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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, 2021

☐ **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 ☐

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 ☐

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 April 27, 2021, there were 43,189,924 shares of the registrant's common stock, $0.001 par value, outstanding.

OMNICELL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OMNICELL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2021	December 31, 2020
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 548,055	$ 485,928
Accounts receivable and unbilled receivables, net of allowances of $5,518 and $4,286, respectively	205,658	190,117
Inventories	96,208	96,298
Prepaid expenses	17,122	16,027
Other current assets	36,956	41,044
Total current assets	903,999	829,414
Property and equipment, net	60,538	59,073
Long-term investment in sales-type leases, net	21,255	22,156
Operating lease right-of-use assets	51,922	55,114
Goodwill	499,065	499,309
Intangible assets, net	161,816	168,211
Long-term deferred tax assets	15,376	15,019
Prepaid commissions	54,209	56,919
Other long-term assets	118,443	119,289
Total assets	$ 1,886,623	$ 1,824,504
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 50,759	$ 40,309
Accrued compensation	37,851	55,750
Accrued liabilities	84,075	80,311
Deferred revenues, net	119,588	100,053
Total current liabilities	292,273	276,423
Long-term deferred revenues	7,887	5,673
Long-term deferred tax liabilities	39,128	39,633
Long-term operating lease liabilities	45,435	48,897
Other long-term liabilities	18,542	19,174
Convertible senior notes, net	472,347	467,201
Total liabilities	875,612	857,001
Commitments and contingencies (Note 13)		
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; 53,065 and 52,677 shares issued; 43,171 and 42,783 shares outstanding, respectively	53	53
Treasury stock at cost, 9,894 outstanding, respectively	(238,109)	(238,109)
Additional paid-in capital	950,361	920,359
Retained earnings	304,849	290,722
Accumulated other comprehensive loss	(6,143)	(5,522)
Total stockholders' equity	1,011,011	967,503
Total liabilities and stockholders' equity	$ 1,886,623	$ 1,824,504

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,	
	2021	2020
	(In thousands, except per share data)	
Revenues:		
Product revenues	$ 178,125	$ 170,073
Services and other revenues	73,718	59,613
Total revenues	251,843	229,686
Cost of revenues:		
Cost of product revenues	92,627	90,272
Cost of services and other revenues	36,933	29,792
Total cost of revenues	129,560	120,064
Gross profit	122,283	109,622
Operating expenses:		
Research and development	16,080	18,652
Selling, general, and administrative	86,593	78,819
Total operating expenses	102,673	97,471
Income from operations	19,610	12,151
Interest and other income (expense), net	(6,691)	(822)
Income before provision for income taxes	12,919	11,329
Provision for (benefit from) income taxes	(1,208)	18
Net income	$ 14,127	$ 11,311
Net income per share:		
Basic	$ 0.33	$ 0.27
Diluted	$ 0.30	$ 0.26
Weighted-average shares outstanding:		
Basic	42,962	42,357
Diluted	46,367	43,621

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,	
	2021	2020
	(In thousands)	
Net income	$ 14,127	$ 11,311
Other comprehensive loss:		
Foreign currency translation adjustments	(621)	(4,694)
Other comprehensive loss	(621)	(4,694)
Comprehensive income	$ 13,506	$ 6,617

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, 2020	52,677	$ 53	(9,894)	$ (238,109)	$ 920,359	$ 290,722	$ (5,522)	$ 967,503
Net income	—	—	—	—	—	14,127	—	14,127
Other comprehensive loss	—	—	—	—	—	—	(621)	(621)
Share-based compensation	—	—	—	—	11,772	—	—	11,772
Issuance of common stock under employee stock plans	388	—	—	—	20,826	—	—	20,826
Tax payments related to restricted stock units	—	—	—	—	(2,596)	—	—	(2,596)
Balances as of March 31, 2021	53,065	$ 53	(9,894)	$ (238,109)	$ 950,361	$ 304,849	$ (6,143)	$ 1,011,011

	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

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,	
	2021	2020
	(In thousands)	
Operating Activities		
Net income	$ 14,127	$ 11,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,575	14,043
Share-based compensation expense	11,772	10,659
Deferred income taxes	(862)	(1,149)
Amortization of operating lease right-of-use assets	2,895	2,682
Amortization of debt issuance costs	849	241
Amortization of discount on convertible senior notes	4,571	—
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	(15,427)	(16,052)
Inventories	(1,035)	(5,734)
Prepaid expenses	(1,095)	323
Other current assets	3,128	968
Investment in sales-type leases	925	(268)
Prepaid commissions	2,710	2,881
Other long-term assets	2,177	(2,844)
Accounts payable	10,368	208
Accrued compensation	(17,899)	(9,165)
Accrued liabilities	4,661	2,734
Deferred revenues	21,749	16,868
Operating lease liabilities	(3,142)	(2,784)
Other long-term liabilities	(632)	309
Net cash provided by operating activities	57,415	25,231
Investing Activities		
Software development for external use	(8,043)	(10,602)
Purchases of property and equipment	(5,089)	(3,173)
Net cash used in investing activities	(13,132)	(13,775)
Financing Activities		
Repayment of revolving credit facility	—	(50,000)
Proceeds from issuances under stock-based compensation plans	20,826	17,659
Employees' taxes paid related to restricted stock units	(2,596)	(1,425)
Change in customer funds, net	(2,631)	—
Net cash provided by (used in) financing activities	15,599	(33,766)
Effect of exchange rate changes on cash and cash equivalents	(386)	(820)
Net increase (decrease) in cash, cash equivalents, and restricted cash	59,496	(23,130)
Cash, cash equivalents, and restricted cash at beginning of period	489,920	127,210
Cash, cash equivalents, and restricted cash at end of period	$ 549,416	$ 104,080
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheets:		
Cash and cash equivalents	$ 548,055	$ 104,080
Restricted cash included in Other current assets	1,361	—
Cash, cash equivalents, and restricted cash at end of period	$ 549,416	$ 104,080
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	$ 487	$ 944
Transfers between inventory and property and equipment, net	$ 1,269	$ —

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 and related services 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, 2021 and December 31, 2020, and the results of operations, comprehensive income, and cash flows for the three months ended March 31, 2021 and 2020. 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 U.S. 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, 2020, filed with the SEC on February 24, 2021, except as discussed in the section entitled "Recently Adopted Authoritative Guidance" below. The Company's results of operations, comprehensive income, and cash flows for the three months ended March 31, 2021 are not necessarily indicative of results that may be expected for the year ending December 31, 2021, 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 revenues for the three months ended March 31, 2020 in Note 3, *Revenues*. 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. 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. As of March 31, 2021, 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.

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.

Recently Adopted Authoritative Guidance

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The update simplifies the accounting for income taxes by removing certain exceptions to the general principles in Accounting Standards Codification ("ASC") 740, *Income Taxes*, as well as improves consistent application of and simplifies the guidance for other areas of ASC 740 by clarifying and amending existing guidance. The Company adopted ASU 2019-12 on January 1, 2021 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Recently Issued Authoritative Guidance

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)*. The update simplifies the accounting for convertible debt instruments by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. ASU 2020-06 also enhances transparency and improves disclosures for convertible instruments and earnings per share guidance. This update permits the use of either the modified retrospective or fully retrospective method of transition. ASU 2020-06 will be effective for the Company beginning January 1, 2022. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2020-06 will have on its Condensed Consolidated Financial Statements.

There was no other 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. Business Combinations

340B Link Business Acquisition

On October 1, 2020, the Company completed the acquisition of all of the outstanding equity of the 340B Link business (the "340B Link Business") of Pharmaceutical Strategies Group, LLC pursuant to the terms and conditions of the Equity Purchase Agreement, dated August 11, 2020, as amended, by and among the Company, PSGH, LLC, BW Apothecary Holdings, LLC, the sellers identified therein and the sellers' representative for total cash consideration of $225.0 million. The 340B Link Business acquisition adds a comprehensive and differentiated suite of software-enabled services and solutions used by certain eligible hospitals, health systems, clinics, and entities to manage compliance and capture 340B drug cost savings on outpatient prescriptions filled through the eligible entity's pharmacy or a contracted pharmacy partner. The results of the 340B Link Business's operations have been included in the Company's consolidated results of operations, commencing as of the acquisition date.

