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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, 2022

☐ **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 29, 2022, there were 44,198,195 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, 2022	December 31, 2021
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 265,008	$ 349,051
Accounts receivable and unbilled receivables, net of allowances of $5,278 and $5,272, respectively	290,469	240,894
Inventories	137,056	119,924
Prepaid expenses	24,228	22,499
Other current assets	58,843	48,334
Total current assets	775,604	780,702
Property and equipment, net	77,062	71,141
Long-term investment in sales-type leases, net	19,051	18,391
Operating lease right-of-use assets	43,204	48,549
Goodwill	740,426	738,900
Intangible assets, net	269,427	277,616
Long-term deferred tax assets	16,054	15,883
Prepaid commissions	59,643	63,795
Other long-term assets	122,117	127,519
Total assets	$ 2,122,588	$ 2,142,496
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 71,645	$ 71,513
Accrued compensation	47,271	71,130
Accrued liabilities	139,829	133,167
Deferred revenues, net	127,998	112,196
Convertible senior notes, net	564,269	488,152
Total current liabilities	951,012	876,158
Long-term deferred revenues	24,037	20,194
Long-term deferred tax liabilities	28,173	51,705
Long-term operating lease liabilities	37,273	39,911
Other long-term liabilities	7,352	7,839
Total liabilities	1,047,847	995,807
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; 54,457 and 54,073 shares issued; 44,174 and 44,179 shares outstanding, respectively	54	54
Treasury stock at cost, 10,283 and 9,894 shares outstanding, respectively	(290,319)	(238,109)
Additional paid-in capital	982,675	1,024,580
Retained earnings	393,293	368,571
Accumulated other comprehensive loss	(10,962)	(8,407)
Total stockholders' equity	1,074,741	1,146,689
Total liabilities and stockholders' equity	$ 2,122,588	$ 2,142,496

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,	
	2022	2021
	(In thousands, except per share data)	
Revenues:		
Product revenues	$ 225,875	$ 178,125
Services and other revenues	92,953	73,718
Total revenues	318,828	251,843
Cost of revenues:		
Cost of product revenues	118,338	92,627
Cost of services and other revenues	50,443	36,933
Total cost of revenues	168,781	129,560
Gross profit	150,047	122,283
Operating expenses:		
Research and development	25,030	16,080
Selling, general, and administrative	119,933	86,593
Total operating expenses	144,963	102,673
Income from operations	5,084	19,610
Interest and other income (expense), net	(114)	(6,691)
Income before provision for income taxes	4,970	12,919
Benefit from income taxes	(3,243)	(1,208)
Net income	$ 8,213	$ 14,127
Net income per share:		
Basic	$ 0.19	$ 0.33
Diluted	$ 0.17	$ 0.30
Weighted-average shares outstanding:		
Basic	44,249	42,962
Diluted	47,918	46,367

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,	
	2022	2021
	(In thousands)	
Net income	$ 8,213	$ 14,127
Other comprehensive loss:		
Foreign currency translation adjustments	(2,555)	(621)
Other comprehensive loss	(2,555)	(621)
Comprehensive income	$ 5,658	$ 13,506

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, 2021	54,073	$ 54	(9,894)	$ (238,109)	$ 1,024,580	$ 368,571	$ (8,407)	$ 1,146,689
Net income	—	—	—	—	—	8,213	—	8,213
Other comprehensive loss	—	—	—	—	—	—	(2,555)	(2,555)
Share-based compensation	—	—	—	—	16,208	—	—	16,208
Issuance of common stock under employee stock plans	384	—	—	—	18,951	—	—	18,951
Tax payments related to restricted stock units	—	—	—	—	(4,322)	—	—	(4,322)
Stock repurchases	—	—	(389)	(52,210)	—	—	—	(52,210)
Cumulative effect of a change in accounting principle related to convertible debt	—	—	—	—	(72,742)	16,509	—	(56,233)
Balances as of March 31, 2022	54,457	$ 54	(10,283)	$ (290,319)	$ 982,675	$ 393,293	$ (10,962)	$ 1,074,741

	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

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,	
	2022	2021
	(In thousands)	
Operating Activities		
Net income	$ 8,213	$ 14,127
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,124	17,575
Share-based compensation expense	16,208	11,772
Deferred income taxes	(4,858)	(862)
Amortization of operating lease right-of-use assets	3,307	2,895
Impairment of operating lease right-of-use assets	1,753	—
Amortization of debt issuance costs	1,038	849
Amortization of discount on convertible senior notes	—	4,571
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	(49,994)	(15,427)
Inventories	(17,320)	(1,035)
Prepaid expenses	(1,712)	(1,095)
Other current assets	7,950	3,128
Investment in sales-type leases	(1,097)	925
Prepaid commissions	4,152	2,710
Other long-term assets	2,240	2,177
Accounts payable	312	10,368
Accrued compensation	(23,859)	(17,899)
Accrued liabilities	769	4,661
Deferred revenues	19,786	21,749
Operating lease liabilities	(3,521)	(3,142)
Other long-term liabilities	(487)	(632)
Net cash provided by (used in) operating activities	(15,996)	57,415
Investing Activities		
Software development for external use	(3,852)	(8,043)
Purchases of property and equipment	(11,489)	(5,089)
Business acquisition, net of cash acquired	(3,392)	—
Net cash used in investing activities	(18,733)	(13,132)
Financing Activities		
Proceeds from issuances under stock-based compensation plans	18,951	20,826
Employees' taxes paid related to restricted stock units	(4,322)	(2,596)
Change in customer funds, net	5,462	(2,631)
Stock repurchases	(52,210)	—
Net cash provided by (used in) financing activities	(32,119)	15,599
Effect of exchange rate changes on cash and cash equivalents	(411)	(386)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(67,259)	59,496
Cash, cash equivalents, and restricted cash at beginning of period	355,620	489,920
Cash, cash equivalents, and restricted cash at end of period	$ 288,361	$ 549,416
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheets:		
Cash and cash equivalents	$ 265,008	$ 548,055
Restricted cash included in Other current assets	23,353	1,361
Cash, cash equivalents, and restricted cash at end of period	$ 288,361	$ 549,416
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	$ 703	$ 487
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 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" refer to Omnicell, Inc. and its subsidiaries, collectively.

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, 2022 and December 31, 2021, and the results of operations, comprehensive income, and cash flows for the three months ended March 31, 2022 and 2021. 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, 2021, filed with the SEC on February 25, 2022, 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, 2022 are not necessarily indicative of results that may be expected for the year ending December 31, 2022, 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.

On January 10, 2022, the Company completed its acquisition of Hub and Spoke Innovations Limited ("Hub and Spoke Innovations"). The Condensed Consolidated Financial Statements include the results of operations of this recently acquired company, commencing as of the acquisition date. The significant accounting policies of the acquired business have been aligned to conform to the accounting policies of Omnicell.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's Condensed Consolidated Financial Statements and accompanying Notes. These estimates are based on historical experience and various other assumptions that management believes 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, 2022, 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 August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. ASU 2020-06 also requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method is no longer permitted for convertible instruments. This update permits the use of either the modified retrospective or fully retrospective method of transition. The Company adopted ASU 2020-06 on January 1, 2022, using the modified retrospective method of transition. Upon adoption of ASU 2020-06, the previously separated equity component and associated debt issuance costs for the Company's outstanding convertible senior notes were reclassified to the liability component, thereby eliminating the subsequent amortization of the debt discount as interest expense. In addition, the Company derecognized the deferred tax liability related to the equity component.

In December 2021, the Company made an irrevocable election under the indenture to require the principal portion of the Company's convertible senior notes to be settled in cash and any conversion consideration in excess of the principal portion in cash and/or shares of the Company's common stock at the Company's option upon conversion. Following the irrevocable election, only the amounts expected to be settled in excess of the principal portion are considered dilutive in calculating earnings per share under the if-converted method.

The Company's adoption of the update impacted the Condensed Consolidated Balance Sheets at the beginning of the period of adoption as follows:

	January 1, 2022		
	Pre-ASU 2020-06 Balances	ASU 2020-06 Adoption Impact	Post-ASU 2020-06 Balances
		(In thousands)	
Long-term deferred tax assets	$ 15,883	$ (452)	$ 15,431
Convertible senior notes, net	488,152	75,353	563,505
Long-term deferred tax liabilities	51,705	(19,572)	32,133
Additional paid-in capital	1,024,580	(72,742)	951,838
Retained earnings	368,571	16,509	385,080

Adoption of the update did not have an impact on the Company's Condensed Consolidated Statements of Operations or Condensed Consolidated Statements of Cash Flows as of January 1, 2022. Refer to Note 10, *Convertible Senior Notes,* for further information regarding the Company's convertible senior notes.

Recently Issued Authoritative Guidance

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The update addresses diversity in practice by requiring that an acquirer recognize and measure contract assets and liabilities acquired in a business combination in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers.* The guidance will be applied prospectively to acquisitions occurring on or after the effective date. ASU 2021-08 will be effective for the Company beginning January 1, 2023, and early adoption is permitted. The Company is currently evaluating the impact ASU 2021-08 will have on its Condensed Consolidated Financial Statements.

