what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. The adoption and expansion of trade restrictions, the occurrence of a trade war, other governmental action related to tariffs or trade agreements or policies, or the related uncertainties, has the potential to adversely impact our supply chain and costs, which could in turn adversely affect our business, financial condition, and results of operations.

***In the past, we have experienced substantial fluctuations in customer demand, and we cannot be sure that we will be able to respond proactively to future changes in customer demand.***

Our ability to adjust to fluctuations in our revenues while still achieving or sustaining profitability is dependent upon our ability to manage costs and control expenses. If our revenues increase or decrease rapidly, we may not be able to manage these changes effectively. Future growth is dependent on the continued demand for our products and services, the volume of installations we are able to complete, our ability to continue to meet our customers' needs and provide a quality installation experience, and our flexibility in manpower allocations among customers to complete installations on a timely basis.

Our ability to control expenses is dependent on our ability to continue to develop and leverage effective and efficient human and information technology systems, our ability to gain efficiencies in our workforce through the local and worldwide labor markets, and our ability to grow our outsourced vendor supply model. Our expense growth rate may equal or exceed our revenue growth rate if we are unable to streamline our operations, incur significant research and development expenses prior to, or without recognizing the benefits, of those solutions under development, incur acquisition-related integration expenses greater than those we anticipate, or fail to reduce the costs or increase the margins of our products. In addition, we may not be able to reduce our expenses to keep pace with any reduction in our revenue, which could harm our results of operations and financial position.

***Covenants in our A&R Credit Agreement restrict our business and operations in many ways, and if we do not effectively manage our compliance with these covenants, our financial conditions and results of operations could be adversely affected.***

The A&R Credit Agreement contains various customary covenants that limit our ability and/or our subsidiaries' ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations or other persons;
- issue redeemable preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem, or repurchase certain debt;
- make loans, investments, acquisitions, and capital expenditures;
- enter into agreements that restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates; and

- consolidate or merge with or into, or sell substantially all of our assets to, another person.

The A&R Credit Agreement also includes financial covenants requiring us (i) not to exceed a maximum consolidated total net leverage ratio of 3.50:1 (subject to certain exceptions) and (ii) to maintain a minimum interest coverage ratio of 3.00:1. Our ability to comply with these financial covenants may be affected by events beyond our control. Our failure to comply with any of the covenants under the A&R Credit Agreement could result in a default under the terms of the A&R Credit Agreement, which could permit the administrative agent or the lenders to declare all or part of any outstanding borrowings to be immediately due and payable, or to refuse to permit additional borrowings under the revolving credit facility, which could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions to take advantage of certain business opportunities that may be presented to us. In addition, if we are unable to repay those amounts, the administrative agent and the lenders under the A&R Credit Agreement could proceed against the collateral granted to them to secure that debt, which would seriously harm our business.

***If we are unable to recruit and retain skilled and motivated personnel, our competitive position, results of operations, and financial condition could be harmed.****

Our success is highly dependent upon the continuing contributions of our key management, sales, technical, and engineering staff. We believe that our future success will depend upon our ability to attract, train, and retain highly skilled and motivated personnel. As more of our products are installed in increasingly complex environments, greater technical expertise will be required. As our installed base of customers increases, we will also face additional demands on our customer service and support personnel, requiring additional resources to meet these demands. Furthermore, as we execute on the autonomous pharmacy vision and grow our cloud-based software as a service and solution as a service offerings, more specialized expertise will be required. We may experience difficulty in recruiting qualified personnel. Competition for qualified technical, engineering, managerial, sales, marketing, financial reporting, and other personnel can be intense, and we may not be successful in attracting and retaining qualified personnel. Competitors have in the past attempted, and may in the future attempt, to recruit our employees. Furthermore, travel restrictions and social distancing associated with the ongoing COVID-19 pandemic may make it more difficult to recruit, hire and train qualified personnel or cause delays in these processes.

