Complementary Summary of Omnicell Q4 and Full Year 2010 Results

This complementary summary of Omnicell financial results includes forward-looking statements subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied. For a more detailed description of the risks that impact these forward-looking statements, please refer to the information under the heading “Risk Factors” and under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Omnicell annual report on Form 10-K filed with the SEC on February 24, 2010, as well as more recent reports filed with the SEC. Please be aware that undue reliance should not be placed on any forward-looking statements made today.

The date of the conference call was January 27, 2011.

Today’s discussion begins with an update on the market, followed by a review of Omnicell company results for the quarter and the year, and guidance for 2011.

The fourth quarter of 2010 finished up a good year in which we returned to growth, had another year of strong order volume from new customers, and continued to refresh our product line. At the American Society of Health System Pharmacists annual conference in December we announced and showcased several new products and partnerships that maintain the tradition of keeping Omnicell products at the technological forefront. Product announcements included our new Savvy mobile medication system, a solution that integrates the functionality of our medication dispensing management cabinets into a mobile platform, providing not only the tracking but also the physical control of medications from the dock to the patient. At ASHP we demonstrated how Savvy expands our solution for current customers and provides a platform for integrating management of Omnicell dispensing cabinets with an Electronic Healthcare Record.

We also announced PandoraVIA 2.0, which expands our new reporting platform with compliance safety monitoring, virtualization, and an enhanced user interface.

We announced WorkflowRx 7.0, which introduces a new high performance unit-dose packager to increase packaging efficiency, and to increase medication dispensing accuracy.

A completely redesigned narcotics management solution, replacing our SecureVault system, was also previewed in December.

In addition to these products, we announced several partnerships including a partnership with Cardinal Health that makes Omnicell one of only two vendors to participate in the CardinalASSIST program for replenishment of automated dispensing cabinets directly from the medication wholesaler. We also announced a partnership with RxScan to enhance our controls with additional bar code checking capabilities in the central pharmacy to help prevent medication errors.

These product and partnership announcements are just the latest in a long history of innovation and product leadership at Omnicell. We're proud of our reputation in the marketplace and of the awards we have won. In December, our OmniLinkRx prescription workflow product was awarded with the Category Leader distinction for Medication Order Management Systems by KLAS, a prestigious third-party healthcare evaluation firm. This is the second consecutive year that OmniLinkRx received this award and comes after several other awards given to our automated dispensing cabinets and central pharmacy solutions.

We're also very happy to announce renewals of single source contracts with major hospital systems. Catholic Healthcare West, one of our largest customers, recently renewed and expanded their single source contract with Omnicell. The Mountain States Health System, a 13 hospital IDN in Tennessee and Virginia, also renewed their single source agreement with us. Omnicell now counts nearly 2300 customers utilizing at least one of our products and of those, we now have over 1600 acute care facilities utilizing our automated dispensing cabinets, related software, or central pharmacy automation solutions. We're proud of our accomplishments and are well prepared to keep the momentum going. In the fourth quarter we expanded our sales force by 30%, an investment to increase coverage of our growing installed base of customers and to expand our reach to more new customers. All new Omnicell sales personnel are on board, have gone through initial training, and are starting to settle into their new territories. We are optimistic about the combination of our new products and partnerships, and our expanded sales team, all of which we believe will add to shareholder value. Combined with our expanded base of new customers, we believe there is good reason to look forward to 2011.

Results

The fourth quarter of 2010 capped off a good year for Omnicell, and we finished off the year within or above all our guidance ranges. Customer orders continued to be strong with large customers and new customers. 33% of our orders this quarter came from customers who had never automated before or from competitive conversions. About three quarters of the new accounts were from competitive conversions and the remainder was from Greenfield accounts. New and competitive conversion customers comprised 38% of the orders for the full year of 2010, making 2010 the sixth consecutive year that business from new customers and competitive conversions has exceeded one third of our orders. Product backlog, or the value of product that has been ordered but not yet fully installed and counted as revenue, was $127 million at the end of 2010 up about 11% from $114 million at the end of 2009. The year end backlog of $127 million was above our guidance range of $118 to $125 million.

Revenue for the fourth quarter of fiscal 2010 was $57.3 million, up 2% from the third quarter of 2010, and up 5% from the fourth quarter of a year ago. Net earnings after taxes for the fourth quarter were $0.7 million, or $0.02 per share for Q4 2010. This compares to $1.3 million or $0.04 per share for Q3 2010 and $0.6 million, or $0.02 per share in Q4 2009. For the full year of 2010, revenue was $222 million, up 4%. Net earnings after taxes for 2010 were $4.9 million or $0.15 per share, up from $0.4 million, or $0.01 per share in 2009. Our GAAP results do include an effective tax rate of 51%, higher than we expected due to further taxes on repatriation of profits from India associated with the consolidation of our development offices and other one-time adjustments to our tax provision.