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

Note 2. Business Combinations

The Company accounted for its acquisitions in accordance with ASC 805, *Business Combinations*. The tangible and intangible assets acquired and liabilities assumed were recorded at fair value on the respective acquisition dates. Intangible assets eligible for recognition separate from goodwill were those that satisfied either the contractual or legal criterion or the separability criterion, each as set forth in the accounting guidance. The preliminary fair values reflect management's best estimates based on information available at the respective acquisition dates and may change as additional information is received over the measurement period, which will end no later than one year from the respective acquisition date. The Company

believes that the fair values 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.

The Company's Condensed Consolidated Financial Statements include the results of operations of each acquired company, commencing as of their respective acquisition dates. Acquisition-related costs were expensed as incurred, and are included in selling, general, and administrative expenses in the Company's Condensed Consolidated Statements of Operations.

2022 Acquisition

Hub and Spoke Innovations

On January 10, 2022, the Company completed the acquisition of all of the outstanding equity interests in Hub and Spoke Innovations, pursuant to the terms and conditions of the Share Purchase Agreement, dated January 10, 2022, by and among Omnicell Limited (a wholly-owned subsidiary of the Company), Hub and Spoke Innovations Limited, and certain beneficial stockholders specified therein for a base purchase price of £2.5 million (approximately $3.4 million based on the exchange rate in effect at the acquisition date), prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The preliminary purchase price transferred for the transaction, net of cash acquired, was £2.5 million (approximately $3.4 million based on the exchange rate in effect at the acquisition date). Of the purchase price transferred, £1.9 million (approximately $2.5 million based on the exchange rate in effect at the acquisition date) was allocated to goodwill; £0.8 million (approximately $1.1 million based on the exchange rate in effect at the acquisition date) was allocated to intangible assets, which included customer relationships; and the remainder was allocated to net assets acquired. The Hub and Spoke Innovations acquisition is expected to complement Omnicell's total solution technology portfolio for retail pharmacy in the United Kingdom to help pharmacies improve workflows, offer patients 24/7 access to their medications and provide enhanced patient care.

2021 Acquisitions

MarkeTouch Media

On December 31, 2021, the Company completed the acquisition of all of the outstanding equity interests in MarkeTouch Media, LLC ("MarkeTouch Media") pursuant to the terms and conditions of the Unit Purchase Agreement, dated December 31, 2021, by and among ateb, Inc. (a wholly-owned subsidiary of the Company), MarkeTouch Media, LLC, MarkeTouch Holdings, Inc., Toucan Enterprises, Inc., and certain beneficial stockholders specified therein for a base purchase price of $82.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The MarkeTouch Media acquisition adds mobile and web-based technology and patient engagement solutions, which is expected to expand the footprint of EnlivenHealth® across the retail pharmacy sector, while enhancing potential growth opportunities in new market segments like specialty pharmacy and pharmacy benefits management.

ReCept

On December 29, 2021, the Company completed the acquisition of all outstanding equity securities of ReCept Holdings, Inc. ("ReCept") pursuant to the terms and conditions of the Agreement and Plan of Merger, dated December 1, 2021, by and among Omnicell, Inc., ReCept Holdings, Inc., Redfish Acquisition Corp, and the representative of the securityholders for a base purchase price of $100.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The addition of ReCept's specialty pharmacy management services for health systems, provider groups, and federally qualified health centers expands Omnicell's Advanced Services portfolio in an effort to address the growing and complex specialty pharmacy market.

FDS Amplicare

On September 9, 2021, the Company completed the acquisition of all of the outstanding equity interests in RxInnovation, Inc., operating as FDS Amplicare ("FDS Amplicare"), pursuant to the terms and conditions of the Agreement and Plan of Merger, dated July 25, 2021, by and among RxInnovation Inc., Omnicell, Inc., Fleming Acquisition Corp., and the representative of the securityholders for a base purchase price of $177.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The FDS Amplicare® acquisition adds a comprehensive and complementary suite of Software-as-a-Service ("SaaS") financial management, analytics, and population health solutions to the Company's EnlivenHealth offering.

The following tables represent the preliminary allocation of the respective purchase price to the assets acquired and the liabilities assumed by the Company as part of each acquisition included in the Company's Consolidated Balance Sheets, and is reconciled to the respective purchase price transferred:

	FDS Amplicare [1]	ReCept (Preliminary) [2]	MarkeTouch Media (Preliminary)
		(In thousands)	
Purchase price transferred:			
Base purchase price	$ 177,000	$ 100,000	$ 82,000
Add: Closing cash	465	6,664	191
Add: Net working capital adjustment	1,654	(2,296)	448
Less: Assumed indebtedness	(653)	(1,902)	(13)
Total purchase price transferred	$ 178,466	$ 102,466	$ 82,626

	FDS Amplicare (Preliminary) [1]	ReCept (Preliminary) [2]	MarkeTouch Media (Preliminary)
Fair value of assets acquired and liabilities assumed:			
Cash and cash equivalents	$ 465	$ —	$ 237
Accounts receivable and unbilled receivables	5,330	2,383	2,302
Prepaid expenses	506	192	96
Other current assets	45	13,955	—
Total current assets	6,346	16,530	2,635
Property and equipment	444	172	177
Operating lease right-of-use assets	2,252	773	602
Goodwill	117,374	81,588	42,530
Intangible assets	70,000	28,100	38,000
Other long-term assets	51	200	2,850
Total assets	196,467	127,363	86,794
Accounts payable	950	219	473
Accrued compensation	1,312	1,756	—
Accrued liabilities	1,396	18,499	292
Deferred revenues	1,916	222	347
Long-term deferred tax liabilities	11,377	3,587	—
Long-term operating lease liabilities	920	614	206
Other long-term liabilities	130	—	2,850
Total liabilities	18,001	24,897	4,168
Total purchase price	$ 178,466	$ 102,466	$ 82,626
Total purchase price, net of cash acquired	$ 178,001	$ 95,897	$ 82,389

[1] During the fourth quarter of 2021, the Company recorded measurement period adjustments of $1.5 million to goodwill, consisting of an increase in intangible assets, accounts receivable and unbilled receivables, and long-term deferred tax liabilities of $0.4 million, $1.1 million, and $0.1 million, respectively, and a net working capital adjustment of $0.1 million.

[2] Closing cash is included in other current assets due to its restrictive nature as cash held for customers.

The $117.4 million of goodwill arising from the FDS Amplicare acquisition is primarily attributed to future sales of SaaS solutions and FDS Amplicare's assembled workforce. None of the FDS Amplicare goodwill is expected to be deductible for tax purposes. The $81.6 million of goodwill arising from the ReCept acquisition is primarily attributed to future sales of its offerings and services and ReCept's assembled workforce. None of the ReCept goodwill is expected to be deductible for tax purposes. The $42.5 million of goodwill arising from the MarkeTouch Media acquisition is primarily attributed to future sales of SaaS solutions and MarkeTouch Media's assembled workforce. The full amount of the MarkeTouch Media goodwill is expected to be deductible for tax purposes.

The identifiable intangible assets acquired and their estimated useful lives for amortization are as follows:

	FDS Amplicare [1]		ReCept		MarkeTouch Media	
	Fair value	Useful life (years)	Fair value	Useful life (years)	Fair value	Useful life (years)
	(In thousands, except for years)					
Customer relationships	$ 59,900	23	$ 28,100	23	$ 34,100	26
Acquired technology	7,700	5 - 7	—	—	2,100	4
Backlog	—	—	—	—	1,800	2
Trade names	2,400	5	—	—	—	—
Total purchased intangible assets	$ 70,000		$ 28,100		$ 38,000	

[1] During the fourth quarter of 2021, the Company recorded a measurement period adjustment of $0.4 million in customer relationships.

The customer relationships intangible assets represent the fair values of the underlying relationships and agreements with each acquired company's customers. The acquired technology intangible assets represent the fair values of the portfolio of SaaS solutions that have reached technological feasibility and were part of the respective acquired company's offerings at their respective acquisition dates. The backlog intangible asset represents contractually committed future billings associated with MarkeTouch Media customer contracts. The trade names intangible asset represents the fair value of brand and name recognition associated with the marketing of certain FDS Amplicare SaaS solutions.

The fair values of the customer relationships and backlog intangible assets were determined based on the excess earnings method, and the fair values of the acquired technology and trade names intangible assets were determined based on the relief-from-royalty method. The key assumptions used in estimating the fair values of intangible assets included forecasted financial information; customer attrition rates; royalty rate of 10.0% for the acquired technology intangible assets for both FDS Amplicare and MarkeTouch Media; royalty rate of 2.0% for the FDS Amplicare trade names intangible asset; discount rate of 13.0% for the FDS Amplicare acquisition; discount rate of 15.0% for the ReCept acquisition; discount rate of 11.5% for the MarkeTouch Media acquisition; 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 backlog and trade names intangible assets are being amortized over their respective estimated useful lives using the straight-line method of amortization.