In addition, we have historically used stock options, restricted stock units, and other forms of equity compensation as key components of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention, and provide competitive compensation packages. The effect of managing share-based compensation expense and minimizing shareholder dilution from the issuance of new shares may make it less favorable for us to grant stock options, restricted stock units, or other forms of equity compensation, to employees in the future. In order to continue granting equity compensation at competitive levels, we must seek stockholder approval for any increases to the number of shares reserved for issuance under our equity incentive plans, such as the share increase that was approved at our 2019 Annual Meeting of Stockholders, and we cannot assure you that we will receive such approvals in the future. Any failure to receive approval for future proposed increases could prevent us from granting equity compensation at competitive levels and make it more difficult to attract, retain, and motivate employees. Further, to the extent that we expand our business or product lines through the acquisition of other businesses, any failure to receive any such approvals could prevent us from securing employment commitments from such newly acquired employees. Failure to attract and retain key personnel could harm our competitive position, results of operations, and financial condition.

***Our failure to protect our intellectual property rights could negatively affect our ability to compete.***

Our success depends in part on our ability to obtain patent protection for technology and processes, and our ability to preserve our trademarks, copyrights, and trade secrets. We have pursued patent protection in the United States and foreign jurisdictions for technology that we believe to be proprietary and for technology that offers us a potential competitive advantage for our products. We intend to continue to pursue such protection in the future. Our issued patents relate to various features of our medication management automation solutions and medication packaging systems. We cannot assure you that we will file any patent applications in the future and that any of our patent applications will result in issued patents, or that, if issued, such patents will provide significant protection for our technology and processes. As an example, in September 2014, an action was brought against us, to, among other matters, correct the inventorship of certain patents owned by us. Furthermore, we cannot assure you that others will not develop technologies that are similar or superior to our technology or that others will not design around the patents we own. All of our system software is copyrighted and subject to the protection of applicable copyright laws. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary, which could harm our competitive position.

***Our quarterly operating results may fluctuate and may cause our stock price to decline.****

Our quarterly operating results may vary in the future depending on many factors that include, but are not limited to, the following:

- our ability to successfully install our products on a timely basis and meet other contractual obligations necessary to recognize revenue;
- our ability to continue cost reduction efforts;
- the size, product mix, and timing of orders for our medication management automation solutions and medication packaging systems, and their installation and integration;
- the overall demand for healthcare medication management automation solutions and medication adherence solutions;
- changes in pricing policies by us or our competitors;
- the number, timing, and significance of product enhancements and new product announcements by us or our competitors;
- the timing and significance of any acquisition or business development transactions that we may consider or negotiate and the revenues, costs, and earnings that may be associated with these transactions;
- the relative proportions of revenues we derive from products and services;
- fluctuations in the percentage of sales attributable to our international business;
- our customers' budget cycles;
- changes in our operating expenses and our ability to stabilize expenses;
- expenses incurred to remediate product quality, security, or safety issues;
- our ability to generate cash from our accounts receivable on a timely basis;
- the performance of our products;
- changes in our business strategy;
- epidemics, pandemics or other major public health crises, such as the ongoing COVID-19 pandemic;
- macroeconomic and political conditions, including fluctuations in interest rates, tax increases, availability of credit markets, and trade and tariff actions; and
- volatility in our stock price and its effect on equity-based compensation expense.

Due to all of these factors, our quarterly revenues and operating results are difficult to predict and may fluctuate, which in turn may cause the market price of our stock to decline.

***If we are unable to maintain our relationships with group purchasing organizations or other similar organizations, we may have difficulty selling our products and services to customers represented by these organizations.***

A number of GPOs, including HealthTrust Purchasing Group, Intalere (f.k.a. Amerinet, Inc.), Premier Inc., The Resource Group, Resource Optimization & Innovation, LLC, and Vizient Inc., have negotiated standard contracts for our products on behalf of their member healthcare organizations. Members of these GPOs may purchase under the terms of these contracts, which obligate us to pay the GPO a fee. We have also contracted with the United States General Services Administration, allowing the Department of Veteran Affairs, the Department of Defense, and other Federal Government customers to purchase our products. These contracts enable us to more readily sell our products and services to customers represented by these organizations. Some of our contracts with these organizations are terminable at the convenience of either party. The loss of any of these relationships could impact the breadth of our customer base and could impair our ability to meet our revenue targets or increase our revenues. These organizations may not renew our contracts on similar terms, if at all, and they may choose to terminate our contracts before they expire, any of which could cause our revenues to decline.