The Company accounted for the acquisition of the 340B Link Business in accordance with ASC 805, *Business Combinations*. The tangible and intangible assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The preliminary fair values assume management's best estimates based on information available at the acquisition date and may change over the measurement period, which will end no later than one year from the acquisition date, as additional information is received. The following table represents the preliminary allocation of the purchase price to the assets acquired and the liabilities assumed by the Company as part of the acquisition included in the Company's Condensed Consolidated Balance Sheets, and is reconciled to the purchase price transferred:

	340B Link Business (Preliminary)
	(In thousands)
Accounts receivable and unbilled receivables	$ 8,197
Prepaid expenses	232
Other current assets	22,747
Total current assets	31,176
Property and equipment	531
Operating lease right-of-use assets	3,138
Goodwill	161,117
Intangible assets	62,800
Total assets	258,762
Accounts payable	568
Accrued liabilities	23,787
Long-term deferred tax liabilities	6,818
Long-term operating lease liabilities	2,589
Total liabilities	33,762
Total purchase price	$ 225,000

The $161.1 million of goodwill arising from the 340B Link Business acquisition is primarily attributed to sales of future software-enabled services and solutions and the 340B Link Business's assembled workforce. Goodwill that is expected to be deductible for tax purposes is approximately $93.9 million.

Intangible assets eligible for recognition separate from goodwill were those that satisfied either the contractual/legal criterion or the separability criterion in the accounting guidance. The identifiable intangible assets acquired and their estimated useful lives for amortization are as follows:

	304B Link Business	
	Fair value	Useful life (years)
	(In thousands, except for years)	
Customer relationships	$ 53,000	21
Acquired technology	9,000	5
Trade names	200	1
Non-compete agreements	600	3
Total purchased intangible assets	$ 62,800	

The customer relationships intangible asset represents the fair value of the underlying relationships and agreements with the 340B Link Business's customers. The acquired technology intangible asset represents the fair value of the 340B Link Business's portfolio of software and solutions that have reached technological feasibility and were part of the 340B Link Business's offerings at the date of acquisition. The trade names intangible asset represents the fair value of brand and name recognition associated with the marketing of the 340B Link Business's software-enabled services and solutions. The non-compete agreements intangible asset represents the fair value of non-compete agreements with former key members of the 340B Link Business's management.

The fair value of the customer relationships intangible asset was determined based on the excess earnings method; the fair values of the acquired technology and trade names intangible assets were determined based on the relief-from-royalty

method; and the fair value of the non-compete agreements intangible asset was determined based on the lost profits method. The key assumptions used in estimating the fair values of intangible assets included forecasted financial information; customer attrition rates; royalty rates of 10.0% and 0.5% for the acquired technology and trade names intangible assets, respectively; a discount rate of 14.0% for all intangible assets; and certain other assumptions.

The customer relationships and acquired technology intangible assets are being amortized using a double-declining method of amortization as such method better represents the economic benefits to be obtained. The trade names and non-compete agreements are being amortized over their estimated useful lives using the straight-line method of amortization.

The Company believes that the fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. Actual results may differ from these estimates and assumptions.

Pro Forma Financial Information

The following table presents certain unaudited pro forma information for illustrative purposes only, for the three months ended March 31, 2020 as if this acquisition had been completed on January 1, 2019. The pro forma information is not indicative of what would have occurred had the acquisition taken place on January 1, 2019. The unaudited pro forma information combines the historical results of the acquisition with the Company's consolidated historical results and includes certain adjustments including, but not limited to, amortization and depreciation of intangible assets and property and equipment acquired; imputed interest, interest expense, and amortization of debt issuance costs for the indebtedness incurred to complete the acquisition; and acquisition-related costs incurred.

	Three Months Ended March 31, 2020
	(In thousands, except per share data)
Pro forma revenues	$ 238,647
Pro forma net income	$ 10,694

Note 3. 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 revenue categories:

Connected devices, software licenses, and other. Software-enabled connected devices and software licenses that manage and regulate the storage and dispensing of pharmaceuticals, consumables blister cards, and packaging equipment and other supplies. This revenue category is often sold through long-term, sole-source agreements with multi-year co-development plans. Solutions in this category include, but are not limited to, XT Series automated dispensing systems, the XR2 Automated Central Pharmacy system, and IV compounding automation solutions.

Technical services. Post-installation technical support and other related services, including phone support, on-site service, parts, and access to unspecified software updates and enhancements, if and when available. This revenue category is often supported by multi-year or annual contractual agreements.

Consumables. Medication adherence packaging, labeling, and other one-time use packaging including multimed adherence packaging and single dose blister cards which are used by retail, community, and outpatient pharmacies, as well as by institutional pharmacies serving long-term care and other sites outside the acute care hospital, and are designed to improve patient engagement and adherence to prescriptions.

Software-as-a-service ("SaaS"), subscription software, and technology-enabled services. Emerging software and service solutions which are offered on a subscription basis with fees typically based either on transaction volume or a fee over a specified period of time. Solutions in this category include, but are not limited to, EnlivenHealth™ (formerly Population Health Solutions), 340B solutions, and services associated with Omnicell One™ (formerly Performance Center), Central Pharmacy Dispensing Services, including the XR2 Automated Central Pharmacy system, and Central Pharmacy Compounding Services, including IV compounding automation solutions.

The following table summarizes revenue recognition for each revenue category:

Revenue Category	Timing of Revenue Recognition	Income Statement Classification
Connected devices, software licenses, and other	Point in time, as transfer of control occurs, generally upon installation and acceptance by the customer	Product
Technical services	Over time, as services are provided, typically ratably over the service term	Service
Consumables	Point in time, as transfer of control occurs, generally upon shipment to or receipt by customer	Product
SaaS, subscription software, and technology-enabled services	Over time, as services are provided	Service

A portion of the Company's sales are made to customers who are members of Group Purchasing Organizations ("GPOs") and Federal agencies that purchase under a Federal Supply Schedule contract with the Department of Veterans Affairs (the "GSA Contract"). 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 also pays the Industrial Funding Fee ("IFF") to the Department of Veterans Affairs under the GSA Contract. The Company considers these fees consideration paid to customers and records them as reductions to revenue. Fees to GPOs and the IFF were $3.4 million and $2.9 million for the three months ended March 31, 2021 and 2020, respectively.

Disaggregation of Revenues

The following table summarizes the Company's revenues disaggregated by revenue type for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Connected devices, software licenses, and other	$ 159,718	$ 147,347
Technical services	50,860	49,519
Consumables	18,407	22,726
SaaS, subscription software, and technology-enabled services	22,858	10,094
Total revenues	$ 251,843	$ 229,686

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, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
United States	$ 224,276	$ 207,734
Rest of world [1]	27,567	21,952
Total revenues	$ 251,843	$ 229,686

[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, 2021	December 31, 2020
	(In thousands)	
Short-term unbilled receivables, net [1]	$ 12,184	$ 13,895
Long-term unbilled receivables, net [2]	14,856	17,205
Total contract assets	$ 27,040	$ 31,100
Short-term deferred revenues, net	$ 119,588	$ 100,053
Long-term deferred revenues	7,887	5,673
Total contract liabilities	$ 127,475	$ 105,726

[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 $119.6 million and $100.1 million include deferred revenues from product sales and service contracts, net of deferred cost of sales of $20.8 million and $21.0 million, as of March 31, 2021 and December 31, 2020, 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, 2021, the Company recognized revenues of $47.3 million that were included in the corresponding gross short-term deferred revenues balance of $121.1 million as of December 31, 2020.

Long-term deferred revenues include deferred revenues from product and service contracts of $7.9 million and $5.7 million as of March 31, 2021 and December 31, 2020, respectively. Remaining performance obligations are primarily recognized ratably over the remaining term of the contract, generally not more than ten 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, 2021 and 2020. Also, there were no customers that accounted for more than 10% of the Company's accounts receivable balance as of March 31, 2021 and December 31, 2020.