Pro Forma Financial Information

The following table presents certain unaudited pro forma consolidated financial information for the three months ended March 31, 2021 as if the FDS Amplicare, ReCept, and MarkeTouch Media acquisitions had been completed on January 1, 2020. The pro forma effects of the Hub and Spoke Innovations acquisition were not material to the Company's consolidated results of operations. The unaudited pro forma financial information is presented for informational purposes only, and is not indicative of what would have occurred had the acquisitions taken place on those respective dates. The unaudited pro forma financial information combines the historical results of the acquisitions 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; and certain acquisition-related costs incurred.

	Three Months Ended March 31,
	2021
	(In thousands)
Pro forma revenues	$ 268,921
Pro forma net income	$ 13,066

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.

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 inclusive of FDS Amplicare and MarkeTouch Media, 340B solutions, ReCept management services, and services associated with Omnicell One™, 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 fully or partially owned 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 $4.5 million and $3.4 million for the three months ended March 31, 2022 and 2021, respectively.

Disaggregation of Revenues

The following table summarizes the Company's revenues disaggregated by revenue type for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Connected devices, software licenses, and other	$ 208,078	$ 159,718
Technical services	49,169	50,860
Consumables	17,797	18,407
SaaS, subscription software, and technology-enabled services	43,784	22,858
Total revenues	$ 318,828	$ 251,843

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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
United States	$ 287,577	$ 224,276
Rest of world [1]	31,251	27,567
Total revenues	$ 318,828	$ 251,843

[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, 2022	December 31, 2021
	(In thousands)	
Short-term unbilled receivables, net [1]	$ 17,348	$ 17,208
Long-term unbilled receivables, net [2]	16,316	18,084
Total contract assets	$ 33,664	$ 35,292
Short-term deferred revenues, net	$ 127,998	$ 112,196
Long-term deferred revenues	24,037	20,194
Total contract liabilities	$ 152,035	$ 132,390

[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 $128.0 million and $112.2 million include deferred revenues from product sales and service contracts, net of deferred cost of sales of $20.3 million and $22.4 million, as of March 31, 2022 and December 31, 2021, 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, 2022, the Company recognized revenues of $66.6 million, that were included in the corresponding gross short-term deferred revenues balance of $134.6 million as of December 31, 2021.

Long-term deferred revenues include deferred revenues from product and service contracts of $24.0 million and $20.2 million as of March 31, 2022 and December 31, 2021, 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, 2022 and 2021. Also, there were no customers that accounted for more than 10% of the Company's accounts receivable balance as of March 31, 2022 and December 31, 2021.

Note 4. Net Income Per Share

Basic net income (loss) per share is computed by dividing net income (loss) 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* (pre-ASU 2020-06 adoption). For periods prior to the adoption of ASU 2020-06 on January 1, 2022, the Company applied the treasury stock method to calculate the dilutive impact of the convertible senior notes. Upon adoption of ASU 2020-06, effective January 1 2022, the Company is required to apply the if-converted method for calculating the dilutive impact of the convertible senior notes. Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, for further information. 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, 2022 and 2021 were as follows:

	Three Months Ended March 31,	
	2022	2021
	(In thousands, except per share data)	
Net income	$ 8,213	$ 14,127
Weighted-average shares outstanding – basic	44,249	42,962
Effect of dilutive securities from stock award plans	1,646	1,980
Effect of convertible senior notes	1,918	1,425
Effect of warrants	105	—
Weighted-average shares outstanding – diluted	47,918	46,367
Net income per share – basic	$ 0.19	$ 0.33
Net income per share – diluted	$ 0.17	$ 0.30
Anti-dilutive weighted-average shares related to stock award plans	336	287
Anti-dilutive weighted-average shares related to convertible senior notes and warrants	—	5,908

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

Cash and cash equivalents of $265.0 million and $349.1 million as of March 31, 2022 and December 31, 2021, respectively, consisted of bank accounts and highly-liquid U.S. Government money market funds held in sweep and asset management accounts with major financial institutions. As of March 31, 2022 and December 31, 2021, cash equivalents were $224.8 million and $320.2 million, respectively, which consisted of money market funds held in sweep and asset management 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, 2022, the fair value of the convertible senior notes was $810.5 million, compared to their carrying value of $564.3 million, which is net of unamortized debt issuance costs. 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, 2022 and December 31, 2021 are presented in the tables below:

	March 31, 2022	December 31, 2021
	(In thousands)	
Inventories:		
Raw materials	$ 60,238	$ 48,215
Work in process	9,483	11,009
Finished goods	67,335	60,700
Total inventories	$ 137,056	$ 119,924
Other current assets:		
Funds held for customers, including restricted cash [1]	$ 38,426	$ 20,405
Net investment in sales-type leases, current portion	11,103	10,665
Prepaid income taxes	5,265	6,656
Other current assets	4,049	10,608
Total other current assets	$ 58,843	$ 48,334
Other long-term assets:		
Capitalized software, net	$ 94,108	$ 96,995
Unbilled receivables, net	16,316	18,084
Deferred debt issuance costs	2,882	3,156
Other long-term assets	8,811	9,284
Total other long-term assets	$ 122,117	$ 127,519
Accrued liabilities:		
Operating lease liabilities, current portion	$ 11,809	$ 12,947
Customer fund liabilities	38,426	31,727
Advance payments from customers	10,337	8,191
Rebate liabilities	40,344	44,644
Group purchasing organization fees	6,503	7,115
Taxes payable	5,487	3,771
Other accrued liabilities	26,923	24,772
Total accrued liabilities	$ 139,829	$ 133,167

[1] Includes restricted cash of $23.4 million and $6.6 million as of March 31, 2022 and December 31, 2021, respectively.

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), which consisted of foreign currency translation adjustments, for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Beginning balance	$ (8,407)	$ (5,522)
Other comprehensive loss	(2,555)	(621)
Ending balance	$ (10,962)	$ (6,143)

Note 7. Property and Equipment

The following table represents the property and equipment balances as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	(In thousands)	
Equipment	$ 90,930	$ 89,272
Furniture and fixtures	7,432	7,580
Leasehold improvements	20,913	20,623
Software	67,795	60,856
Construction in progress	16,217	14,757
Property and equipment, gross	203,287	193,088
Accumulated depreciation and amortization	(126,225)	(121,947)
Total property and equipment, net	$ 77,062	$ 71,141

Depreciation and amortization expense of property and equipment was $5.3 million and $4.8 million for the three months ended March 31, 2022 and 2021, 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, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	(In thousands)	
United States	$ 72,803	$ 66,788
Rest of world [1]	4,259	4,353
Total property and equipment, net	$ 77,062	$ 71,141

[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, 2021	Additions [1]	Foreign currency exchange rate fluctuations	March 31, 2022
		(In thousands)		
Goodwill	$ 738,900	2,549	(1,023)	$ 740,426

[1] Refer to Note 2, Business Combinations, for further information.

Intangible Assets, Net

The carrying amounts and useful lives of intangible assets as of March 31, 2022 and December 31, 2021 were as follows:

	March 31, 2022				
	Gross carrying amount [1]	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 311,089	$ (83,571)	$ (1,106)	$ 226,412	4 - 30
Acquired technology	92,066	(55,492)	—	36,574	4 - 20
Backlog	1,800	(225)	—	1,575	2
Trade names	9,200	(5,848)	—	3,352	5 - 12
Patents	2,430	(1,216)	—	1,214	2 - 20
Non-compete agreements	600	(300)	—	300	3
Total intangibles assets, net	$ 417,185	$ (146,652)	$ (1,106)	$ 269,427	

	December 31, 2021				
	Gross carrying amount [1]	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	$ 309,989	$ (78,093)	$ (933)	$ 230,963	10 - 30
Acquired technology	95,466	(55,859)	6	39,613	4 - 20
Backlog	1,800	—	—	1,800	2
Trade names	9,200	(5,600)	14	3,614	5 - 12
Patents	2,462	(1,186)	—	1,276	2 - 20
Non-compete agreements	600	(250)	—	350	3
Total intangibles assets, net	$ 419,517	$ (140,988)	$ (913)	$ 277,616	

[1] The differences in gross carrying amounts between periods are primarily due to the write-off of certain fully amortized intangible assets, partially offset by additions of intangible assets in connection with the Hub and Spoke Innovations acquisition.

Amortization expense of intangible assets was $9.1 million and $6.3 million for the three months ended March 31, 2022 and 2021, respectively.

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

	March 31, 2022
	(In thousands)
Remaining nine months of 2022	$ 26,204
2023	31,594
2024	23,139
2025	21,086
2026	18,099
Thereafter	149,305
Total	$ 269,427

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 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 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, 2022.

As of each of March 31, 2022 and December 31, 2021, 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, 2022, 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, 2022, 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 2022. Whether the Notes will be convertible following the second fiscal quarter of 2022 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 current liability in its Condensed Consolidated Financial Statements as of March 31, 2022 based on its irrevocable election to settle the principal amount in cash as discussed below.

Under the original terms of the Indenture, upon conversion, the Company could satisfy its conversion obligation by paying or delivering cash, shares of its common stock, or a combination thereof, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. On December 13, 2021, the Company irrevocably elected to fix its settlement method to a combination of cash and shares of the Company's common stock with the specified cash amount per $1,000 principal amount of Notes of at least $1,000. As a result, for Notes converted on or after December 13, 2021, a converting noteholder will receive (i) up to $1,000 in cash per $1,000 principal amount of Notes and (ii) cash and/or shares of the Company's common stock, at the Company's option for any conversion consideration in excess of $1,000. In addition, the Company continues to have the ability to set the specified cash amount per $1,000 principal amount of Notes above $1,000. 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, 2022, 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 of 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.