***If we are not able to supply the demand from our institutional and retail pharmacy customers on schedule and with quality consumable medication packaging products, or if we are otherwise unable to maintain our relationships with major institutional pharmacies, they may use alternative means to distribute medications to their customers and our revenue from sales of blister cards and other consumables may decline.****

Approximately 10% of our revenues during the three months ended March 31, 2020 were generated from the sale of consumable medication packages, most of which are produced in our St. Petersburg, Florida facility on a continuous basis and

are shipped out to fulfill the demands of our institutional and retail pharmacy customers domestically and abroad. The demands placed on institutional and retail pharmacies by their customers represent real time requirements of those customers. Our customer agreements for the sale of consumable medication packages are typically short-term in nature and typically do not include any volume commitments on the part of the customer. Although our packaging may be considered the preferred method of maintaining control of medications during the medication distribution and administration process, institutional and retail pharmacies have alternative methods of distributing medications, including bulk and alternative packaging, and medication adherence packaging may be supplied by our competitors. To the extent that we are unable to supply quality packaging to our customers in a timely manner, that demand will be met via alternative distribution methods, including consumable medication packaging sold by our competitors, and our revenues will decline. Any disruption in the production capabilities of our St. Petersburg facilities (including due to any impact from public health crises such as the ongoing COVID-19 pandemic) will adversely affect our ability to ship our consumable medication packages globally and would reduce our revenues.

In addition, the institutional pharmacy market consists of significant national suppliers of medications to non-acute care facilities, smaller regional suppliers, and very small local suppliers. If we are unable to maintain our relationships with the major institutional pharmacies we do business with, they may purchase consumable blister card components from alternative sources, or choose to use alternatives to blister cards for medication control, and our revenues would decline.

***If we are unable to successfully interface our automation solutions with the existing information systems of our customers, they may choose not to use our products and services.***

For healthcare facilities to fully benefit from our automation solutions, our systems must interface with certain of their other information systems. This may require substantial cooperation, incremental investment, and coordination on the part of our customers, and may require coordination with third-party suppliers of the existing information systems. There is little uniformity in the systems currently used by our customers, which complicates the interfacing process. If these systems are not successfully interfaced, our customers could choose not to use or to reduce their use of our automation solutions, which would harm our business. Also, these information systems are impacted by regulatory forces, such as the Promoting Interoperability Program and HIPAA Omnibus Rules, and may evolve their interoperability functionality accordingly. We expect to comply with the mandatory standards and certifications that enable us to continuously interoperate with partner information systems, but such symbiotic evolution in a changing regulatory environment can at times create an execution risk.

Additionally, our competitors may enter into agreements with providers of hospital information systems that are designed to increase the interoperability of their respective products. To the extent our competitors are able to increase the interoperability of their products with those of the major hospital information systems providers, customers who utilize such information systems may choose not to use our products and services. In addition, hospital and physician office information systems providers may choose to develop their own solutions that could compete with ours. Furthermore, we expect the importance of interoperability to continue to increase in the next few years. Regulations such as the Quality Payment Program are expected to heavily focus on evidence and outcomes. Given our role in care delivery process, the data generated by our products may be a key input for assessing and reporting on clinical outcomes. This may elevate interoperability with information systems to a relative importance to our customers creating a business opportunity and risk.

***We depend on a limited number of suppliers for our products, and our business may suffer if we were required to change suppliers to obtain an adequate supply of components, equipment, and raw materials on a timely basis.****

Although we generally use parts and components for our products with a high degree of modularity, certain components are presently available only from a single source or limited sources. We rely on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages. While we have generally been able to obtain adequate supplies of all components and raw materials in a timely manner from existing sources, or where necessary, from alternative sources of supply, we entered into relationships with new suppliers in connection with the launch of our XT Series products. We engage multiple single source third-party manufacturers to build several of our sub-assemblies. The risks associated with changing to alternative vendors, if necessary, for any of the numerous components used to manufacture our products could limit our ability to manufacture our products and harm our business. Due to our reliance on a few single source partners to build our hardware sub-assemblies and on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages, a reduction or interruption in supply from our partners or suppliers (including due to the impact of the public health crises such as the ongoing COVID-19 pandemic), or a significant increase in the price of one or more components could have an adverse impact on our business, results of operations, and financial condition. In certain circumstances, the failure of any of our suppliers or us to perform adequately could result in quality control issues affecting end users' acceptance of our products. These impacts could damage customer relationships and could harm our business.

***Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could cause our stock price to decline.***

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission ("SEC") require annual management assessments of the effectiveness of our internal control over financial reporting, and a report by our independent registered public accounting firm attesting to the effectiveness of internal control. If we fail to maintain effective internal control over financial reporting, as such standards are modified, supplemented, or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting.

***If the market price of our common stock continues to be highly volatile, the investment value of our common stock may decline.****

Our common stock traded between $54.24 and $94.85 per share during the three months ended March 31, 2020. The market price for shares of our common stock has been and may continue to be highly volatile. In addition, our announcements or external events may have a significant impact on the market price of our common stock. These announcements or external events may include:

- actual or anticipated changes in our operating results;
- whether our operating results or forecasts meet the expectations of securities analysts or investors;
- developments in our relationships with corporate customers;
- developments with respect to recently acquired businesses;
- changes in the ratings of our common stock by securities analysts or changes in their earnings estimates;
- announcements by us or our competitors of technological innovations or new products;
- announcements by us or our competitors of acquisitions of businesses, products or technologies; or other significant transactions by us or our competitors such as strategic partnerships or divestitures;
- actions by stockholders or short sellers of our common stock;
- the level of demand for our common stock, including short interest in our common stock;
- epidemics, pandemics or other major public health crises, such as the ongoing COVID-19 pandemic; or
- general economic and market conditions.

Furthermore, the stock market as a whole from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for technology companies. These broad market fluctuations may cause the market price of our common stock to decline irrespective of our performance. In addition, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could lower the market price of our common stock.

In addition, stockholders have initiated class action lawsuits against companies following periods of volatility in the market prices of these companies' stock. For example, as described in the section entitled "Legal Proceedings" in Note 11, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report, in July 2019, a putative class action lawsuit was filed against Omnicell and certain of our officers alleging that the defendants violated federal securities laws by making certain materially false and misleading statements. While this action is concluded following the lead plaintiff's filing of a notice of voluntary dismissal as to all defendants, we may in the future be subject to other class action lawsuits, especially following periods of volatility in the market price of our common stock.

***The United Kingdom's recent withdrawal from the European Union could adversely affect us.***

Following the result of a referendum in 2016, the United Kingdom (the "UK") left the European Union (the "EU") on January 31, 2020. The UK's withdrawal from the EU is commonly referred to as "Brexit." Pursuant to the formal withdrawal arrangements agreed between the UK and the EU, the UK is subject to a transition period until December 31, 2020 (the "Brexit Transition Period"), during which EU rules will continue to apply. Negotiations between the UK and the EU are expected to continue in relation to the customs and trading relationship between the UK and the EU following the expiry of the Brexit Transition Period. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally, and could continue to contribute to instability in global financial markets as well as uncertainty regarding the regulation of data protection in the UK.

Brexit could also have the effect of disrupting the free movement of goods, services, and people between the UK and the EU. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. The full effects of Brexit are uncertain and will remain so until after the Brexit Transition Period and the UK and EU reach a definitive resolution with regards to outstanding trade and legal matters. Lastly, as a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the EU. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations, and financial condition could be adversely affected by Brexit is uncertain.

***Our U.S. government lease agreements are subject to annual budget funding cycles and mandated unilateral changes, which may affect our ability to enter into such leases or to recognize revenues, and sell receivables based on these leases.***

U.S. government customers that lease our equipment typically sign contracts with five-year payment terms that are subject to one-year government budget funding cycles. Further, the government has in certain circumstances mandated unilateral changes in its Federal Supply Services contract that could render our lease terms with the government less attractive. In our judgment and based on our history with these accounts, we believe these receivables are collectible. However, in the future, the failure of any of our U.S. government customers to receive their annual funding, or the government mandating changes to the Federal Supply Services contract could impair our ability to sell lease equipment to these customers or to sell our U.S. government receivables to third-party leasing companies. In addition, the ability to collect payments on unsold receivables could be impaired and may result in a write-down of our unsold receivables from U.S. government customers. The balance of our unsold leases to U.S. government customers was $19.8 million as of March 31, 2020.