Note 4. 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, using the treasury stock method. Potential common stock includes the effect of outstanding dilutive stock options, restricted stock awards, and restricted stock units, as well as shares the Company could be obligated to issue from its convertible senior notes and warrants, as described in Note 10, *Convertible Senior Notes*. Any anti-dilutive weighted-average dilutive shares related to stock award plans, convertible senior notes, and warrants 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, 2021 and 2020 were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands, except per share data)	
Net income	$ 14,127	$ 11,311
Weighted-average shares outstanding – basic	42,962	42,357
Effect of dilutive securities from stock award plans	1,980	1,264
Effect of convertible senior notes	1,425	—
Weighted-average shares outstanding – diluted	46,367	43,621
Net income per share – basic	$ 0.33	$ 0.27
Net income per share – diluted	$ 0.30	$ 0.26
Anti-dilutive weighted-average shares related to stock award plans	287	1,744
Anti-dilutive weighted-average shares related to warrants	5,908	—

Note 5. Cash and Cash Equivalents and Fair Value of Financial Instruments

Cash and cash equivalents of $548.1 million and $485.9 million as of March 31, 2021 and December 31, 2020, respectively, consisted of bank accounts and highly-liquid U.S. Government money market funds held in sweep accounts with major financial institutions. As of March 31, 2021 and December 31, 2020, cash equivalents were $502.3 million and $447.2 million, respectively, which consisted of money market funds held in sweep accounts.

Fair Value Hierarchy

The Company measures its financial instruments at fair value. The Company's cash, cash equivalents, and restricted cash 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 credit facility is classified within Level 2 as the valuation inputs are based on quoted prices or market observable data of similar instruments. The Company's convertible senior notes are classified within Level 2 as the valuation inputs are based on quoted prices in an inactive market on the last day in the reporting period. As of March 31, 2021, the fair value of the convertible senior notes was $816.8 million, compared to their carrying value of $472.3 million, which is net of unamortized discount and debt issuance costs and excludes amounts classified within additional paid-in capital. Refer to Note 9, *Debt and Credit Agreement,* for further information regarding the Company's credit facility and Note 10, *Convertible Senior Notes,* for further information regarding the Company's convertible senior notes.

Note 6. Balance Sheet Components

Balance sheet details as of March 31, 2021 and December 31, 2020 are presented in the tables below:

	March 31, 2021	December 31, 2020
	(In thousands)	
Inventories:		
Raw materials	$ 30,331	$ 28,205
Work in process	6,961	7,973
Finished goods	58,916	60,120
Total inventories	$ 96,208	$ 96,298
Other current assets:		
Funds held for customers, including restricted cash [1]	$ 17,228	$ 18,164
Net investment in sales-type leases, current portion	10,222	10,246
Prepaid income taxes	7,071	10,095
Other current assets	2,435	2,539
Total other current assets	$ 36,956	$ 41,044
Other long-term assets:		
Capitalized software, net	$ 95,632	$ 94,027
Unbilled receivables, net	14,856	17,205
Deferred debt issuance costs	3,979	4,253
Other long-term assets	3,976	3,804
Total other long-term assets	$ 118,443	$ 119,289
Accrued liabilities:		
Operating lease liabilities, current portion	$ 12,236	$ 12,197
Customer fund liabilities	17,228	18,164
Advance payments from customers	7,426	6,981
Rebates and lease buyouts	24,838	21,815
Group purchasing organization fees	4,802	4,412
Taxes payable	3,544	3,520
Other accrued liabilities	14,001	13,222
Total accrued liabilities	$ 84,075	$ 80,311

[1] Includes restricted cash of $1.4 million and $4.0 million as of March 31, 2021 and December 31, 2020, respectively.

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	Foreign currency translation adjustments	Foreign currency translation adjustments
	(In thousands)	
Beginning balance	$ (5,522)	$ (9,446)
Other comprehensive loss	(621)	(4,694)
Ending balance	$ (6,143)	$ (14,140)

Note 7. Property and Equipment

The following table represents the property and equipment balances as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(In thousands)	
Equipment	$ 85,724	$ 81,034
Furniture and fixtures	7,422	7,498
Leasehold improvements	20,025	19,517
Software	51,992	50,230
Construction in progress	6,366	7,095
Property and equipment, gross	171,529	165,374
Accumulated depreciation and amortization	(110,991)	(106,301)
Total property and equipment, net	$ 60,538	$ 59,073

Depreciation and amortization expense of property and equipment was $4.8 million and $4.3 million for the three months ended March 31, 2021 and 2020, 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, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(In thousands)	
United States	$ 55,227	$ 53,203
Rest of world [1]	5,311	5,870
Total property and equipment, net	$ 60,538	$ 59,073

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

Note 8. Goodwill and Intangible Assets

Goodwill

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

	December 31, 2020	Additions	Foreign currency exchange rate fluctuations	March 31, 2021
		(In thousands)		
Goodwill	$ 499,309	—	(244)	$ 499,065

Intangible Assets, Net

The carrying amounts and useful lives of intangible assets as of March 31, 2021 and December 31, 2020 were as follows:

	March 31, 2021				
	Gross carrying amount	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 187,889	$ (67,464)	$ (816)	$ 119,609	10 - 30
Acquired technology	86,029	(47,600)	6	38,435	5 - 20
Backlog	1,150	(1,150)	—	—	4
Trade names	7,850	(5,985)	14	1,879	1 - 12
Patents	2,899	(1,507)	1	1,393	2 - 20
Non-compete agreements	600	(100)	—	500	3
Total intangibles assets, net	$ 286,417	$ (123,806)	$ (795)	$ 161,816	

	December 31, 2020				
	Gross carrying amount	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 187,889	$ (64,254)	$ (777)	$ 122,858	10 - 30
Acquired technology	86,029	(44,851)	6	41,184	5 - 20
Backlog	1,150	(1,078)	—	72	4
Trade names	7,850	(5,794)	14	2,070	1 - 12
Patents	2,930	(1,455)	2	1,477	2 - 20
Non-compete agreements	600	(50)	—	550	3
Total intangibles assets, net	$ 286,448	$ (117,482)	$ (755)	$ 168,211	

Amortization expense of intangible assets was $6.3 million and $4.5 million for the three months ended March 31, 2021 and 2020, respectively.

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

	March 31, 2021
	(In thousands)
Remaining nine months of 2021	$ 17,675
2022	21,167
2023	19,145
2024	12,856
2025	11,586
Thereafter	79,387
Total	$ 161,816

Note 9. Debt and Credit Agreement

2019 Revolving Credit Facility

On November 15, 2019, the Company entered into an Amended and Restated Credit Agreement (as subsequently amended as discussed below, 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 superseded the Company's 2016 secured credit facility (the "Prior Credit Agreement") and provides for (a) a five-year revolving credit facility of $500.0 million (the "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.

Loans under the Revolving Credit Facility bear interest, at the Company's option, at a rate equal to either (a) the LIBOR Rate, 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 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 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.

On September 22, 2020, the parties entered into an amendment (the "Amendment") to the A&R Credit Agreement to, among other changes, permit the issuance of the convertible senior notes and the purchase of the convertible note hedge transactions, as described in Note 10, *Convertible Senior Notes*, expand the Company's flexibility to repurchase its common stock and make other restricted payments, and replace the total net leverage covenant with a new secured net leverage covenant that requires the Company to maintain a consolidated secured net leverage ratio not to exceed 3.50:1 for the calendar quarters ending September 30, 2020, December 31, 2020, and March 31, 2021 and 3.00:1 for the calendar quarters ending thereafter.

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 total secured net leverage ratio (as described above) 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, 2021.

The refinancing of the Prior Credit Agreement by means of the A&R Credit Agreement was evaluated in accordance with 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. In connection with the Amendment on September 22, 2020, the Company incurred and capitalized an additional $0.6 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 for credit agreements was approximately $0.3 million and $0.2 million for the three months ended March 31, 2021 and 2020, respectively.

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

	(In thousands)
Balance as of December 31, 2020	$ 4,253
Additions	—
Amortization	(274)
Balance as of March 31, 2021	$ 3,979

As of each of March 31, 2021 and December 31, 2020, there was no outstanding balance for the Revolving Credit Facility.

Note 10. Convertible Senior Notes

0.25% Convertible Senior Notes due 2025

On September 25, 2020, the Company completed a private offering of $575.0 million aggregate principal amount of 0.25% convertible senior notes (the "Notes"), including the exercise in full of the initial purchasers' option to purchase up to an additional $75.0 million principal amount of the Notes. The Company received proceeds from the issuance of the Notes of $559.7 million, net of $15.3 million of transaction fees and other debt issuance costs. The Notes bear interest at a rate of 0.25% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Notes were issued pursuant to an indenture, dated September 25, 2020 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. The Notes are general senior, unsecured obligations of the Company and will mature on September 15, 2025, unless earlier redeemed, repurchased or converted.