Prior to the adoption of ASU 2020-06, convertible debt instruments that could be settled in cash were required to be separated into liability and equity components. The allocation to the liability component was based on the fair value of a similar

instrument that did not contain an equity conversion option. Based on this debt-to-equity ratio, debt issuance costs were 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, represented the debt discount, which the Company amortized 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.

Upon adoption of ASU 2020-06, effective January 1, 2022, the Notes are no longer separated into liability and equity components, and are accounted for as a single liability measured at its amortized cost. Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, for further information.

As of March 31, 2022, the remaining life of the Notes and the related issuance cost accretion is approximately 3.5 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 5.9 million shares. As of March 31, 2022, the if-converted value of the Notes exceeded the principal amount by $190.1 million.

The Notes consisted of the following balances reported in the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021:

	March 31, 2022 [2]	December 31, 2021
	(In thousands)	
Liability:		
Principal amount	$ 575,000	$ 575,000
Unamortized discount	—	(77,136)
Unamortized debt issuance costs	(10,731)	(9,712)
Convertible senior notes, liability component [1]	$ 564,269	$ 488,152
Convertible senior notes, equity component	$ —	$ 72,732

[1] Classified as a current liability as of both March 31, 2022 and December 31, 2021 in the Condensed Consolidated Balance Sheets.

[2] Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, for further information regarding the impact of the adoption of ASU 2020-06, effective January 1, 2022.

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, 2022 and 2021:

	Three Months Ended March 31,	
	2022 [1]	2021
	(In thousands)	
Contractual coupon interest	$ 359	$ 359
Amortization of discount	$ —	$ 4,571
Amortization of debt issuance costs	$ 764	$ 575

[1] Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, for further information regarding the impact of the adoption of ASU 2020-06, effective January 1, 2022.

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 62% 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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Sales-type lease revenues	$ 6,505	$ 5,963
Cost of sales-type lease revenues	(3,078)	(2,366)
Selling profit on sales-type lease revenues	$ 3,427	$ 3,597

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, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	(In thousands)	
Net minimum lease payments to be received	$ 32,690	$ 31,444
Less: Unearned interest income portion	(2,536)	(2,388)
Net investment in sales-type leases	30,154	29,056
Less: Current portion [(1)]	(11,103)	(10,665)
Long-term investment in sales-type leases, net	$ 19,051	$ 18,391

[(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, 2022
	(In thousands)
Remaining nine months of 2022	$ 9,024
2023	9,301
2024	6,300
2025	4,365
2026	1,972
Thereafter	1,728
Total future minimum sales-type lease payments	32,690
Present value adjustment	(2,536)
Total net investment in sales-type leases	$ 30,154

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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Rental income	$ 2,472	$ 2,611

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, 2022, 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, 2022
	(In thousands)
Remaining nine months of 2022	$ 11,244
2023	11,459
2024	9,859
2025	6,909
2026	6,457
Thereafter	10,882
Total operating lease payments	56,810
Present value adjustment	(7,728)
Total operating lease liabilities [(1)]	$ 49,082

[(1)] Amount consists of a current and long-term portion of operating lease liabilities of $11.8 million and $37.3 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 $4.1 million and $3.7 million for the three months ended March 31, 2022 and 2021, respectively. Short-term lease costs and variable lease costs were immaterial for the three months ended March 31, 2022 and 2021. During the three months ended March 31, 2022, the Company recorded an impairment of operating lease right-of-use assets of $1.8 million in connection with restructuring activities for optimization of certain leased facilities. The impairment charge was recorded to selling, general, and administrative expenses on the Company's Condensed Consolidated Statements of Operations.

The following table summarizes supplemental cash flow information related to the Company's operating leases for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities	$ 4,193	$ 3,972
Right-of-use assets obtained in exchange for new lease liabilities	$ 497	$ 541

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, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Weighted-average remaining lease term, years	5.2	5.2
Weighted-average discount rate, %	5.6 %	5.5 %

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, 2022, the Company had non-cancelable purchase commitments of $227.1 million, of which $194.5 million are expected to be paid within the year ending December 31, 2022.

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, which was fully briefed, but the Court had not heard oral argument on the motion. The parties entered into a settlement agreement on January 25, 2022. On February 1, 2022, the Court granted preliminary approval of the settlement. The Court has scheduled a status conference for June 1, 2022. Subject to final approval of the settlement, 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 "BD Complaint"). This action (the "BD 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 BD 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 8, 2022, the parties entered into a confidential settlement agreement. Omnicell is currently in the process of effectuating certain obligations under the agreement prior to dismissal of the BD Complaint.

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 material 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 26.4% and 26.7% for the three months ended March 31, 2022 and 2021, respectively.

The Company has executed various global operational centralization activities and legal entity rationalization in recent years. The Company did not recognize any gains or losses from such activities during the three months ended March 31, 2022 and 2021. The Company recognized a discrete tax benefit related to equity compensation in the amount of $4.4 million and $4.1 million for the three months ended March 31, 2022 and 2021, respectively.

The 2022 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 Global Intangible Low-Taxed Income tax inclusion, partially offset by the favorable impact of research and development credits and a foreign derived intangible income ("FDII") benefit deduction. 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, non-deductible compensation and equity charges, and non-deductible expenses, partially offset by the favorable impact of research and development credits and a 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 ARP Act further expands the "covered employees" definition for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, used in determining the limitation on the deduction for excessive employee remuneration rules to be applicable for taxable years beginning after December 31, 2026. The provisions of the ARP Act did not have a material impact on the Company's income taxes.

As of March 31, 2022 and December 31, 2021, the Company had gross unrecognized tax benefits of $9.3 million and $9.0 million, respectively. It is the Company's policy to classify accrued interest and penalties as part of 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 both March 31, 2022 and December 31, 2021, the amount of accrued interest and penalties was $0.6 million.

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 examinations 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, 2022, the Company was no longer subject to U.S., state, and foreign tax examinations for years before 2018, 2017, and 2017, 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 audited Consolidated Financial Statements and accompanying Notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Cost of product and service revenues	$ 2,244	$ 1,937
Research and development	2,264	1,700
Selling, general, and administrative	11,700	8,135
Total share-based compensation expense	$ 16,208	$ 11,772

Employee Stock Purchase Plan ("ESPP")

The following assumptions were used to value shares under the ESPP for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Expected life, years	0.5 - 2.0	0.5 - 2.0
Expected volatility, %	28.8% - 45.6%	27.4% - 53.5%
Risk-free interest rate, %	0.1% - 1.5%	0.1% - 2.6%
Dividend yield, %	— %	— %

For the three months ended March 31, 2022 and 2021, employees purchased approximately 175,000 and 156,000 shares of common stock, respectively, under the ESPP at a weighted-average price of $66.81 and $59.75, respectively. As of March 31, 2022, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately $3.6 million and is expected to be recognized over a weighted-average period of 1.4 years.

Stock Options

The following assumptions were used to value stock options granted pursuant to the Company's 2009 Equity Incentive Plan, as amended, (the "2009 Plan") for the three months ended March 31, 2021. There were no stock options granted during the three months ended March 31, 2022.

	Three Months Ended March 31,
	2021
Expected life, years	4.9
Expected volatility, %	30.1 %
Risk-free interest rate, %	0.6 %
Estimated forfeiture rate, %	7.9 %
Dividend yield, %	— %

The following table summarizes the stock option activity during the three months ended March 31, 2022:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value
	(In thousands, except per share data)			
Outstanding at December 31, 2021	2,954	$ 67.35	6.9	$ 334,119
Granted	—	—		
Exercised	(141)	51.47		
Expired	(1)	68.74		
Forfeited	(33)	80.32		
Outstanding at March 31, 2022	2,779	$ 68.00	6.8	$ 171,505
Exercisable at March 31, 2022	1,699	$ 58.65	6.0	$ 120,394
Vested and expected to vest at March 31, 2022 and thereafter	2,683	$ 67.36	6.7	$ 167,177

The weighted-average fair value per share of options granted during the three months ended March 31, 2021 was $33.89. The intrinsic value of options exercised during the three months ended March 31, 2022 and 2021 was $12.7 million and $14.0 million, respectively.

As of March 31, 2022, total unrecognized compensation cost related to unvested stock options was $28.4 million, which is expected to be recognized over a weighted-average vesting period of 2.0 years.

Restricted Stock Units ("RSUs")

The following table summarizes the RSU activity under the 2009 Plan during the three months ended March 31, 2022:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Years	Aggregate Intrinsic Value
	(In thousands, except per share data)			
Outstanding at December 31, 2021	763	$ 119.93	1.6	$ 137,696
Granted (Awarded)	150	147.90		
Vested (Released)	(43)	84.74		
Forfeited	(26)	119.49		
Outstanding and unvested at March 31, 2022	844	$ 126.70	1.6	$ 109,317

As of March 31, 2022, total unrecognized compensation cost related to RSUs was $85.5 million, which is expected to be recognized over the remaining weighted-average vesting period of 3.0 years.