***If we fail to manage our inventory properly, our revenue, gross margin, and profitability could suffer.***

Managing our inventory of components and finished products is a complex task. A number of factors, including, but not limited to, the need to maintain a significant inventory of certain components that are in short supply or that must be purchased in bulk to obtain favorable pricing, the general unpredictability of demand for specific products and customer requests for quick delivery schedules, may result in us maintaining large amounts of inventory. Other factors, including changes in market demand, customer requirements, and technology, may cause our inventory to become obsolete. Any excess or obsolete inventory could result in inventory write-downs, which in turn could harm our business and results of operations.

***Intellectual property claims against us could harm our competitive position, results of operations, and financial condition.***

We expect that developers of medication management automation solutions and medication packaging systems will be increasingly subject to infringement claims as the number of products and competitors in our industry grows and the functionality of products in different industry segments overlaps. In the future, third parties may claim that we have infringed upon their intellectual property rights with respect to current or future products. We do not carry special insurance that covers intellectual property infringement claims; however, such claims may be covered under our traditional insurance policies. These policies contain terms, conditions, and exclusions that make recovery for intellectual property infringement claims difficult to guarantee. Any infringement claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management’s attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on terms acceptable to us, or at all, which could harm our competitive position, results of operations, and financial condition.

***Product liability claims against us could harm our competitive position, results of operations and financial condition.***

Our products include medication management automation solutions and medication adherence products and services for healthcare systems and pharmacies. Despite the presence of healthcare and pharmacy professionals as intermediaries between our products and patients, if our products fail to provide accurate and timely information or operate as designed, customers, patients or their family members could assert claims against us for product liability. For example, as further discussed under “Legal Proceedings” in Note 11, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report, we are currently subject to certain lawsuits, asserting, among other allegations, claims of product liability. Moreover, failure of health care facility and pharmacy employees to use our products for their intended purposes could result in product liability claims against us. Litigation with respect to product liability claims, regardless of any outcome, could result in substantial cost to us, divert management’s attention from operations, and decrease market acceptance of our products. We possess a variety of insurance policies that include coverage for general commercial liability and technology errors and omissions liability. We attempt to mitigate these risks through contractual terms negotiated with our customers. However, these policies and protective contractual terms may not be adequate against product liability claims. A successful claim brought against us, or any claim or product recall that results in negative publicity about us, could harm our competitive position, results of operations, and financial condition. Also, in the event that any of our products is defective, we may be required to recall or redesign those products.

***We are dependent on technologies provided by third-party vendors, the loss of which could negatively and materially affect our ability to market, sell, or distribute our products.***

Some of our products incorporate technologies owned by third parties that are licensed to us for use, modification, and distribution. For example, the VBM 200F is manufactured by a third party and sold by us pursuant to a distribution and supplier agreement. In addition, we recently entered into a reseller agreement with Kit Check, Inc. to offer BlueSight for Controlled Substances diversion prevention software to our customers. If we lose access to third-party technologies, such as our ability to distribute the VBM 200F or BlueSight for Controlled Substances, or we lose the ongoing rights to modify and distribute these technologies with our products, we will have to devote resources to independently develop, maintain and support the technologies ourselves, pay increased license costs, or transition to another vendor. Any independent development, maintenance or support of these technologies by us or the transition to alternative technologies could be costly, time consuming, and could delay our product releases and upgrade schedules. These factors could negatively and materially affect our ability to market, sell or distribute our products.

