



Omnicell Announces Second Quarter 2010 Results

MOUNTAIN VIEW, Calif., July 22, 2010 /PRNewswire via COMTEX News Network/ -- Omnicell, Inc. (Nasdaq: OMCL), a leading global provider of system solutions to acute healthcare facilities, today announced results for its second quarter ended June 30, 2010.

GAAP results: Revenue for the second quarter of 2010 was \$54.7 million, up \$0.5 million or 1% from the first quarter of 2010, and up \$2.1 million or 4% from the second quarter of 2009.

Second quarter 2010 net income as reported in accordance with U.S. generally accepted accounting principles (GAAP) was \$2.0 million, or \$0.06 per diluted share. This compares to net income of \$1.0 million, or \$0.03 per diluted share in the first quarter of 2010, and net income of \$0.9 million, or \$0.03 per diluted share in the second quarter of 2009.

Non-GAAP results: Non-GAAP net income was \$4.1 million for the second quarter of 2010, or \$0.12 per diluted share, which excludes \$2.1 million in stock compensation expense. This compares to non-GAAP net income of \$3.1 million, or \$0.09 per diluted share for the first quarter of 2010, which excludes \$2.2 million in stock compensation expense. Second quarter 2010 results compare to non-GAAP net income of \$3.3 million, or \$0.10 per diluted share for the second quarter of 2009, which excludes \$2.4 million in stock compensation expense.

"In light of a challenging economic environment for capital spending, I am pleased with our results for Q2," said Randall Lipps, Omnicell president, chairman and CEO. "Revenue is up year to year and profits increased. Our solutions continue to resonate with new and existing hospital customers who are seeking a trustworthy partner and expert advisor for adding the safest and most effective medication and supply automation capabilities to their operations."

Omnicell Conference Call Information

Omnicell will hold a conference call at 1:30 p.m. PDT today to discuss second quarter financial results. The conference call can be monitored by dialing 1-800-696-5518 within the U.S. or 1-706-758-4883 for all other locations. The Conference ID # is 87887981. Internet users can access the conference call at <http://ir.omnicell.com/events.cfm>. A replay of the call will be available today at approximately 2:30 p.m. PDT and will be available until 8:59 p.m. PDT on July 29. The replay access numbers are 1-800-642-1687 within the U.S. and 1-706-645-9291 for all other locations, conference code # 87887981.

About Omnicell

Omnicell, Inc. (NASDAQ: OMCL) is a leading provider of systems that enable healthcare facilities to increase operational efficiency, enhance patient safety and allow clinicians to spend more time with their patients.

Founded in 1992, Omnicell's medication-use solutions include complete automation systems for the central pharmacy, anesthesia workstations for the operating room, dispensing cabinet systems for nursing units, and safe, secure medication transportation and verification systems to the patient bedside. From a medication's arrival at the receiving dock to its dosing to the patient, Omnicell systems store it, package it, bar code it, order it, issue it, and provide information and controls on its use and reorder.

Omnicell supply product lines provide a healthcare institution with comprehensive supply chain solutions that result in fast, effective control of costs, capture of charges for payer reimbursement, and timely reorder of supplies. Products range from high-security closed-cabinet systems and software to open-shelf and combination solutions in the nursing unit, cath lab and operating room.

For more information, visit www.omnicell.com.

Forward-Looking Statements

To the extent any statements contained in this release deal with information that is not historical, these statements are necessarily forward-looking. As such, they are subject to the occurrence of many events outside Omnicell's control and are subject to various risk factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. The risk factors are described in the Company's Securities and Exchange Commission (SEC) filings and

include, without limitation, the unfavorable general economic and market conditions, the tightening in the credit market, the continued growth and acceptance of our products and services and the continued growth of the clinical automation and workflow automation market generally, the potential of increasing competition, the ability of the company to grow product backlog, retain key personnel, cut expenses, manage future changes in revenue levels, develop new products and integrate acquired products or intellectual property in a timely and cost-effective manner, and improve sales productivity. Prospective investors are cautioned not to place undue reliance on forward-looking statements.

Use of Non-GAAP Financial Information

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

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

a) *Stock-based compensation expense impact of Accounting Standards Codification (ASC) 718.* We recognize equity plan-related compensation expense, which represents the fair value of all share-based payments to employees, including grants of employee stock options, as required under ASC 718, "Stock Compensation".

b) *Restructuring charges (net of tax).* We incurred charges for employee severance in connection with a reduction in force in the six months ended June 30, 2009, which was designed to align our cost structure with current business expectations. The financial impact of these charges is excluded from our non-GAAP results as they are considered to be infrequent in nature, they are not expected to occur in the ordinary course of business, and are not used for the purpose of evaluating the company's core performance.