Restricted Stock Awards ("RSAs")

The following table summarizes the RSA activity under the 2009 Plan during the three months ended March 31, 2022:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(In thousands, except per share data)	
Outstanding at December 31, 2021	11	$ 137.36
Granted (Awarded)	—	—
Vested (Released)	—	—
Outstanding and unvested at March 31, 2022	11	$ 137.36

As of March 31, 2022, 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 Stock Unit Awards ("PSUs")

The following table summarizes the PSU activity under the 2009 Plan during the three months ended March 31, 2022:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Unit
	(In thousands, except per share data)	
Outstanding at December 31, 2021	144	$ 118.71
Granted	75	156.82
Additional granted based on performance achievement	51	156.79
Vested	(57)	119.09
Forfeited	(1)	178.81
Outstanding and unvested at March 31, 2022	212	$ 141.05

As of March 31, 2022, total unrecognized compensation cost related to PSUs was approximately $13.7 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.5 years.

Summary of Shares Reserved for Future Issuance under Equity Incentive Plans

The Company had the following ordinary shares reserved for future issuance under its equity incentive plans as of March 31, 2022:

	Number of Shares
	(In thousands)
Share options outstanding	2,779
Non-vested restricted stock awards	1,067
Shares authorized for future issuance	1,154
ESPP shares available for future issuance	744
Total shares reserved for future issuance	5,744

Stock Repurchase Programs

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, 2022, the 2014 Repurchase Program was completed, and the maximum dollar value of shares that may yet be purchased under the 2016 Repurchase Program was $2.7 million. The 2016 Repurchase Program does not obligate the Company to repurchase any specific number of shares, and the Company may terminate or suspend the 2016 Repurchase Program at any time.

During the three months ended March 31, 2022, the Company repurchased approximately 389,300 shares of its common stock under the repurchase programs at an average price of $134.11 per share for an aggregate purchase price of approximately $52.2 million. During the three months ended March 31, 2021, the Company did not repurchase any of its outstanding common stock under the repurchase programs.

Note 16. 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 industry vision of the Autonomous Pharmacy. In the first quarter of 2021, the Company continued its organizational realignment initiative, incurring $2.0 million of employee severance costs and related expenses.

During the first quarter of 2022, the Company initiated certain domestic and international restructuring initiatives, in order to enhance and streamline certain engineering functions for its domestic operations, and to realign its international sales organization to better serve its customers in various international markets. During the three months ended March 31, 2022, the restructuring plans incurred $3.5 million of employee severance costs and related expenses. As of March 31, 2022 the unpaid balance related to these restructuring plans was $1.8 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, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Cost of product and service revenues	$ 156	$ 389
Research and development	1,594	105
Selling, general, and administrative	1,777	1,526
Total restructuring expense	$ 3,527	$ 2,020

Note 17. Subsequent Events

On May 4, 2022, the Company determined that certain of its information technology systems were affected by ransomware impacting certain internal systems. There is an impact on certain of the Company's products and services, as well as certain of its internal systems. Upon detecting the security event, the Company took immediate steps designed to contain the incident and implement its business continuity plans to restore and support continued operations. The Company has notified appropriate law enforcement authorities. The Company is also working closely with cybersecurity experts and legal counsel. The Company is in the early stages of its investigation and assessment of the security event and cannot determine, at this time, the extent of the impact from such event on our business, results of operations or financial condition or whether such impact will have a material adverse effect.

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, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements are contained throughout this Quarterly 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 on our workforce and operations (including new variants of the virus) and associated efforts to contain the spread of the pandemic, as well as the continuing impacts on our customers and suppliers, and the anticipated continuing effects of the COVID-19 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 expectation to continue to acquire companies, businesses, products, or technologies;*
- *our goal of advancing our platform with new product introductions;*
- *our goal to deliver on the industry vision of the Autonomous Pharmacy, 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 industry vision of the Autonomous Pharmacy, our beliefs about the anticipated benefits of such investments, and our expectations regarding continued growth in current and future 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 healthcare institutions;*
- *opportunities presented by new products, services, and markets;*
- *our ability to secure adequate supplies of raw materials and components utilized in the manufacture of our products of a quality that we require and at acceptable prices;*
- *our ability to align our cost structure and headcount with our current business expectations;*
- *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 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, many of which are beyond our control, 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 with, or furnish to, the U.S. Securities and Exchange Commission ("SEC") from time to time, 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.

Other Information

All references in this Quarterly Report on Form 10-Q to "Omnicell," "our," "us," "we," or "the Company" refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries, collectively. 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 Quarterly Report, including Omnicell®. This Quarterly 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

Omnicell, a leader in transforming the pharmacy care delivery model, is committed to elevating the role of pharmacy within healthcare and transforming medication management as an essential component of the pharmacy care delivery model. We are doing so with an industry-leading comprehensive intelligent infrastructure, bringing together technology, analytics, and expert services to equip and empower pharmacists and pharmacies to focus on clinical care rather than administrative tasks. We believe this intelligent infrastructure provides the critical foundation for realizing the industry vision of the Autonomous Pharmacy, a vision defined by pharmacy leaders for improving operational efficiencies and ultimately targeting zero-error medication management.

Facilities worldwide use our automation and analytics solutions to increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. Institutional and retail pharmacies across North America, the

United Kingdom, Germany, and Australia leverage our innovative medication adherence and population health solutions to improve patient engagement and adherence to prescriptions, helping to reduce costly hospital readmissions. We sell our product and consumable solutions together with related service offerings. Revenues generated in the United States represented 90% and 89% of our total revenues for the three months ended March 31, 2022 and 2021, 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 industry vision of the Autonomous Pharmacy. This expansion 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, software products, and Advanced Services, and by a purchase order or through our Omnicell Storefront online ordering platform 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 a range of 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. We also provide Advanced Services such as Omnicell One, EnlivenHealth, 340B solutions, Central Pharmacy Dispensing Services, and Central Pharmacy Compounding Services. 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 3,890 and 3,800 on March 31, 2022 and December 31, 2021, 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.

Business Strategy

We are committed to being the care providers' and retail pharmacies' most trusted partner and executing on the industry vision of the Autonomous Pharmacy by developing and delivering an intelligent medication management infrastructure composed of devices, digital workflows, analytics, and experts, all powered by the cloud. We believe there are significant challenges facing the pharmacy practice today including, but not limited to, labor shortages, 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 process, complexity around compliance requirements, high pharmacy employee turnover rates affecting tenure and expertise, hospitalizations from adverse drug events in outpatient settings, high variability in outcomes, and

limited inventory visibility. We believe that these significant challenges to the pharmacy practice drive the demand for increased digitization, visibility, and insights that our solutions enable, 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. We are more than halfway through the replacement, upgrade, and expansion cycle of older models of automated dispensing systems with our XT Series automated dispensing systems within our own customer base, which we believe is a significant market opportunity. We have been successful penetrating markets through competitive conversions and expect this success to continue. We also believe there is an opportunity for us to define a new standard of care for dispensing systems in perioperative settings. 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 high volumes of manual and repetitive processes that are common in pharmacies today. Manual processes are prone to significant errors, and products such as IVX Workflow, our IV Sterile Compounding Service (including IV robotics), and our Central Pharmacy Dispensing Service (including the XR2 Automated Central Pharmacy System), automate these manual processes and are designed to reduce the risk of error for our healthcare partners. Because automation adoption in the Central Pharmacy is still nascent, we believe that the adoption of solutions will be accelerated by bundling those solutions with technology-enabled services that are designed to deliver specific outcomes and leverage intelligence across the enterprise for more actionable insights, and are expected to reduce administrative burden, allowing clinicians to operate at the top of their license. We think that these bundled solutions are becoming more critical than ever as health systems appear to face increasing labor shortages and supply chain disruption following the COVID-19 pandemic. Additionally, we believe new products, innovations and our expertise in the Central Pharmacy market create opportunities to replace prior generation Central Pharmacy robotics, especially when combining those robotics with carousels and technology-enabled services to increase the percentage of medication managed through the intelligent infrastructure.

- **Specialty Pharmacy and 340B Program.** We believe that health systems will invest in more revenue generating activities that improve patient outcomes, and pharmacy will be at the center with specialty pharmacies and the 340B Drug Pricing Program.

  Studies have shown that specialty medications represent over 50% of the country's total spending on retail, mail-order, and provider-administered drugs. Used for treatment of complex conditions, these medications often require intensive patient management and specialized workflows for dispensing and care coordination. Specialty pharmacies serve as the connection between patients, prescribing physicians, and payors to ensure streamlined access and adherence to these specialty drugs, helping to maintain continuity of care throughout the process, and are expected to improve margin and profitability for the health system. The newly acquired ReCept Holdings, Inc. ("ReCept") solution provides implementation and managed services for health systems and other provider organizations to optimize their specialty pharmacy programs and the related pharmaceutical aspects of patient care.