***Complications in connection with our ongoing business information system upgrades, including those required to transition acquired entities onto information systems already utilized, and those implemented to adopt new accounting standards, may impact our results of operations, financial condition, and cash flows.***

We continue to upgrade our enterprise-level business information system with new capabilities and transition acquired entities onto information systems already utilized in the Company. For example, we are currently in the process of replacing the legacy Enterprise Requirements Planning systems used at Aesynt with systems currently in use in other parts of Omnicell, and we intend to do the same at Ateb. Based upon the complexity of some of the upgrades, there is risk that we will not see the expected benefit from the implementation of these upgrades in accordance with their anticipated timeline and will incur costs in addition to those we have already planned for. In addition, in future years, we will need to comply with new accounting standards established by the Financial Accounting Standards Board (“FASB”) for components of our financial reporting. These new standards will require us to modify our accounting policies and financial reporting disclosure. We further anticipate that integration of these and possibly other new standards may require a substantial amount of management’s time and attention, and require integration with our enterprise resource planning system. The implementation of the system and the adoption of future new standards, in isolation as well as together, could result in operating inefficiencies and financial reporting delays, and could impact our ability to timely record certain business transactions. All of these potential results could adversely impact our results of operations, financial condition, and cash flows.

***Outstanding employee stock options have the potential to dilute stockholder value and cause our stock price to decline.***

We grant stock options to certain of our employees as incentives to join Omnicell or as an on-going reward and retention vehicle. We had options outstanding to purchase approximately 4.0 million shares of our common stock, at a weighted-average exercise price of $56.96 per share as of March 31, 2020. If some or all of these shares are sold into the public market over a short time period, the price of our common stock may decline, as the market may not be able to absorb those shares at the prevailing market prices. Such sales may also make it more difficult for us to sell equity securities in the future on terms that we deem acceptable.

***Raising additional capital may cause dilution to our existing stockholders, restrict our operations or harm our business, financial condition, and results of operations.****

We may seek additional capital through a variety of means, including through private and public equity offerings and debt financings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures, entering into licensing arrangements, or declaring dividends. If we raise additional funds from third parties, we may have to relinquish valuable rights to our technologies, or grant licenses on terms that are not favorable to us.

For example, we filed a “shelf” registration statement on Form S-3 under the Securities Act in November 2017 (the “S-3 Registration Statement”), allowing us, from time to time, to offer any combination of registered common stock, preferred stock, debt securities, and warrants. Under this S-3 Registration Statement, we also entered into a distribution agreement (the “Distribution Agreement”) in November 2017 with J.P. Morgan Securities, LLC, Wells Fargo Securities, LLC, and HSBC Securities (USA) Inc., as our sales agents, pursuant to which we may offer and sell from time to time through “at-the-market” offerings, up to an aggregate of $125.0 million of our common stock through the sales agents. As of March 31, 2020, we had an aggregate of $31.5 million available to be offered under the Distribution Agreement.

If we are unable to raise additional funds through equity or debt financing when needed (including due to the impact of public health crises such as the COVID-19 pandemic on the global capital markets), our ability to market, sell or distribute our products may be negatively impacted and could harm our business, financial condition, and results of operations.

***Changes in our tax rates, exposure to additional tax liabilities, or the adoption of new tax legislation could adversely affect our business and financial condition.****

We are subject to taxes in the United States and foreign jurisdictions. Our future effective tax rates could be affected by several factors, many of which are outside of our control, including: changes in the mix of earnings with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in federal, state, and international laws or their interpretation, adjustments to income tax expense upon the finalization of tax returns, changes in tax attribute, or changes in accounting principles. We regularly assess the likelihood of adverse outcomes to determine the adequacy of our provision for taxes. We are also subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be a material difference between the forecasted and the accrual tax rates, especially due to the volatility and uncertainty of global economic conditions resulting from the COVID-19 pandemic. Any increase in our effective tax rate would reduce our profitability.

***Catastrophic events may disrupt our business and harm our operating results.****

We rely on our network infrastructure, data centers, enterprise applications, and technology systems for the development, marketing, support, and sales of our products, and for the internal operation of our business. These systems are susceptible to disruption or failure in the event of a major earthquake, fire, flood, ice and snow storms, cyber-attack, terrorist attack, telecommunications failure, epidemic or pandemic (such as the ongoing COVID-19 pandemic), or other catastrophic event. Many of these systems are housed or supported in or around our corporate headquarters located in Northern California, near major earthquake faults, and where a significant portion of our research and development activities and other critical business operations take place. Other critical systems, including our manufacturing facilities for our consumable medication packages, are housed in St. Petersburg, Florida, in communities that have been subject to significant tropical storms. Disruptions to or the failure of any of these systems, and the resulting loss of critical data, which is not quickly recoverable by the effective execution of disaster recovery plans designed to reduce such disruption, could cause delays in our product development, prevent us from fulfilling our customers' orders, and could severely affect our ability to conduct normal business operations, the result of which would adversely affect our operating results.