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

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

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

Set forth below are additional reasons why share-based compensation expense related to ASC 718 is excluded from our non-GAAP financial measures:

- i) While share-based compensation calculated in accordance with ASC 718 constitutes an ongoing and recurring expense of Omnicell, it is not an expense that requires cash settlement by Omnicell. We therefore exclude these charges for purposes of

evaluating core operating results. Thus, our non-GAAP measurements are presented exclusive of stock-based compensation expense to assist management and investors in evaluating our core operating results.

ii) We present ASC 718 share-based payment compensation expense in our reconciliation of non-GAAP financial measures on a pre-tax basis because the exact tax differences related to the timing and deductibility of share-based compensation, under ASC 718, are dependent upon the trading price of Omnicell's common stock and the timing and exercise by employees of their stock options. As a result of these timing and market uncertainties the tax effect related to share-based compensation expense would be inconsistent in amount and frequency and is therefore excluded from our non-GAAP results.

Our Adjusted EBITDA calculation is defined as earnings before interest income and expense, taxes, depreciation and amortization, and non-cash expenses, including ASC 718 stock compensation expense.

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

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

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

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

| | Three Months Ended | | | Six Months Ended | |
|-------------------------------------------|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2010 | March 31, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| Revenues: | | | | | |
| Product | \$42,023 | \$42,295 | \$41,983 | \$84,318 | \$84,278 |
| Services and other revenues | 12,670 | 11,865 | 10,660 | 24,535 | 20,569 |
| Total revenue | 54,693 | 54,160 | 52,643 | 108,853 | 104,847 |
| Cost of revenues: | | | | | |
| Cost of product revenues | 19,009 | 19,265 | 19,175 | 38,274 | 39,455 |
| Cost of services and other revenues | 6,816 | 7,309 | 6,539 | 14,125 | 13,434 |
| Restructuring charges | - | - | - | - | 1,209 |
| Total cost of revenues | 25,825 | 26,574 | 25,714 | 52,399 | 54,098 |
| Gross profit | 28,868 | 27,586 | 26,929 | 56,454 | 50,749 |

| | | | | | |
|----------------------------------------------------------------|---------|--------|--------|---------|----------|
| Operating expenses: | | | | | |
| Research and development | 4,950 | 4,565 | 4,574 | 9,515 | 8,551 |
| Selling, general, and administrative | 20,426 | 21,512 | 21,038 | 41,938 | 42,537 |
| Restructuring charges | - | - | - | - | 1,315 |
| | --- | --- | --- | --- | ----- |
| Total operating expenses | 25,376 | 26,077 | 25,612 | 51,453 | 52,403 |
| | ----- | ----- | ----- | ----- | ----- |
| Income (loss) from operations | 3,492 | 1,509 | 1,317 | 5,001 | (1,654) |
| Other income and expense, net | 53 | 74 | 194 | 127 | 376 |
| | --- | --- | --- | --- | --- |
| Income (loss) before provision for (benefit from) income taxes | 3,545 | 1,583 | 1,511 | 5,128 | (1,278) |
| Provision for (benefit from) income taxes | 1,580 | 604 | 607 | 2,184 | (311) |
| | ----- | --- | --- | ----- | ----- |
| Net income (loss) | \$1,965 | \$979 | \$904 | \$2,944 | \$(967) |
| | ===== | ===== | ===== | ===== | ===== |
| Net income (loss) per share: | | | | | |
| Basic | \$0.06 | \$0.03 | \$0.03 | \$0.09 | \$(0.03) |
| Diluted | \$0.06 | \$0.03 | \$0.03 | \$0.09 | \$(0.03) |
| Weighted average shares outstanding: | | | | | |
| Basic | 32,567 | 32,207 | 31,578 | 32,388 | 31,516 |
| Diluted | 33,452 | 33,153 | 31,961 | 33,303 | 31,516 |

Omniceil, Inc.
Condensed Consolidated Balance Sheets
(In thousands)

| | |
|-------------|----------|
| June 30, | December |
| 2010 | 31, |
| --- | 2009 |
| --- | --- |
| (unaudited) | (1) |

ASSETS

| | | |
|---------------------------|-----------|-----------|
| Current assets: | | |
| Cash and cash equivalents | \$185,156 | \$169,230 |