The Notes are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding May 15, 2025, only under the following circumstances: (i) during any fiscal quarter commencing after the fiscal quarter ended on December 31, 2020 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per $1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate for the Notes on each such trading day; (iii) if the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the Notes called (or deemed called) for redemption; and (iv) upon the occurrence of specified corporate events, as specified in the Indenture. On or after May 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Notes may convert all or any portion of their Notes at any time, regardless of the foregoing conditions.

During the three months ended March 31, 2021, the conditional conversion feature of the Notes was triggered, based on the price of the Company's common stock, as the last reported sale price of the Company's common stock was greater than or equal to 130% of the then applicable conversion price for the Notes for at least 20 trading days during the period of 30 consecutive trading days ending on March 31, 2021, the last trading day of the fiscal quarter. Accordingly, the Notes are convertible, in whole or in part, at the option of the holders during the second quarter of 2021. Whether the Notes will be convertible following the second fiscal quarter of 2021 will depend on the continued satisfaction of this condition or another conversion condition in the future. The Company continues to classify the Notes as a long-term liability in its Condensed Consolidated Financial Statements as of March 31, 2021 based on contractual settlement provisions.

Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. The initial conversion rate for the Notes is 10.2751 shares of the Company's common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $97.32 per share of the Company's common stock, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. In addition, following certain corporate events that occur prior to the maturity date of the Notes or if the Company delivers a notice of redemption in respect of the Notes, the Company will, under certain circumstances, increase the conversion rate of the Notes for a holder who elects to convert its Notes (or any portion thereof) in connection with such a corporate event or convert its Notes called (or deemed called) for redemption during the related redemption period (as defined in the Indenture), as the case may be.

If the Company undergoes a fundamental change, holders may require, subject to certain exceptions, the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal

amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. As of March 31, 2021, none of the criteria for a fundamental change or a conversion rate adjustment had been met.

The Company may not redeem the Notes prior to September 20, 2023. The Company may redeem for cash all or any portion of the Notes, at its option, on or after September 20, 2023, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price for the Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company redeems less than all the outstanding Notes, at least $150.0 million aggregate principal amount of Notes must be outstanding and not subject to redemption as of the date of the relevant notice of redemption. No sinking fund is provided for in the Notes.

Convertible debt instruments that may be settled in cash are required to be separated into liability and equity components. The allocation to the liability component is based on the fair value of a similar instrument that does not contain an equity conversion option. Based on this debt-to-equity ratio, debt issuance costs are then allocated to the liability and equity components in a similar manner. Accordingly, at issuance, the Company allocated $461.8 million to the debt liability and $72.7 million to additional paid-in capital, net of applicable issuance costs and deferred taxes. The difference between the principal amount of the Notes and the liability component, inclusive of issuance costs, represents the debt discount, which the Company will amortize to interest expense over the term of the Notes using an effective interest rate of 4.18%. The determination of the discount rate required certain estimates and assumptions. As of March 31, 2021, the remaining life of the Notes and the related debt discount and issuance cost accretion is approximately 4.5 years.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to other conversion rate adjustments, would be 8.1 million shares. As of March 31, 2021, the if-converted value of the Notes exceeded the principal amount by $192.3 million.

The Notes consisted of the following balances reported in the Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(In thousands)	
Liability:		
Principal amount	$ 575,000	$ 575,000
Unamortized discount	(91,173)	(95,744)
Unamortized debt issuance costs	(11,480)	(12,055)
Convertible senior notes, liability component	$ 472,347	$ 467,201
Convertible senior notes, equity component [1]	$ 72,732	$ 72,732

[1] Included in additional paid-in capital in the Condensed Consolidated Balance Sheets.

The following table summarizes the components of interest expense resulting from the Notes recognized in interest and other income (expense), net in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
	(In thousands)
Contractual coupon interest	$ 359
Amortization of discount	$ 4,571
Amortization of debt issuance costs	$ 575

Convertible Note Hedge and Warrant Transactions

In connection with the issuance of the Notes, the Company entered into convertible note hedge and warrant transactions with an affiliate of one of the initial purchasers of the Notes and certain other financial institutions (the "option counterparties") with respect to the Company's common stock.

The convertible note hedge consists of an option for the Company to purchase up to approximately 5.9 million shares of the Company's common stock, which is equal to the number of shares of the Company's common stock underlying the Notes, at an initial strike price of approximately $97.32 per share. The convertible note hedge will expire upon the maturity of the Notes, if not earlier exercised or terminated. The cost of the convertible note hedge was approximately $100.6 million and was accounted for as an equity instrument, which was recorded in additional paid-in capital in the Condensed Consolidated Balance Sheets. The Company recorded a deferred tax asset of $25.8 million at issuance related to the convertible note hedge transaction. The convertible note hedge is expected generally to reduce the potential dilution to the Company's common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes.

Separately from the convertible note hedge, the Company entered into warrant transactions to sell to the option counterparties warrants to acquire, subject to customary anti-dilution adjustments, up to approximately 5.9 million shares of its common stock in the aggregate at an initial strike price of $141.56 per share. The warrants require net share or net cash settlement upon the Company's election. The Company received aggregate proceeds of approximately $51.3 million for the issuance of the warrants, which was recorded in additional paid-in capital at issuance in the Condensed Consolidated Balance Sheets. The warrants could separately have a dilutive effect to the Company's common stock to the extent that the market price per share of its common stock exceeds the strike price of the warrants.

Note 11. 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 66% 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, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Sales-type lease revenues	$ 5,963	$ 6,392
Cost of sales-type lease revenues	(2,366)	(2,569)
Selling profit on sales-type lease revenues	$ 3,597	$ 3,823
Interest income on sales-type lease receivables	$ 497	$ 461

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, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(In thousands)	
Net minimum lease payments to be received	$ 34,256	$ 35,331
Less: Unearned interest income portion	(2,779)	(2,929)
Net investment in sales-type leases	31,477	32,402
Less: Current portion [1]	(10,222)	(10,246)
Long-term investment in sales-type leases, net	$ 21,255	$ 22,156

[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, 2021
	(In thousands)
Remaining nine months of 2021	$ 8,485
2022	10,002
2023	7,629
2024	4,826
2025	2,907
Thereafter	407
Total future minimum sales-type lease payments	34,256
Present value adjustment	(2,779)
Total net investment in sales-type leases	$ 31,477

Operating Leases

The Company entered into certain leasing agreements that were classified as operating leases prior to the adoption of ASC 842, *Leases*. These agreements in place prior to January 1, 2019 continue to be treated as operating leases, however any 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, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Rental income	$ 2,611	$ 2,977

Note 12. 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, 2021, 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, 2021
	(In thousands)
Remaining nine months of 2021	$ 11,305
2022	14,088
2023	10,199
2024	8,847
2025	6,413
Thereafter	17,293
Total operating lease payments	68,145
Present value adjustment	(10,474)
Total operating lease liabilities [1]	$ 57,671

[1] Amount consists of a current and long-term portion of operating lease liabilities of $12.2 million and $45.4 million, respectively. The current portion of the operating lease liabilities is included in accrued liabilities in the Condensed Consolidated Balance Sheets.

Operating lease costs were $3.7 million and $3.6 million for the three months ended March 31, 2021 and 2020, respectively. Short-term lease costs and variable lease costs were immaterial for the three months ended March 31, 2021 and 2020.

The following table summarizes supplemental cash flow information related to the Company's operating leases for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities	$ 3,972	$ 3,735
Right-of-use assets obtained in exchange for new lease liabilities	$ 541	$ 792

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, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Weighted-average remaining lease term, years	5.8	5.9
Weighted-average discount rate, %	5.8 %	5.8 %

Note 13. 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, 2021, the Company had non-cancelable purchase commitments of $82.8 million, of which $78.8 million are expected to be paid within the year ending December 31, 2021.

Legal Proceedings

The Company is currently involved in various legal proceedings.