  The 340B market is targeted to covered entities participating in Section 340B of the Public Health Services Act. The Public Health Services Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to healthcare organizations that care for many uninsured and low-income patients and creates a complex compliance environment. According to the Health Resources and Services Administration, which is responsible for administering the 340B program, enrolled hospitals and other covered entities can achieve an average savings of 25% to 50% in pharmaceutical purchases. Due to the complexities of adhering to the administrative process of the 340B program, we believe that there are significant opportunities for health systems to improve participation benefits and maximize program savings through our 340B technology-enabled services.

- **Retail, Institutional, and Payer.** We believe the retail, institutional, and payer market represents a significant opportunity as healthcare evolves. A majority of all prescription drugs are distributed in the non-acute sector. The COVID-19 pandemic accelerated the shift of primary healthcare settings from hospitals and doctors' offices to other convenient channels like the home, digital, and retail pharmacies. 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 improve patient care and reduce the total cost of care. We believe adoption of our EnlivenHealth 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. Our EnlivenHealth portfolio has been expanded with two recent acquisitions that will assist in adoption and drive innovation. RxInnovation Inc., operating as FDS Amplicare ("FDS Amplicare"), is a leading provider of financial management, analytics, and population health solutions to the retail pharmacy industry, including independent pharmacies. MarkeTouch Media, LLC ("MarkeTouch Media") has longstanding pharmacy chain relationships that further broaden EnlivenHealth's national pharmacy network.

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

COVID-19 Update

We continue to closely monitor the COVID-19 pandemic and ongoing impacts on the Company. At the outset of the COVID-19 pandemic, many 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, our customers have generally returned 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.

COVID-19 vaccines are now available and being widely distributed. Despite this, there remains uncertainty regarding the duration and severity of the continuing impact of the pandemic, including the impact of new variants of the COVID-19 virus, on the U.S. and world economies, as well as on our business. We continue to carefully monitor this dynamic situation and may adjust our outlook as appropriate. The ongoing impact of the COVID-19 pandemic may adversely affect our business, results of operations, financial condition, and liquidity (including increased borrowing costs or other costs of capital). 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 January 10, 2022, we completed the acquisition of Hub and Spoke Innovations, pursuant to the terms and conditions of the Share Purchase Agreement, dated January 10, 2022, by and among Omnicell Limited (a wholly-owned subsidiary of the Company), Hub and Spoke Innovations Limited, and certain beneficial stockholders specified therein for a base purchase price of £2.5 million (approximately $3.4 million based on the exchange rate in effect at the acquisition date), prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The Hub and Spoke Innovations acquisition is expected to complement Omnicell's total solution technology portfolio for retail pharmacy in the United Kingdom to help pharmacies improve workflows, offer patients 24/7 access to their medications and provide enhanced patient care. The results of the operations of Hub and Spoke Innovations have been included in our consolidated results of operations beginning January 10, 2022.

On December 31, 2021, we completed the acquisition of MarkeTouch Media pursuant to the terms and conditions of the Unit Purchase Agreement, dated December 31, 2021, by and among ateb, Inc. (a wholly-owned subsidiary of the Company), MarkeTouch Media, LLC, MarkeTouch Holdings, Inc., Toucan Enterprises, Inc., and certain beneficial stockholders specified therein for a base purchase price of $82.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The MarkeTouch Media acquisition adds mobile and web-based technology and patient engagement solutions, which is expected to expand the footprint of EnlivenHealth across the retail pharmacy sector, while enhancing potential growth opportunities in new market segments like specialty pharmacy and pharmacy benefits management. The results of the operations of MarkeTouch Media have been included in our consolidated results of operations beginning December 31, 2021.

On December 29, 2021, we completed the acquisition of ReCept pursuant to the terms and conditions of the Agreement and Plan of Merger, dated December 1, 2021, by and among Omnicell, Inc., ReCept Holdings, Inc., Redfish Acquisition Corp, and the representative of the securityholders for a base purchase price of $100.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The addition of ReCept's specialty pharmacy management services for health systems, provider groups, and federally qualified health centers expands Omnicell's Advanced Services portfolio in an effort to address the growing and complex specialty pharmacy market. The results of the operations of ReCept have been included in our consolidated results of operations beginning December 29, 2021.

On September 9, 2021, we completed the acquisition of FDS Amplicare pursuant to the terms and conditions of the Agreement and Plan of Merger, dated July 25, 2021, by and among RxInnovation Inc., Omnicell, Inc., Fleming Acquisition Corp., and the representative of the securityholders for a base purchase price of $177.0 million, prior to customary adjustments for closing cash, net working capital, and assumed indebtedness. The FDS Amplicare acquisition adds a comprehensive and complementary suite of SaaS financial management, analytics, and population health solutions to our EnlivenHealth offering.

The results of the operations of FDS Amplicare have been included in our consolidated results of operations beginning September 9, 2021.

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 and unbilled receivables;
- 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, 2022 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, 2021, 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	
	2022	2021	$	%
	(Dollars in thousands)			
Product revenues	$ 225,875	$ 178,125	$ 47,750	27%
Percentage of total revenues	*71%*	*71%*		
Services and other revenues	92,953	73,718	19,235	26%
Percentage of total revenues	*29%*	*29%*		
Total revenues	$ 318,828	$ 251,843	$ 66,985	27%

Product revenues represented 71% of total revenues for both the three months ended March 31, 2022 and 2021. Product revenues increased by $47.8 million, due to increased customer demand, primarily within our automated dispensing systems business.

Services and other revenues represented 29% of total revenues for both the three months ended March 31, 2022 and 2021. 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 $19.2 million, primarily due to revenues from our recent acquisitions of FDS Amplicare, ReCept, and MarkeTouch Media.

Our international sales represented 10% and 11% of total revenues for the three months ended March 31, 2022 and 2021, 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, our ability to develop new or enhance existing solutions, and our flexibility in workforce 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) costs of providing services and installation costs, including costs of personnel 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	
	2022	2021	$	%
	(Dollars in thousands)			
Cost of revenues:				
Cost of product revenues	$ 118,338	$ 92,627	$ 25,711	28%
As a percentage of related revenues	*52%*	*52%*		
Cost of services and other revenues	50,443	36,933	13,510	37%
As a percentage of related revenues	*54%*	*50%*		
Total cost of revenues	$ 168,781	$ 129,560	$ 39,221	30%
As a percentage of total revenues	*53%*	*51%*		
Gross profit	$ 150,047	$ 122,283	$ 27,764	23%
Gross margin	*47%*	*49%*		

Cost of revenues for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 increased by $39.2 million, of which $25.7 million was attributed to the increase in cost of product revenues and $13.5 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 $47.8 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, as well as increased inventory-related costs due to inflationary impacts. The increase was partially offset by the benefits associated with economies of scale due to higher volumes during the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

The increase in cost of services and other revenues was primarily driven by the increase in services and other revenues of $19.2 million, including incremental revenues from our recent acquisitions, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, as well as additional investments in our service business to support new service solutions.

The overall decrease in gross margin primarily relates to additional investments in our business, including our service solutions, as well as inflationary impacts on inventory-related costs. The decrease is partially offset by higher revenues for the three months ended March 31, 2022 due to increased customer demand as well as benefits associated with economies of scale due to higher volumes. Our gross profit for the three months ended March 31, 2022 was $150.0 million, as compared to $122.3 million for the three months ended March 31, 2021.

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

	Three Months Ended March 31,			
			Change in	
	2022	2021	$	%
	(Dollars in thousands)			
Operating expenses:				
Research and development	$ 25,030	$ 16,080	$ 8,950	56%
As a percentage of total revenues	*8%*	*6%*		
Selling, general, and administrative	119,933	86,593	33,340	39%
As a percentage of total revenues	*38%*	*34%*		
Total operating expenses	$ 144,963	$ 102,673	$ 42,290	41%
As a percentage of total revenues	*45%*	*41%*		
Interest and other income (expense), net	$ (114)	$ (6,691)	$ 6,577	(98)%

Research and Development. Research and development expenses increased by $9.0 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily attributed to an increase in employee-related expenses of approximately $7.4 million due to increased headcount to support the continued development of

our intelligent infrastructure and incremental headcount from recent acquisitions, as well as an increase of $1.5 million in employee-related expenses for restructuring initiatives.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $33.3 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to an increase of approximately $17.5 million in employee-related expenses primarily related to increased headcount, including the incremental headcount from recent acquisitions, as well as an increase in spending on travel and meetings of $2.8 million, an increase in intangible asset amortization expense of $2.3 million, and a $1.8 million impairment of operating lease right-of-use assets.

Interest and Other Income (Expense), Net. Interest and other income (expense), net changed by $6.6 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily driven by a $5.1 million decrease in other expenses and a $1.4 million increase in other income. The decrease in other expenses during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 is primarily due to the adoption of ASU 2020-06, effective January 1, 2022, which eliminated the imputed interest expense recognized on our convertible senior notes (refer to Note 1, *Organization and Summary of Significant Accounting Policies*, for additional information). The increase in other income during the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 is primarily attributable to benefits from certain arrangements outside of our normal course of business.