Our headcount at the end of the quarter was 753, up about 20 from last quarter following the addition of the new sales staff. 753 is equal to our headcount at the end of 2009. During the year we gained efficiency through office consolidations and other organizational changes that allowed the expansion of our sales teams without any overall addition to headcount.

Non-GAAP Results

The adjustments to GAAP results are the exclusion of stock compensation expenses, the exclusion of restructuring costs and related charges incurred in the consolidation of our development facilities in the second half of 2010, and the benefits from the settlement of patent litigation during Q3 2010. Stock compensation expense includes the estimated future value of employee stock options, restricted stock, and our employee stock purchase plan. Since stock compensation expense is a non-cash expense, we use financial statements internally that exclude stock compensation expense in order to measure some of our operating results. We use these adjusted statements in addition to GAAP financial statements, and we feel it is useful for investors to understand the non-cash stock compensation expenses that are a component of our reported results. We also measure our business excluding infrequent events such as the restructuring charge and the litigation settlement benefit. A full reconciliation of our GAAP to non-GAAP results is included in our press release and will be posted to our web site.

Our Q4 2010 non-GAAP net income was $3.6 million, or $0.11 per share. Our Q4 2010 non-GAAP net income was up $0.2 million from Q4 2009. Earnings per share for the quarter were equal to Q4 last year. For the full year of 2010, non-GAAP net income was $14.5 million or $0.43 per share, up $2.3 million or $0.05 per share from 2009, an increase of 19%. In addition to revenue growth in 2010, we posted gross margin increases driven by material cost and efficiency improvements in both our manufacturing and our customer service operations, as well as a favorable product mix.

Adjusted earnings before Interest, Taxes, Depreciation and Amortization, which also excludes stock compensation amortization, the restructuring and related charges and the litigation benefit, were $6.3 million for the fourth quarter of 2010, and $26.4 million for the full year of 2010. The full year is up $4.2 million or 19% year to year. Adjusted EBITDA is a good measure of the operational results of the company and we’re happy to have continued growing this measure much faster than revenue growth.

Our cash and short term investments were $184 million at the end of Q4 2010, up $5 million quarter to quarter and up $14 million from 2009. During 2010 we generated $23 million from normal operations of the company and used $8 million for the acquisition of Pandora Data Systems and for litigation settlement. Accounts Receivable days sales outstanding were 69, down 5 days from last quarter and on the low end of our expected range of DSO. Our Inventories were $10 million, consistent with the previous quarter.

2010 Revenue and 2011 Profit Guidance

For 2010, we met or exceeded all the guidance we provided at the beginning of the year. For 2011, we expect to continue growing the business. We expect product backlog at the end of 2011 to be between $138 and $144 million. Our backlog gives us good visibility to the revenue to be installed in the next two quarters and beyond. We expect 2011 revenue to be between $240 and $245 million. Achievement of our revenue goal is dependent upon the volume of our order rates in the first half of 2011 that can be installed within the year. Our guidance for non-GAAP earnings excluding stock compensation expenses in 2011 is between $0.51 and $0.56 per share. These profit expectations assume an effective tax rate of 40% on GAAP earnings and no material change in interest rates.

Our annual guidance includes approximately $3 million of revenue from the Pandora acquisition and a small profit accretion. For Q1, we expect most of the Pandora revenue will be deferred because of some unfulfilled product promotions and we expect the profit contribution to be 1 cent dilutive. In addition, we do typically experience some higher expenses in Q1 of any year that makes our first quarter seasonally weaker than the other quarters. With these seasonally higher expenses and the Q1 Pandora dilution, we expect Q1 2011 non-GAAP earnings per share to be $0.09 to $0.10 on revenues roughly equal to Q4 2010.

Summary

To recap, Omnicell had a good year in a tough economy, hitting all our guidance from the beginning of the year. We would like to thank each and every one of the 753 dedicated Omnicell employees who were instrumental in our continued success.

Omnicell, Inc.
Calculation of Adjusted EBITDA (1)
(In thousands, unaudited)

	Three Months Ended			Year Ended	
	December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
GAAP net income	$ 672	$ 1,276	$ 557	$ 4,892	$ 444
Add back:					
ASC 718 stock compensation expense	2,564	2,198	2,454	9,015	9,725
Restructuring charges	—	1,196	—	1,196	2,524
Reduction-in-force, other exit-related charges	—	504	—	504	—
Litigation settlement	—	(2,439)	—	(2,439)	—
Interest	(79)	(181)	(96)	(420)	(604)
Depreciation and amortization expense	2,130	2,188	2,257	8,619	9,428
Income tax expense	995	1,886	913	5,065	748
Non-GAAP adjusted EBITDA (1)	$ 6,282	$ 6,628	$ 6,085	$ 26,432	$ 22,265

(1) Defined as earnings before interest income and expense, taxes, depreciation and amortization, and non-cash expenses, including stock compensation expense, per ASC 718, formerly FAS 123R. Also excludes non-GAAP adjustments for Restructuring, Reduction-in-force and other exit-related charges, and Litigation settlement.