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 "Heard Action"). 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 the Illinois Biometric Information Privacy Act ("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 action *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 (the "Mazya Action"). The Court subsequently, on October 10, 2019, denied the motion, without prejudice, as being moot in view of the dismissal of the claims against the Company in the Mazya Action. The Company filed a motion to dismiss the complaint in the Heard Action on October 31, 2019. The hearing on the Company's motion to dismiss was held on September 2, 2020. The Court ruled from the bench and dismissed the complaint without prejudice giving plaintiff leave to file an amended complaint by September 30, 2020. Plaintiff filed an amended complaint on September 30, 2020 and the Company subsequently filed a motion to dismiss the amended complaint on October 28, 2020. The Company's motion to dismiss is now fully briefed and the Court has scheduled oral argument on the motion for June 4, 2021. The Company intends to defend the lawsuit vigorously.

On December 21, 2020, Becton, Dickinson and Company ("BD") filed a complaint against the Company in the United States District Court for the Middle District of North Carolina, asserting claims of misappropriation under the Defend Trade Secrets Act, misappropriation under the North Carolina Trade Secrets Protection Act, unfair competition, and unfair/deceptive trade practices in violation of North Carolina law (the "Omnicell Complaint"). This action (the "Omnicell Action") was commenced in relation to another action brought by BD, in the same Court (the "Related Matter") against a former BD employee who is also a former Company employee (the "Former Employee") alleging that the Former Employee had violated the Former Employee's legal obligations to BD regarding BD's confidential and trade secret information when the Former Employee allegedly downloaded certain documents from BD's information technology system following the end of the Former Employee's employment with BD. In connection with the Related Matter, BD, the Former Employee, and the Company entered into a protocol with the purpose of facilitating the return to BD of any BD documents that may have been resident, as a result of the Former Employee's actions, on any devices belonging to the Former Employee or the Company. The Omnicell Complaint seeks injunctive relief and monetary damages in the form of compensatory, punitive, and exemplary damages, attorneys' fees

and costs, and pre-judgment and post-judgment interest. On March 17, 2021, the parties filed a joint motion to stay the Omnicell Action, which motion remains pending with the Court. On April 30, 2021, pending the decision from the Court regarding the joint motion to stay the Omnicell Action, the Company filed a consent motion for extension of time supported by BD to file the Company's answer to the Omnicell Complaint. The consent motion was granted by the Court on April 30, 2021, and the Company's answer to the Omnicell Complaint is now due June 3, 2021. The Company intends to defend the lawsuit vigorously.

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 material accrual for contingent liabilities associated with the legal proceedings described above 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 or is not deemed material. The Company believes that it has valid defenses with respect to these 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 any of these legal proceedings or because of the diversion of management's attention and the creation of significant expenses.

Note 14. 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 26.7% and 26.6% for the three months ended March 31, 2021 and 2020, respectively.

The Company continued its global operational centralization activities and legal entity rationalization during the first quarter of 2021. The Company did not recognize any gains or losses from such activities during the three months ended March 31, 2020 and 2021. The Company recognized a discrete tax benefit related to equity compensation in the amount of $4.1 million and $2.8 million for the three months ended March 31, 2021 and 2020, respectively.

The 2021 annual effective tax rate before discrete items differed from the statutory rate of 21% primarily due to the unfavorable impact of state income taxes and non-deductible compensation and equity charges, partially offset by the favorable impact of research and development credits and foreign derived intangible income ("FDII") benefit deduction. The 2020 annual effective tax rate before discrete items 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 FDII benefit deduction.

On March 11, 2021, the President of the United States signed into law the "American Rescue Plan Act of 2021" (the "ARP Act"), which provides additional economic stimulus and tax credits, including the expansion and modification of the employee retention tax credit enacted by the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and the refundable tax credits for COVID-related paid sick and family leave enacted by the Family First Act. The Company does not expect these provisions of the ARP Act to have a material impact for income taxes. The ARP Act further provides revenue raising offsets to meet budget reconciliation rules, including the expansion of "covered employees" for purposes of the section 162(m) limitation on the deduction for excessive employee remuneration rules to be applicable for taxable years beginning after December 31, 2026. The Company will continue to evaluate the impact of these provisions of the ARP Act on income taxes.

As of March 31, 2021 and December 31, 2020, the Company had gross unrecognized tax benefits of $17.7 million and $18.2 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, 2021 and December 31, 2020, the amount of accrued interest and penalties was $1.1 million and $1.4 million, respectively.

The Company files income tax returns in the United States and various state 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, 2021, the Company was no longer subject to U.S., state, and foreign examination for years before 2017, 2016, and 2016, 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 15. Employee Benefits and Share-Based Compensation

Stock-Based Plans

For a detailed explanation of the Company's stock plans, refer to Note 14, *Employee Benefits and Share-Based Compensation*, of the Company's annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

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, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cost of product and service revenues	$ 1,937	$ 1,770
Research and development	1,700	1,768
Selling, general, and administrative	8,135	7,121
Total share-based compensation expense	$ 11,772	$ 10,659

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, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
Stock options		
Expected life, years	4.9	4.7
Expected volatility, %	30.1 %	33.6 %
Risk-free interest rate, %	0.6 %	1.4 %
Estimated forfeiture rate, %	7.9 %	5.7 %
Dividend yield, %	— %	— %

	Three Months Ended March 31,	
	2021	2020
Employee stock purchase plan shares		
Expected life, years	0.5 - 2.0	0.5 - 2.0
Expected volatility, %	27.4% - 53.5%	30.4% - 39.9%
Risk-free interest rate, %	0.1% - 2.6%	1.4% - 2.7%
Dividend yield, %	— %	— %

Stock Options Activity

The following table summarizes the share option activity under the Company's 2009 Equity Incentive Plan (the "2009 Plan"), as amended, during the three months ended March 31, 2021:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value
		(In thousands, except per share data)		
Outstanding at December 31, 2020	3,932	$ 62.50	7.8	$ 226,160
Granted	150	125.80		
Exercised	(196)	58.49		
Expired	(6)	78.32		
Forfeited	(60)	72.27		
Outstanding at March 31, 2021	3,820	$ 65.02	7.5	$ 247,796
Exercisable at March 31, 2021	1,608	$ 47.83	5.8	$ 131,946
Vested and expected to vest at March 31, 2021 and thereafter	3,598	$ 64.01	7.4	$ 237,072

The weighted-average fair value per share of options granted during the three months ended March 31, 2021 and 2020 was $33.89 and $26.31, respectively. The intrinsic value of options exercised during the three months ended March 31, 2021 and 2020 was $14.0 million and $9.9 million, respectively.

As of March 31, 2021, total unrecognized compensation cost related to unvested stock options was $49.1 million, which is expected to be recognized over a weighted-average vesting period of 2.7 years.

Employee Stock Purchase Plan Activity

For the three months ended March 31, 2021 and 2020, employees purchased approximately 156,000 and 217,000 shares of common stock, respectively, under the ESPP at a weighted-average price of $59.75 and $43.51, respectively. As of March 31, 2021, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately $4.4 million and is expected to be recognized over a weighted-average period of 1.5 years.

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

Summaries of the restricted stock activity under the 2009 Plan are presented below for the three months ended March 31, 2021:

	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, 2020	580	$ 72.87	1.6	$ 69,670
Granted (Awarded)	96	129.97		
Vested (Released)	(37)	72.71		
Forfeited	(17)	70.59		
Outstanding and unvested at March 31, 2021	622	$ 81.79	1.6	$ 80,723

As of March 31, 2021, total unrecognized compensation cost related to RSUs was $44.8 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, 2020	21	$ 68.11
Granted (Awarded)	—	—
Vested (Released)	—	—
Outstanding and unvested at March 31, 2021	21	$ 68.11

As of March 31, 2021, 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 0.2 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, 2021:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Unit
	(In thousands, except per share data)	
Outstanding at December 31, 2020	155	$ 74.26
Granted	51	156.79
Vested	(17)	82.35
Forfeited	(6)	63.20
Outstanding and unvested at March 31, 2021	183	$ 96.94

As of March 31, 2021, total unrecognized compensation cost related to PSUs was approximately $10.4 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, 2021:

	Number of Shares
	(In thousands)
Share options outstanding	3,820
Non-vested restricted stock awards	826
Shares authorized for future issuance	872
ESPP shares available for future issuance	1,050
Total shares reserved for future issuance	6,568

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 providing for the repurchase of up to $50.0 million of the Company's common stock (the "2014 Repurchase Program"). As of March 31, 2021, 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, 2021 and 2020, the Company did not repurchase any of its outstanding common stock.