Provision for (Benefit from) Income Taxes

	Three Months Ended March 31,			
			Change in	
	2022	2021	$	%
	(Dollars in thousands)			
Benefit from income taxes	$ (3,243)	$ (1,208)	$ (2,035)	168%

Our annual effective tax rate before discrete items was 26.4% and 26.7% for the three months ended March 31, 2022 and 2021, respectively. The slight decrease in the estimated annual effective tax rate for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to an increase in research and development credits.

Benefit from income taxes for the three months ended March 31, 2022 included net discrete income tax benefit of $4.6 million, primarily due to a $4.4 million tax benefit from equity compensation.

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.

Effective January 1, 2022, the Tax Cuts and Jobs Act of 2017 eliminated the ability to deduct research and development expenditures and required those expenditures to be amortized. While this change has not materially impacted our effective tax rate, it could potentially impact our cash flows and increase the amount of cash taxes we pay.

Refer to Note 14, *Income Taxes*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information.

LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of $265.0 million at March 31, 2022 compared to $349.1 million at December 31, 2021. All of our cash and cash equivalents are invested in bank accounts and money market funds held in sweep and asset management accounts with major financial institutions.

Our cash position and working capital at March 31, 2022 and December 31, 2021 were as follows:

	March 31, 2022	December 31, 2021
	(In thousands)	
Cash and cash equivalents	$ 265,008	$ 349,051
Working capital (deficit) [1]	$ (175,408)	$ (95,456)

[1] The working capital deficit balances as of March 31, 2022 and December 31, 2021 were primarily due to the reclassification of our convertible senior notes as a current rather than long-term liability. Refer to Note 10, *Convertible Senior Notes*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information.

Our ratio of current assets to current liabilities was 0.8:1 and 0.9:1 at March 31, 2022 and December 31, 2021, 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 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 required 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 requires us to maintain a consolidated secured net leverage ratio not to exceed 3.00:1 for the calendar quarters ending thereafter.

As of March 31, 2022, 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 for additional information. We expect to use future loans under the Revolving Credit Facility, if any, for working capital, potential acquisitions, and other general corporate purposes.

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.

The 2016 Repurchase Program has a total of $2.7 million remaining for future repurchases as of March 31, 2022, which may result in additional use of cash. As of March 31, 2022, the 2014 Repurchase Program was completed. During the three months ended March 31, 2022, we repurchased approximately 389,300 shares of our common stock under our repurchase programs at an average price of $134.11 per share for an aggregate purchase price of approximately $52.2 million. Refer to "Stock Repurchase Programs" 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 additional information.

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,	
	2022	2021
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ (15,996)	$ 57,415
Investing activities	(18,733)	(13,132)
Financing activities	(32,119)	15,599
Effect of exchange rate changes on cash and cash equivalents	(411)	(386)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ (67,259)	$ 59,496

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 used in operating activities was $16.0 million for the three months ended March 31, 2022, primarily consisting of net income of $8.2 million adjusted for non-cash items of $38.6 million, offset by changes in assets and liabilities of $62.8 million. The non-cash items primarily consisted of depreciation and amortization expense of $21.1 million, share-based compensation expense of $16.2 million, amortization of operating lease right-of-use assets of $3.3 million, impairment of operating lease right-of-use assets of $1.8 million, amortization of debt issuance costs of $1.0 million, and a change in deferred income taxes of $4.9 million. Changes in assets and liabilities include cash outflows from (i) an increase in accounts receivable and unbilled receivables of $50.0 million primarily due to an increase in billings driven by overall business growth and the timing of shipments and collections, (ii) a decrease in accrued compensation of $23.9 million primarily due to a decrease in accrued commissions and bonuses as well as timing of ESPP purchases, (iii) an increase in inventories of $17.3 million to support forecasted sales, including advanced purchases of certain components, as well as higher costs of inventory, (iv) a decrease in operating lease liabilities of $3.5 million, (v) an increase in prepaid expenses of $1.7 million, and (vi) an increase in investment in sales-type leases of $1.1 million. These cash outflows were partially offset by (i) an increase in deferred revenues of $19.8 million primarily due to an increase in billings driven by the timing of annual maintenance renewals, the billing of other ongoing service commitments, and shipments of product in order to meet customers' implementation schedules and recognition of revenues for products requiring installation, (ii) a decrease in other current assets, net of funds held for customers, of $8.0 million, (iii) a decrease in prepaid commissions of $4.2 million, and (iv) a decrease in other long-term assets of $2.2 million.

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.

Investing Activities

Net cash used in investing activities was $18.7 million for the three months ended March 31, 2022, which consisted of $3.4 million consideration paid for the acquisition of Hub and Spoke Innovations, net of cash acquired, capital expenditures of $11.5 million for property and equipment, and $3.9 million for costs of software development for external use.

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.

Financing Activities

Net cash used in financing activities was $32.1 million for the three months ended March 31, 2022, primarily due to $52.2 million for repurchases of our stock and $4.3 million in employees' taxes paid related to restricted stock unit vesting, partially offset by $19.0 million in proceeds from employee stock option exercises and ESPP purchases, and a net increase in the customer funds balances of $5.5 million.

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.

Contractual Obligations

There have been no significant changes during the three months ended March 31, 2022 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, 2021.

Contractual obligations as of March 31, 2022 were as follows:

	Payments Due By Period				
	Total	Remainder of 2022	2023 - 2024	2025 - 2026	2027 and thereafter
			(In thousands)		
Operating leases [1]	$ 56,810	$ 11,244	$ 21,318	$ 13,366	$ 10,882
Purchase obligations [2]	227,135	194,461	32,318	322	34
Convertible senior notes [3]	580,032	719	2,875	576,438	—
Other [4]	844	156	440	248	—
Total [5]	$ 864,821	$ 206,580	$ 56,951	$ 590,374	$ 10,916

(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 for additional information.

(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 for additional information.

(4) Other commitments include various finance leases and other financing arrangements.

(5) Refer to Note 13, *Commitments and Contingencies,* of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information.

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, 2022, 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, 2022, there was no outstanding balance under the A&R Credit Agreement, and the net carrying amount under our convertible senior notes was $564.3 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, 2022, the fair market value of our convertible senior notes was $810.5 million. Refer to Note 5, *Cash and Cash Equivalents and Fair Value of Financial Instruments*, and Note 10, *Convertible Senior Notes,* of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information.

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, 2022, 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, 2022 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, 2021, filed with the SEC on February 25, 2022.

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 (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 Quarterly 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 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, 2022.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 13, *Commitments and Contingencies*, of the Notes accompanying the 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 updates 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, 2021, filed with the U.S. Securities and Exchange Commission ("SEC") on February 25, 2022, 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 Part I - Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Condensed Consolidated Financial Statements and accompanying Notes included in this report.

Risk Factors Related to our Business and Industry

Significant disruptions in our information technology systems, breaches of data security, or cyber-attacks on our systems or solutions, could adversely impact our business.

We rely on information technology ("IT") systems to keep financial records and corporate records, communicate with staff and external parties, and operate other critical functions, including sales and manufacturing processes. As our business needs change, we may need to expand or update our IT systems. We also utilize third-party cloud services in connection with our operations, which also may need to be expanded or updated as our business needs change. Our IT systems and third-party cloud services are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses, public health crises such as the ongoing COVID-19 pandemic, other catastrophic events or environmental impact, as well as due to system upgrades and/or new system implementations. Our systems may also experience vulnerabilities from third-party or open source software code that may be incorporated into our own or our vendors' systems. Any prolonged system disruption in our IT systems or third-party services could negatively impact the coordination of our sales, planning, and manufacturing activities, which could harm our business. In addition, in order to maximize our information technology efficiency, we have physically consolidated our primary corporate data and computer operations. This concentration, however, exposes us to a greater risk of disruption to our internal IT systems. Although we maintain offsite back-ups of our data, a disruption of operations at our facilities could materially disrupt our business if we are not capable of restoring function within an acceptable time frame.

Our IT systems and third-party cloud services are potentially vulnerable to cyber-attacks, including ransomware, or other data security incidents, by employees or others, which may expose sensitive data to unauthorized persons. On May 4, 2022, we determined that certain of our information technology systems were affected by ransomware impacting certain internal systems. There is an impact on certain of our products and services, as well as certain of our internal systems. Upon detecting the security event, the Company took immediate steps designed to contain the incident and implement its business continuity plans to restore and support continued operations. The Company is in the early stages of its investigation and assessment of the security event and cannot determine, at this time, the extent of the impact from such event on our business, results of operations or financial condition or whether such impact will have a material adverse effect.