***Anti-takeover provisions in our charter documents and under Delaware law, and any stockholders' rights plan we may adopt in the future, make an acquisition of us, which may be beneficial to our stockholders, more difficult.***

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our Company more difficult, even if a change in control would be beneficial to the stockholders. Our anti-takeover provisions include provisions in our certificate of incorporation providing that stockholders' meetings may only be called by our Board of Directors and provisions in our bylaws providing that the stockholders may not take action by written consent and requiring that stockholders that desire to nominate any person for election to our Board of Directors or to make any proposal with respect to business to be conducted at a meeting of our stockholders be submitted in appropriate form to our Secretary within a specified period of time in advance of any such meeting. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, our Board of Directors approves the transaction. Our Board of Directors may use these provisions to prevent changes in the management and control of our Company. Also, under applicable Delaware law, our Board of Directors may adopt additional anti-takeover measures in the future.

The stockholder rights plan adopted by our Board of Directors in February 2003 expired by its terms in February 2013. Our Board of Directors could adopt a similar plan in the future if it determines that such action is in the best interests of our stockholders. Such a plan may have the effect of discouraging, delaying or preventing a change in control of our Company that may be beneficial to our stockholders.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Stock Repurchase Programs

During the three months ended March 31, 2020, we did not repurchase any shares of our common stock under our stock repurchase programs. Refer to "Stock Repurchase Program" under Note 13, *Employee Benefits and Share-Based Compensation*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report for more details.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date |
| 3.1 | Amended and Restated Certificate of Incorporation of Omnicell, Inc. | 10-Q | 000-33043 | 3.1 | 9/20/2001 |
| 3.2 | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Omnicell, Inc. | 10-Q | 000-33043 | 3.2 | 8/9/2010 |
| 3.3 | Certificate of Designation of Series A Junior Participating Preferred Stock | 10-K | 000-33043 | 3.2 | 3/28/2003 |
| 3.4 | Amended and Restated Bylaws of Omnicell, Inc. | 10-Q | 000-33043 | 3.4 | 5/4/2018 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4 | | | | |
| 4.2 | Form of Common Stock Certificate | S-1/A | 333-57024 | 4.1 | 7/24/2001 |
| 10.1* | 2020 Executive Officer Annualized Base Salaries | 8-K | 000-33043 | 10.1 | 2/18/2020 |
| 31.1+ | Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) | | | | |
| 31.2+ | Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) | | | | |
| 32.1+ | Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350) | | | | |
| 101.INS+ | Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | |
| 101.SCH+ | Inline XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL+ | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF+ | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB+ | Inline XBRL Taxonomy Extension Labels Linkbase Document | | | | |
| 101.PRE+ | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104+ | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101). | | | | |

+ Filed herewith.

* Indicates a management contract, compensation plan, or arrangement.

**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, thereunto duly authorized.

OMNICELL, INC.

Date: May 8, 2020

By: /s/ Peter J. Kuipers

Peter J. Kuipers,
Executive Vice President & Chief Financial Officer

**Exhibit 31.1**

**CERTIFICATION**

I, Randall A. Lipps, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omnicell, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2020

/s/ Randall A. Lipps

Randall A. Lipps
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Peter J. Kuipers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omnicell, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2020

/s/ Peter J. Kuipers

Peter J. Kuipers

Executive Vice President & Chief Financial Officer

(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Randall A. Lipps, the President and Chief Executive Officer of Omnicell, Inc. (the "Company"), and Peter J. Kuipers, the Executive Vice President & Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Quarterly Report"), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned have set their hands hereto as of the 8th day of May, 2020.

| /s/ Randall A. Lipps | /s/ Peter J. Kuipers |
|---|---|
| Randall A. Lipps | Peter J. Kuipers |
| President and Chief Executive Officer<br>(Principal Executive Officer) | Executive Vice President & Chief Financial Officer<br>(Principal Financial Officer) |

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Omnicell, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."