Note 16. 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 was able to 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.

The registration statement under which the shares that could have been sold pursuant to the Distribution Agreement expired on November 3, 2020, and, accordingly, no additional sales will be made pursuant to the Distribution Agreement.

Note 17. Restructuring Expenses

During 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. In the first quarter of 2021, the Company continued its organizational realignment initiative. During the three months ended March 31, 2021 and 2020, the Company incurred $2.0 million and $3.6 million of employee severance costs and related expenses, respectively. As of March 31, 2021, the unpaid balance related to this restructuring plan was $1.2 million.

The following table summarizes the total restructuring expense recognized in the Company's Condensed Consolidated Statements of Operations for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cost of product and service revenues	$ 389	$ 75
Research and development	105	798
Selling, general, and administrative	1,526	2,732
Total restructuring expense	$ 2,020	$ 3,605

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 continuing impact of the ongoing COVID-19 pandemic (including efforts to contain the spread of the pandemic) on our workforce and operations, as well as the continuing impacts on our customers and suppliers, and the anticipated continuing effects of the pandemic and associated containment measures on our business, financial condition, liquidity, and results of operations;*
- *our expectations regarding our future sales 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 outcome of any legal proceedings to which we are a party;*
- *the bookings, revenues, non-GAAP EBITDA, non-GAAP operating margin, or non-GAAP earnings per share goals we may set;*
- *our projected target long-term revenues and revenue growth rates, long-term non-GAAP operating margin targets, long-term non-GAAP EBITDA margin targets, and free cash flow conversion;*
- *our ability to protect our intellectual property and operate our business without infringing, misappropriating, or otherwise violating 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, including our expected uses for the remaining proceeds of our convertible senior notes, 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" 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 U.S. Securities and Exchange Commission ("SEC"), 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 registered and unregistered trademarks and service marks used in our business, some of which appear in this report. The most important of these marks include Omnicell® and the Omnicell logo. This report may also

include the trademarks and service marks of other companies. Such trademarks and service marks are the marks of their respective owners.

OVERVIEW

Our Business

We are a leader in transforming the pharmacy care delivery model. Our medication management automation solutions and adherence tools empower healthcare systems and pharmacies to focus on clinical care, rather than administrative tasks. Our solutions support the vision of a fully autonomous pharmacy, a roadmap designed to improve operational efficiencies through a fully automated, medication management infrastructure. Our vision is to transform the pharmacy care delivery model through automation designed to replace manual, error-prone processes, combined with a single, cloud-based platform and advanced services offerings. We believe our connected devices, products, and solutions will help our customers harness the power of data and analytics, and deliver improved patient outcomes.

Over 7,000 facilities worldwide use our automation and analytics solutions which are designed to improve pharmacy workflows, increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. More than 50,000 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 and vaccine scheduling, 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 89% and 90% of our total revenues for the three months ended March 31, 2021 and 2020, 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 advance the vision of the autonomous pharmacy. This has resulted in larger deal sizes across multiple products, services, and implementations 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 generally consist of all firm orders other than for technical services and other less significant items, as evidenced generally by a non-cancelable contract and purchase order for equipment and software products, and by a purchase order for consumables. A majority of our connected devices and software license product bookings are installable within twelve months of booking, and are recorded as revenue upon customer acceptance of the installation or receipt of goods. Revenues from software-as-a-service (“SaaS”), subscription software, and technology-enabled services product bookings are recorded over the contractual term.

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 generally 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 and expanded service offerings, our service revenues have also grown.

The following table summarizes each revenue category:

Revenue Category	Revenue Type [1]	Income Statement Classification	Included in Product Bookings
Connected devices, software licenses, and other	High visibility/ Nonrecurring	Product	Yes [2]
Technical services	High visibility/ Recurring	Service	No
Consumables	High visibility/ Recurring	Product	Yes
SaaS, subscription software, and technology-enabled services	High visibility/ Recurring	Service	Yes

[1] All revenue types are highly visible from long-term, sole-source agreements, backlog, or the recurring nature of the revenue stream.

[2] Freight revenue and certain other insignificant revenue streams are not included in product bookings.

Our full-time employee headcount was approximately 2,970 and 2,860 on March 31, 2021 and December 31, 2020, respectively.

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 our 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 advanced services, powered by a single, cloud-based platform. We believe there are significant challenges in pharmacy practice including, but not limited to, medication errors, drug shortages, medication loss due to drug diversion, significant medication waste and expiration costs, a high level of manual steps in the medication management automation process, complexity around compliance requirements, high pharmacy employee turnover rates, hospitalizations from adverse drug events in outpatient settings, high variability in outcomes, and limited inventory visibility. We believe that these significant challenges in pharmacy practice drive the demand for increased digitization and virtualization, and that our solutions enable this and represent large opportunities in four market 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, upgrade, and expansion 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 conversions. 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 IVX Workflow, our IV sterile compounding solutions, and the 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 innovations, including Omnicell One, 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.
- **340B Software-Enabled Services.** This market is targeted to covered entities participating in Section 340B of the Public Health Services Act. The act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients and results in a complex compliance environment. We believe that there are significant opportunities for health systems to improve participation benefits and maximize program savings through software-enabled services and solutions. Our Omnicell 340B platform of technology-enabled services includes split billing software, contract pharmacy administration, specialty contract pharmacy administration, and drug discount access solutions.
- **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 and updated state board regulations are leading to innovation at traditional retail providers, which, combined with the move to value-based care, 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 EnlivenHealth (formerly 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. As retail pharmacies play an increasingly vital role in population health following the onset of the COVID-19 pandemic, EnlivenHealth has extended solutions to assist with vaccination programs, testing protocols, and patient engagement efforts. There are three main areas of focus:
    - *CareScheduler* is an exclusive digital solution that automates the scheduling, reporting, and patient outreach for administering the COVID-19 vaccine and other vaccines and testing procedures.
    - *Medication Synchronization* is an appointment-based solution that aligns a patient's medications to a single refill date, designed to improve medication adherence and reduce hospital readmissions.

- *Medication Therapy Management* is a platform that offers intuitive workflow with high-level decision support for efficiently completing CMS-compliant Comprehensive Medication Reviews using pharmacy claims data.

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

COVID-19 Update

We continue to closely monitor the COVID-19 pandemic and ongoing impacts on our Company. During the first half of 2020, as a result of the COVID-19 pandemic, health systems faced financial and operational pressures which we believe led our customers to delay or defer purchasing decisions and/or implementation of our solutions. However, starting in the third quarter of 2020, we began to see our customers returning to pre-pandemic purchasing patterns consistent with long-term strategic investments. We believe that the challenges that our customers have faced during the COVID-19 pandemic, including the need for robust visibility throughout their pharmacy supply chains, have increased the strategic relevance of our products and services.

Although COVID-19 vaccines are now available and being widely distributed, there remains significant uncertainty regarding the duration and severity of the continuing impact of the pandemic on the U.S. and world economies, including the impact of new variants of the COVID-19 virus. The ongoing impact on our business remains uncertain, the duration and scope of which cannot currently be predicted, and may result in increased borrowing costs and other costs of capital or otherwise adversely affect our business, results of operations, financial condition, and liquidity. However, under current circumstances, we believe that our financial position and resources will allow us to manage the anticipated impact of the COVID-19 pandemic on our business for the foreseeable future.

Acquisitions

On October 1, 2020, we completed the acquisition of the 340B Link business (the "340B Link Business") of Pharmaceutical Strategies Group, LLC pursuant to the terms and conditions of the Equity Purchase Agreement, dated August 11, 2020, as amended, by and among the Company, PSGH, LLC, BW Apothecary Holdings, LLC, the sellers identified therein and the seller's representative for total cash consideration of $225.0 million. The acquisition adds a comprehensive and differentiated suite of software-enabled services and solutions used by certain eligible hospitals, health systems, clinics, and entities to manage compliance and capture 340B drug cost savings on outpatient prescriptions filled through the eligible entity's pharmacy or a contracted pharmacy partner. The results of the operations of the 340B Link Business have been included in our consolidated results of operations beginning October 1, 2020.