Data security incidents could lead to the loss of trade secrets or other intellectual property, or to the public exposure of sensitive and confidential information of our employees, customers, suppliers, and others, any of which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, a security breach or privacy violation that leads to disclosure or modification of, or prevents access to, patient information, including personally identifiable information or protected health information, could harm our reputation, result in litigation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents, and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenues. For additional information, see the risk factor captioned "*We are subject to laws, regulations, and other legal obligations related to privacy, data protection, and information security, and the costs of compliance with, and potential liability associated with, our actual or perceived failure to comply with such obligations could harm our business*" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

In addition, we sell certain solutions that receive, store, and process our customers' data. For example, our Omnicell One solution combines a cloud-based predictive intelligence platform with expert services designed to monitor pharmacy operations and recommend opportunities to help improve efficiency, regulatory compliance, and patient outcomes. As another

example, our EnlivenHealth Patient Engagement platform is a private cloud-based solution that supports improving patient adherence goals through a single web-based platform that hosts functionality to guide and track patient notes, interventions, and appointments. An effective attack on our solutions could disrupt the proper functioning of our solutions, allow unauthorized access to sensitive and confidential information of our customers (including protected health information), and disrupt our customers' operations. In addition to the risks and impacts noted above, any of these events could cause our solutions to be perceived as having security vulnerabilities and reduce demand for our solutions, which could have a material adverse effect on our business, financial condition, and results of operations. These risks are likely to increase as we continue to grow our cloud-based offerings, including in support of the industry vision of the Autonomous Pharmacy, and as we receive, store, and process more of our customers' data.

While we have implemented a number of security measures designed to protect our systems and data, including firewalls, antivirus and malware detection tools, patches, log monitors, routine back-ups, system audits, routine password modifications, and disaster recovery procedures, and have designed certain security features into our solutions, we and our third party service providers regularly defend against and respond to data security incidents and such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events. In some cases we may be unaware of an incident or its magnitude and effects as breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm. In addition, while we possess insurance that currently includes coverage for cyber-attacks, we have seen a trend where the amount of coverage being offered by insurance providers for such cyber-attacks is decreasing while the cost of obtaining such coverage is increasing. If this trend continues the insurance coverage we possess may not be adequate or the cost to obtain such coverage may become prohibitive.

We use third-party cloud providers in connection with certain of our cloud-based offerings or third-party providers to host our own data, in which case we rely on the processes, controls, and security such third parties have in place to protect the infrastructure. We also may acquire companies, products, services, and technologies and inherit such risks when we integrate these acquisitions within Omnicell.

Any failure to prevent such security breaches or privacy violations, or implement satisfactory remedial measures, could require us to expend significant resources to remediate any damage, disrupt our operations or the operations of our customers, damage our reputation, damage our relationships with our customers, or expose us to a risk of financial loss, litigation, regulatory penalties, contractual indemnification obligations, or other liability.

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

The manufacture and sale of most of our current medication management solutions products and services are not directly regulated by the U.S. Food and Drug Administration ("FDA") or the U.S. Drug Enforcement Administration ("DEA"), although such products and services are used by other persons (our customers) whose pharmacy, dispensing, and compounding activities may be subject to regulation by those agencies and by state boards of pharmacy. We have both Class I and Class II products classified as medical devices, which are subject to FDA regulation and require compliance with the FDA Quality System Regulation as well as medical device reporting, including a sterile disposable product requiring FDA 510(k) review and clearance prior to market and distribution. Medical devices may also be subject to various other regulatory requirements, including as applicable, premarket clearance or approval, clinical trial requirements, establishment registration and device listing, complaint handling, notification and repair, replace, refund, mandatory recalls, unique device identifier (UDI) requirements, reports of removals and corrections, post-marketing surveillance, and device tracking. Additional products and services may be regulated in the future by the FDA, DEA, or other federal agencies due to future legislative and regulatory initiatives or reforms. In addition, certain provisions of the Federal Food, Drug and Cosmetic Act related to the handling, distribution and compounding of pharmaceuticals, govern all parts of the drug distribution chain, which our customers may be required to comply with and which may influence customer demand for our products. Direct regulation of our business and products by the FDA, DEA, or other federal agencies could substantially increase the cost to produce our products or deliver our services and increase the time required to bring those products and services to market, reduce the demand for our products and services, and reduce our revenues. In addition, our customers include healthcare providers and facilities subject to regulation by the DEA, pharmacies subject to regulation by the FDA and individual state boards of pharmacy and hospitals subject to accreditation by accrediting organizations approved by the CMS, such as the Joint Commission, and the rules, regulations, and standards of such regulators and accrediting organizations. Any failure of our customers to comply with the applicable rules, regulations, and standards could reduce demand for our products or services and harm our competitive position, results of operations, and financial condition. Given our customers, products, services, and industry relationships, we may also be subject to rules, regulations, standards, and enforcement imposed by the U.S. Department of Health and Human Services ("HHS"), the U.S. Department of Justice, the HHS Office of Inspector General, CMS, the Health Resources and Services Administration, and state attorney generals, among others. As such, from time to time, we may be subject to various state or federal governmental, inspections, reviews, audits and investigations to verify our compliance with governmental rules

and regulations to the extent governing certain of our products and services. The costs to respond to or defend any such reviews, audits and investigations can be significant and are likely to increase in the current enforcement environment. These audits and investigations may result in other adverse consequences, particularly if the underlying conduct is found to be pervasive or systemic. These consequences may include, but are not limited to: (1) refunding or retroactively adjusting amounts that have been paid under the relevant government program or from other payers; (2) state or federal agencies imposing significant fines, penalties and other sanctions on us; (3) losing our right to participate in certain governmental programs; and (4) damaging our reputation in various markets, which could adversely affect our ability to attract customers and employees. If these were to occur, the consequences could have a material adverse effect on our business, financial position and results of operations.

While we have implemented a Privacy and Use of Information Policy and adhere to established privacy principles, use of customer information guidelines, and related federal and state statutes, we cannot assure you that we will be in compliance with all international, federal and state healthcare information privacy and security laws that we are directly or indirectly subject to, including, without limitation, HIPAA. Under HIPAA, we are considered a "business associate" in relation to many of our customers that are covered entities, and, as such, most of these customers have required that we enter into written agreements governing the way we handle and safeguard certain patient health information we may encounter in providing our products and services, and may impose liability on us for failure to meet our contractual obligations. Furthermore, pursuant to changes in HIPAA under the American Recovery and Reinvestment Act of 2009, we are covered under HIPAA similar to other covered entities and, in some cases, subject to the same civil and criminal penalties as a covered entity. A number of states and countries have also enacted privacy and security statutes and regulations that, in some cases, are more stringent than HIPAA and may also apply directly to us. If our past or present operations are found to violate any of these laws, we may be subject to fines, penalties, and other sanctions.

In addition, we cannot predict the potential impact of future privacy standards and other federal, state, and international privacy and security laws that may be enacted at any time on our customers or on Omnicell. These laws could restrict the ability of Omnicell and/or our customers to obtain, use, or disseminate patient information, which could reduce the demand for our products or services or force us to redesign our products or services in order to meet regulatory requirements. For more information, you should also refer to the risk factor captioned "*We are subject to laws, regulations, and other legal obligations related to privacy, data protection, and information security, and the costs of compliance with, and potential liability associated with, our actual or perceived failure to comply with such obligations could harm our business*" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

Changes to the 340B Program could negatively impact our 340B Program-related services.

Any changes to the 340B Drug Pricing Program, such as changes to the scope of the 340B Program, could negatively impact our 340B Program-related services. Current litigation brought by multiple manufacturers is challenging the Health Resources and Services Administration's requirement to offer the 340B ceiling price on drugs dispensed at contract pharmacies. The decisions that have been issued to date have been narrowly tailored and appeals have been filed in some of the cases. While the litigation is ongoing, a number of manufacturers have restricted access to the 340B ceiling price for drugs dispensed at contract pharmacies. It is not yet clear how the litigation will resolve. If 340B ceiling prices are not required to be offered for drugs dispensed at contract pharmacies or the requirements for participation by 340B covered entities make participation in the program less beneficial, our 340B Program-related offerings may become less useful to 340B covered entities, and our 340B Program-related businesses could decline, which could materially adversely affect our business, financial condition, and results of operations. Furthermore, uncertainty around the 340B Program could lead to lower levels of participation by 340B covered entities, which could reduce demand for our 340B Program-related businesses, which could adversely affect our business. In addition, Congress has considered legislative changes to the 340B Program. Any legislative changes to the 340B Program could also affect our 340B Program-related services.

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

Issuer Purchases of Equity Securities

The following table summarizes repurchases of our common stock during the three months ended March 31, 2022:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program [1]
January 1, 2022 - January 31, 2022	—	$ —	—	$ 54,900,000
February 1, 2022 - February 28, 2022	—	$ —	—	$ 54,900,000
March 1, 2022 - March 31, 2022	389,300	$ 134.11	389,300	$ 2,700,000
Total	389,300	$ 134.11	389,300	$ 2,700,000

[1] On August 2, 2016, our Board of Directors (the "Board") authorized a stock repurchase program providing for the repurchase of up to $50.0 million of our 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 our common stock (the "2014 Repurchase Program"). As of March 31, 2022, the 2014 Repurchase Program was completed, and the maximum dollar value of shares that may yet be purchased under the 2016 Repurchase Program was $2.7 million. The 2016 Repurchase Program does not obligate the Company to repurchase any specific number of shares, and the Company may terminate or suspend the 2016 Repurchase Program at any time.

Refer to "Stock Repurchase Programs" 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 additional information.

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	Exhibit	Filing Date
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 9, 2022

By: /s/ Peter J. Kuipers

Peter J. Kuipers,

Executive Vice President & Chief Financial Officer
(principal financial officer and duly authorized 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 9, 2022

/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 9, 2022

/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, 2022 (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 9th day of May, 2022.

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