| | | |
|-----------------------------------------------------|-----------|-----------|
| Accounts receivable, net | 37,986 | 40,826 |
| Inventories | 9,735 | 10,502 |
| Prepaid expenses | 7,950 | 8,780 |
| Deferred tax assets | 15,711 | 15,247 |
| Other current assets | 6,456 | 6,159 |
| | ----- | ----- |
| Total current assets | 262,994 | 250,744 |
| Property and equipment, net | 13,729 | 13,209 |
| Non-current net investment in sales- type leases | 9,587 | 10,104 |
| Goodwill | 24,982 | 24,982 |
| Other intangible assets | 3,270 | 4,233 |
| Non-current deferred tax assets | 9,807 | 9,666 |
| Other assets | 9,125 | 9,322 |
| | ----- | ----- |
| Total assets | \$333,494 | \$322,260 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|-----------------------------------------------|-----------|-----------|
| Current liabilities: | | |
| Accounts payable | 9,968 | \$10,313 |
| Accrued compensation | 6,025 | 8,095 |
| Accrued liabilities | 13,115 | 11,997 |
| Deferred service revenue | 14,777 | 14,457 |
| Deferred gross profit | 12,854 | 13,689 |
| | ----- | ----- |
| Total current liabilities | 56,739 | 58,551 |
| Long-term deferred service revenue | 19,656 | 20,810 |
| Other long-term liabilities | 657 | 595 |
| | --- | --- |
| Total liabilities | 77,052 | 79,956 |
| Stockholders' equity: | | |
| Total stockholders' equity | 256,442 | 242,304 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$333,494 | \$322,260 |
| | ===== | ===== |

(1) Information derived from our December 31, 2009 audited Consolidated Financial Statements.

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(In thousands, except per share data, unaudited)

| | |
|--------------------|----------------|
| Three months ended | |
| ----- | |
| June 30, 2010 | March 31, 2010 |
| ----- | |
| Earnings | Earnings |

| | Net income | per share- diluted | Net income | per share- diluted |
|------------------------------|---------------|--------------------------|---------------|--------------------------|
| | ----- | ----- | ----- | ----- |
| GAAP | \$1,965 | \$0.06 | \$979 | \$0.03 |
| Non-GAAP adjustments: | | | | |
| ASC 718 adjustment (a) | | | | |
| Gross profit | 363 | | 321 | |
| Operating expenses | 1,734 | | 1,835 | |
| | ----- | | ----- | |
| | 2,097 | 0.06 | 2,156 | 0.06 |
| Non-GAAP | \$4,062 | \$0.12 | \$3,135 | \$0.09 |
| | ===== | ===== | ===== | ===== |

Three months ended

June 30, 2009

| | Net income | Earnings per share- diluted |
|------------------------------|---------------|--------------------------------------|
| | ----- | ----- |
| GAAP | \$904 | \$0.03 |
| Non-GAAP adjustments: | | |
| ASC 718 adjustment (a) | | |
| Gross profit | 287 | |
| Operating expenses | 2,087 | |
| | ----- | |
| | 2,374 | 0.07 |
| Non-GAAP | \$3,278 | \$0.10 |
| | ===== | ===== |

Six months ended

June 30, 2010

June 30, 2009

| | Net income | Earnings per share- diluted | Net income (loss) | Earnings (loss) per share- diluted |
|------------------------|---------------|--------------------------------------|-------------------------|------------------------------------------------|
| | ----- | ----- | ----- | ----- |
| GAAP | \$2,944 | \$0.09 | \$(967) | \$(0.03) |
| Non-GAAP adjustments: | | | | |
| ASC 718 adjustment (a) | | | | |

| | | | | |
|----------------------------------------|---------|--------|---------|--------|
| Gross profit | 684 | | 665 | |
| Operating expenses | 3,569 | | 4,193 | |
| Restructuring cost (net of tax) (b) | | | | |
| Gross profit | | | 735 | |
| Operating expenses | | | 799 | |
| | | | --- | |
| | 4,253 | 0.13 | 6,392 | 0.20 |
| Non-GAAP | \$7,197 | \$0.22 | \$5,425 | \$0.17 |
| | ===== | ===== | ===== | ===== |

(a) This adjustment reflects the accounting impact of non-cash share-based compensation expense related to the impact of ASC 718 (formerly known as FAS 123R) for the periods shown.

(b) This is the net of tax impact of the restructuring activities executed during the six months ended June 30, 2009.

OMNICELL, INC.
CALCULATION OF ADJUSTED EBITDA (1)
(In thousands)

| | Three Months Ended | | | Six Months Ended | |
|---------------------------------------------|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2010 | March 31, 2010 | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| GAAP net income (loss) | \$1,965 | \$979 | \$904 | \$2,944 | \$(967) |
| Add back: | | | | | |
| ASC 718 stock compensation expense | 2,097 | 2,156 | 2,374 | 4,253 | 4,858 |
| Interest | (88) | (72) | (177) | (160) | (400) |
| Depreciation and amortization expense | 2,178 | 2,123 | 2,401 | 4,301 | 4,874 |
| Income tax expense (benefit) | 1,580 | 604 | 607 | 2,184 | (311) |
| | ----- | --- | --- | ----- | ----- |
| Non-GAAP adjusted EBITDA (1) | \$7,732 | \$5,790 | \$6,109 | \$13,522 | \$10,578 |
| | ===== | ===== | ===== | ===== | ===== |

(1) Defined as earnings before interest income and expense, taxes,

depreciation and amortization,
and non-cash expenses, including stock compensation expense, per ASC
718, formerly FAS 123R.

SOURCE Omnicell, Inc.

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