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;
- Valuation and impairment of goodwill and intangible assets;
- Business combinations;
- Convertible senior notes;

- 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, 2021 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, 2020, 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 on Form 10-Q.

Recently Issued Authoritative Guidance

Refer to "Recently Issued Authoritative Guidance" in Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q 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	
	2021	2020	$	%
	(Dollars in thousands)			
Product revenues	$ 178,125	$ 170,073	$ 8,052	5%
Percentage of total revenues	*71%*	*74%*		
Services and other revenues	73,718	59,613	14,105	24%
Percentage of total revenues	*29%*	*26%*		
Total revenues	$ 251,843	$ 229,686	$ 22,157	10%

Product revenues represented 71% and 74% of total revenues for the three months ended March 31, 2021 and 2020, respectively. Product revenues increased by $8.1 million, due to increased customer demand, primarily within our automated dispensing systems business.

Services and other revenues represented 29% and 26% of total revenues for the three months ended March 31, 2021 and 2020, respectively. Services and other revenues include revenues from technical services, SaaS, subscription software, and technology-enabled services, and other services. Services and other revenues increased by $14.1 million, primarily due to revenues of $10.9 million from the newly-acquired 340B Link Business, as well as continued growth in our installed customer base.

Our international sales represented 11% and 10% of total revenues for the three months ended March 31, 2021 and 2020, 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.

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	
	2021	2020	$	%
	(Dollars in thousands)			
Cost of revenues:				
Cost of product revenues	$ 92,627	$ 90,272	$ 2,355	3%
As a percentage of related revenues	*52%*	*53%*		
Cost of services and other revenues	36,933	29,792	7,141	24%
As a percentage of related revenues	*50%*	*50%*		
Total cost of revenues	$ 129,560	$ 120,064	$ 9,496	8%
As a percentage of total revenues	*51%*	*52%*		
Gross profit	$ 122,283	$ 109,622	$ 12,661	12%
Gross margin	*49%*	*48%*		

Cost of revenues for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 increased by $9.5 million, of which $2.4 million was attributed to the increase in cost of product revenues and $7.1 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 $8.1 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

The increase in cost of services and other revenues was primarily driven by the increase in services and other revenues of $14.1 million, including incremental revenues from the newly-acquired 340B Link Business, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, as well as additional investments in our service business to support new product offerings.

The overall increase in gross margin primarily relates to higher revenues due to increased customer demand. Our gross profit for the three months ended March 31, 2021 was $122.3 million, as compared to $109.6 million for the three months ended March 31, 2020.

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

	Three Months Ended March 31,			
			Change in	
	2021	2020	$	%
	(Dollars in thousands)			
Operating expenses:				
Research and development	$ 16,080	$ 18,652	$ (2,572)	(14)%
As a percentage of total revenues	*6%*	*8%*		
Selling, general, and administrative	86,593	78,819	7,774	10%
As a percentage of total revenues	*34%*	*34%*		
Total operating expenses	$ 102,673	$ 97,471	$ 5,202	5%
As a percentage of total revenues	*41%*	*42%*		
Interest and other income (expense), net	$ (6,691)	$ (822)	$ (5,869)	714%

Research and Development. Research and development expenses decreased by $2.6 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily attributed to a decrease in employee-related expenses, including $0.7 million lower restructuring expenses.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $7.8 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due to an increase of approximately $6.7 million in employee-related expenses primarily related to increased headcount, including the incremental headcount from the 340B Link Business acquisition, as well as higher consulting expenses, partially offset by certain cost savings, including reduced travel costs, and $1.2 million lower restructuring expenses.

Interest and Other Income (Expense), Net. Interest and other income (expense), net changed by $5.9 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily driven by a $5.1 million increase in other expenses and a $0.8 million decrease in other income. The increase in other expenses during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 is primarily driven by amortization of discount and debt issuance costs as well as interest expense associated with our convertible senior notes issued in September 2020.

Provision for (Benefit from) Income Taxes

	Three Months Ended March 31,			
			Change in	
	2021	2020	$	%
	(Dollars in thousands)			
Provision for (benefit from) income taxes	$ (1,208)	$ 18	$ (1,226)	(6,811)%

Our annual effective tax rate before discrete items was 26.7% and 26.6% for the three months ended March 31, 2021 and 2020, respectively. The increase in the estimated annual effective tax rate for the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to an increase in non-deductible compensation and equity charges and a decrease in foreign derived intangible income ("FDII") benefit, partially offset by an increase in research and development credits.

Benefit from income taxes for the three months ended March 31, 2021 included net discrete income tax benefit of $4.7 million, primarily due to a $4.1 million tax benefit from equity compensation.

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.

Refer to Note 14, *Income Taxes*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q for more details.

LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of $548.1 million at March 31, 2021 compared to $485.9 million at December 31, 2020. All of our cash and cash equivalents are invested in bank accounts and money market funds held in sweep accounts with major financial institutions.

Our cash position and working capital at March 31, 2021 and December 31, 2020 were as follows:

	March 31, 2021	December 31, 2020
	(In thousands)	
Cash and cash equivalents	$ 548,055	$ 485,928
Working capital	$ 611,726	$ 552,991

Our ratio of current assets to current liabilities was 3.1:1 and 3.0:1 at March 31, 2021 and December 31, 2020, respectively.

Sources of Cash

Revolving Credit Facility

On November 15, 2019, we entered into an Amended and Restated Credit Agreement (as subsequently amended, as discussed below, 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 superseded our 2016 senior secured credit facility and provides for (a) a five-year revolving credit facility of $500.0 million (the "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 September 22, 2020, the parties entered into an amendment (the "Amendment") to the A&R Credit Agreement to, among other changes, permit the issuance of the convertible senior notes and the purchase of the convertible note hedge transactions described below, expand our flexibility to repurchase our common stock and make other restricted payments, and replace the total net leverage covenant with a new secured net leverage covenant that requires us to maintain a consolidated

secured net leverage ratio not to exceed 3.50:1 for the calendar quarters ending September 30, 2020, December 31, 2020, and March 31, 2021 and 3.00:1 for the calendar quarters ending thereafter.

As of March 31, 2021, there was no outstanding balance for the Revolving Credit Facility and we were in full compliance with all covenants. Refer to Note 9, *Debt and Credit Agreement*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q. We expect to use future loans under the Revolving Credit Facility, if any, for working capital, potential acquisitions, and other general corporate purposes.

Convertible Senior Notes

On September 25, 2020, we completed a private offering of $575.0 million aggregate principal amount of 0.25% convertible senior notes (the "Notes"), including the exercise in full of the initial purchasers' option to purchase up to an additional $75.0 million principal amount of the Notes. We received proceeds from the issuance of the Notes of $559.7 million, net of $15.3 million of transaction fees and other debt issuance costs. The Notes bear interest at a rate of 0.25% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Notes are general senior, unsecured obligations of the Company and will mature on September 15, 2025, unless earlier redeemed, repurchased, or converted. Refer to Note 10, *Convertible Senior Notes,* of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q.

During the fourth quarter of 2020, we used approximately $49.3 million of the net proceeds from the offering to pay the cost of the convertible note hedge transactions (partially offset by the proceeds we received from the sale of the warrant transactions), approximately $53.0 million of the net proceeds to repurchase shares of our common stock from purchasers of the Notes, $150.0 million of the net proceeds to pay down outstanding borrowings under the Revolving Credit Facility, and $225.0 million for the acquisition of the 340B Link Business. We intend to use the remainder of the net proceeds from this offering for working capital and other general corporate purposes, which may include potential acquisitions, strategic transactions, and potential future repurchases of our common stock.

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, as well as repurchases of our common stock.

Our stock repurchase programs have a total of $54.9 million remaining for future repurchases as of March 31, 2021, which may result in additional use of cash. Refer to "Stock Repurchase Program" under Note 15, *Employee Benefits and Share-Based Compensation*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q. There were no stock repurchases during the three months ended March 31, 2021 and 2020.

Based on our current business plan and product 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 ("ESPP"), along with the availability of funds under the 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.

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,	
	2021	2020
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 57,415	$ 25,231
Investing activities	(13,132)	(13,775)
Financing activities	15,599	(33,766)
Effect of exchange rate changes on cash and cash equivalents	(386)	(820)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 59,496	$ (23,130)

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 $57.4 million for the three months ended March 31, 2021, primarily consisting of net income of $14.1 million adjusted for non-cash items of $36.8 million and changes in assets and liabilities of $6.5 million. The non-cash items primarily consisted of depreciation and amortization expense of $17.6 million, share-based compensation expense of $11.8 million, amortization of operating lease right-of-use assets of $2.9 million, amortization of debt issuance costs of $0.8 million, amortization of discount on convertible senior notes of $4.6 million, and a change in deferred income taxes of $0.9 million. Changes in assets and liabilities include cash inflows from (i) an increase in deferred revenues of $21.7 million primarily due to an increase in billings driven by the timing of shipments in order to meet customers' implementation schedules and recognition of revenues for products requiring installation, (ii) an increase in accounts payable of $10.4 million primarily due to an overall increase in spending, as well as timing of payments, (iii) an increase in accrued liabilities of $4.7 million, (iv) a decrease in other current assets of $3.1 million, (v) a decrease in prepaid commissions of $2.7 million, and (vi) a decrease in other long-term assets of $2.2 million. These cash inflows were partially offset by (i) a decrease in accrued compensation of $17.9 million primarily due to a decrease in accrued commissions and bonuses, as well as timing of ESPP purchases, (ii) an increase in accounts receivable and unbilled receivables of $15.4 million primarily due to an increase in billings driven by the timing of shipments as well as collections, (iii) a decrease in operating lease liabilities of $3.1 million, (iv) an increase in prepaid expenses of $1.1 million, and (v) an increase in inventories of $1.0 million.

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.

Investing Activities

Net cash used in investing activities was $13.1 million for the three months ended March 31, 2021, which consisted of capital expenditures of $5.1 million for property and equipment, and $8.0 million for costs of software development for external use.

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.

Financing Activities

Net cash provided by financing activities was $15.6 million for the three months ended March 31, 2021, primarily due to $20.8 million in proceeds from employee stock option exercises and ESPP purchases, partially offset by $2.6 million in employees' taxes paid related to restricted stock unit vesting, and a net decrease in the customer funds balances of $2.6 million.

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 under the 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 ESPP purchases.

Contractual Obligations

There have been no significant changes during the three months ended March 31, 2021 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, 2020.

Contractual obligations as of March 31, 2021 were as follows:

	Payments Due By Period				
	Total	Remainder of 2021	2022 - 2023	2024 - 2025	2026 and thereafter
	(In thousands)				
Operating leases [1]	$ 68,145	$ 11,305	$ 24,287	$ 15,260	$ 17,293
Purchase obligations [2]	82,829	78,848	3,378	560	43
Convertible senior notes [3]	581,469	719	2,875	577,875	—
Total [4]	$ 732,443	$ 90,872	$ 30,540	$ 593,695	$ 17,336

[1] Commitments under operating leases relate primarily to leased office buildings, data centers, office equipment, and vehicles. Refer to Note 12, *Lessee Leases*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q.

[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] We issued convertible senior notes in September 2020 that are due in September 2025. The obligations presented above include both principal and interest for these notes. Although these notes mature in 2025, they may be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayment of the principal amounts sooner than the scheduled repayment as indicated in the table above. Refer to Note 10, *Convertible Senior Notes,* of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q.

[4] Refer to Note 13, *Commitments and Contingencies,* of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q.

Off-Balance Sheet Arrangements

As of March 31, 2021, 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, 2021, 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, 2021, there was no outstanding balance under the A&R Credit Agreement, and the net carrying amount under our convertible senior notes was $472.3 million. Although our convertible senior notes are based on a fixed rate, changes in interest rates could impact the fair value of such notes. As of March 31, 2021, the fair market value of our convertible senior notes was $816.8 million. Refer to Note 10, *Convertible Senior Notes,* of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q.

We have used 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 were designated as cash flow hedges, involved 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, 2021, we did not have any outstanding interest rate swap agreements.

There were no significant changes in our market risk exposures during the three months ended March 31, 2021 as compared to the market risk exposures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II, Item 7A, of our annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

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, 2021.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 13, *Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Other than the updated risk factor provided below, please refer to Part I, Item 1A, "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021, for a description of the risks and uncertainties that may have a material adverse effect on our business, financial condition, or results of operations.

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 accompanying Notes.

The following risk factor has been updated:

We face risks related to adverse public health epidemics, including the ongoing global COVID-19 pandemic, which had an adverse effect on and, depending on the severity and duration of the pandemic, could continue to adversely affect our business, financial condition, and results of operations.

The continued spread of COVID-19, concerns over the pandemic, and related containment measures have adversely impacted our workforce and operations, as well as those of our customers and suppliers, and had an adverse effect on and, depending on the severity and duration of the ongoing COVID-19 pandemic, could continue to adversely affect our business, financial condition, and results of operations.

In response to the ongoing pandemic, the vast majority of our non-manufacturing and non-customer facing personnel continues to work from home. For our employees who are not able to work from home, we have made modifications to our sites to enhance social distancing, implemented recommended safety practices and processes, enhanced cleaning measures, and provided personal protective equipment. If significant or critical portions of our workforce are unable to work effectively 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 materially adversely impacted.

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 have faced financial and operational pressures which we believe led our customers to delay or defer purchasing decisions and/or installations of our solutions during the first half of 2020. However, starting in the third quarter of 2020, we began to see our customers returning to pre-pandemic purchasing patterns consistent with long-term strategic investments. However, any future decisions by our customers to cancel, defer or delay capital expenditure projects, generally reduced capital expenditures by healthcare facilities, and financial losses sustained by health systems as a result of the COVID-19 pandemic, could again decrease demand for our products and related services, resulting in decreased revenue and lower revenue growth rates, which would adversely affect our operating results, perhaps materially.

In addition, although we have not experienced any material disruptions to our supply chain to date, any future prolonged disruption to our suppliers as a result of the COVID-19 pandemic and associated containment measures could significantly disrupt our supply chain and impact our ability to produce our products, 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 adversely affect our operating results, perhaps materially.

The global COVID-19 pandemic continues to rapidly evolve, and the full extent to which COVID-19 (including the emergence of new variants of the COVID-19 virus), will continue to impact our business, results of operations, and financial position will depend on future developments, which remain highly uncertain and cannot be predicted with confidence, such as the severity, resurgences, and duration of the outbreak, travel restrictions, business closures or disruptions, and the effectiveness of actions taken to contain and treat the disease. While certain COVID-19 vaccines have now been approved and are being distributed globally, we are unable to predict how widely utilized the vaccines will be, whether they will be ultimately effective

in preventing the spread of COVID-19 (including its variant strains), and when economic activity and business operations will normalize.

To the extent the COVID-19 pandemic continues to adversely affect our business and financial results, it may also have the effect of heightening certain other risks described in the "Risk Factors" section in our annual report on Form 10-K for the year ended December 31, 2020, including, but not limited to, those relating to unfavorable economic and market conditions, our ability to develop new products or enhance existing products, the need to compete successfully against new product or service entrants, our need to generate sufficient cash flows to service our indebtedness, our tax rates, and our international operations.

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

Issuer Purchases of Equity Securities

During the three months ended March 31, 2021, we did not repurchase any shares of our common stock under our stock repurchase programs. Refer to "Stock Repurchase Program" under Note 15, *Employee Benefits and Share-Based Compensation*, of the Notes to Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q 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	Second Amended and Restated Bylaws of Omnicell, Inc. dated August 6, 2020	8-K	000-33043	3.1	8/12/2020
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
4.3	Indenture, dated as of September 25, 2020, by and between Omnicell, Inc. and U.S. Bank National Association, as Trustee	8-K	000-33043	4.1	9/25/2020
4.4	Form of Global Note, representing Omnicell, Inc.'s 0.25% Convertible Senior Notes due 2025 (included as Exhibit A to the Indenture referenced as Exhibit 4.3)	8-K	000-33043	4.2	9/25/2020
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.

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 4, 2021

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 4, 2021

/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 4, 2021

/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, 2021 (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 4th day of May, 2021.

/s/ Randall A. Lipps	/s/ Peter J. Kuipers
Randall A. Lipps	Peter J. Kuipers
President and Chief Executive Officer (Principal Executive Officer)	Executive Vice President & Chief Financial Officer (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."