Complementary Summary of Omnicell Q3 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.

In addition to Omnicell's quarterly earnings, today's discussion includes some updates on recent Omnicell wins in the market, a review of the acquisition the company just completed — including the expected financial implications of the acquisition — and other one-time events announced during the quarter. Our coverage of the results for the quarter is be followed by our guidance for the remainder of 2010.

Omnicell enjoyed success in the marketplace during the third quarter with strong orders across our entire customer base. Last month, we announced that the Sentara Healthcare group chose Omnicell medication control systems to replace their existing installation. Sentara, an eight-hospital system with over 2000 beds and the largest integrated delivery network in Virginia, selected our systems for their advanced features and our superb service and support record.

In August, we announced that the Wellmont Health System began their conversion to Omnicell OmniRx automated medication systems, SinglePointe software to manage patient specific medications, Anesthesia Workstations™, and other solutions to streamline medication management throughout its facilities. Wellmont, an 1100-bed system in eastern Tennessee, is upgrading seven of its hospital facilities, and chose Omnicell solutions based on long-term cost of ownership and the most advanced technology when compared to competing solutions. And in September, we were happy to report that Deaconess Health System chose to replace its current vendor with Omnicell. We are particularly honored to have been selected as Deaconess' partner of choice as it is an industry-recognized system of five acute care facilities in southwestern Indiana whose use of electronic health records (EHR) has been rated among the top two percent of hospitals in the U.S. Omnicell solutions are designed to be easily integrated and interoperable with Deaconess' already existing IT network. We were specifically selected for our strong reporting tools and clear solutions upgrade path that combines a solid long-term investment with a high level of efficiency, customer service, and patient safety.

In addition to these wins and others we announced in the last three months, we saw a resurgence of our US federal government business, including orders from some of the largest Veteran's Administration hospitals in the system.

Also during the quarter, we announced an addition to our product offering in the field of data analytics and reporting, with the acquisition of Pandora Data Systems in September. Pandora is a leading provider of reporting tools used with automated dispensing systems and a well recognized and regarded brand name among hospital Directors of Pharmacy. Pandora has over 700 customers using their sophisticated reporting and analytics tools in conjunction with most brands of medication control systems. Pandora products have grown to be an integral part of meeting regulatory requirements for many hospital customers.

We plan to continue the investment Pandora has made in their platform for the benefit of all users of automated medication dispensing, regardless of the brand of dispensing system in use. Pandora is located in Scott's Valley, California, and employs 15 people. While a smaller acquisition, Pandora is another step in our strategy to offer a broad array of more advanced systems that improve hospital workflow and solve safety, efficiency, and regulatory compliance challenges for our customers. The acquisition closed in September and we welcome Pandora's employees and customers to the Omnicell team.

We're proud of our successes in the marketplace and contributions to improving healthcare. Now, with the addition of Pandora and their reporting tools to our product offering, Omnicell will have the ability to make an even larger impact on healthcare improvements. We believe there is a large opportunity for further automation at our new and existing customers. We also believe there is significant opportunity to align our business with the healthcare reform requirements that will drive hospitals to focus on improving their efficiency and quality of their outcomes. The success we've seen throughout the year at large hospital institutions underscores the value of our systems to organizations that are on the forefront of the sweeping changes in healthcare.

Results

The third quarter of 2010 was a good quarter for Omnicell. We exceeded analyst revenue and profit expectations, we completed the office consolidation announced in July, and we settled a longstanding lawsuit. The customer wins discussed earlier, coupled with strong order rates in nearly every type of hospital segment, keep us on path for year-to-year order growth and on track for our backlog guidance. The expansion of our customer base was particularly strong, with 52% of our orders from new customers and competitive conversions. About two-thirds of the new accounts were from competitive conversions and the remainder were from Greenfield accounts. This continues our consistent track record, making new accounts and competitive conversions 40% of our business year to date.

Revenue for the third quarter of fiscal 2010 was $56.3 million, up 3% from the second quarter of 2010, and up 4% from the third quarter of a year ago. Net earnings after taxes were $1.3 million, or $0.04 per share for Q3 2010. This compares to $0.9 million, or $0.03 per share in Q3 2009. Included in our results for the quarter are several non-routine charges and benefits which are excluded in our non-GAAP measures. Our results also include improvements in gross margins partially offset by increases in operating expenses. The improvements in gross margins were driven by material cost and efficiency improvements in both our manufacturing and customer service operations, as well as a strong product mix. Increases in operating expenses were driven by product development and acquisition related expenses. Additional expenses in research and development of more than $1 million from the second quarter of 2010 were driven by the timing of prototyping cycles, capitalization of software coding, and non-recurring use of contract development resources. Also consistent with our discussions in prior quarters, Omnicell is actively assessing acquisition candidates and our third quarter results include higher than normal expenses for the Pandora acquisition and various other acquisition candidates in the pipeline. These expenses were consistent with our expectations and guidance for the quarter.

Our headcount at the end of the quarter was 734, which is down 20 from last quarter following the addition of Pandora employees offset by the consolidation of our development offices from four to two. The facility consolidation, announced in July and completed during Q3, has already begun to meet its intended result of increasing the efficiency of operations and promoting collaboration among the Company’s engineering teams. The consolidation included the closure of facilities in The Woodlands TX and in Bangalore, India, and the expansion into a new facility in Nashville TN. We expect the consolidation to be cost neutral on an on-going basis. A charge of $1.7 million was booked in Q3 for the facility consolidation, restructuring, and other related charges. Because there was some repatriation of profits from India, the after tax charge was $1.6 million. While cost neutral on an on-going basis, we feel the increased focus of our engineering teams will give us an opportunity to bring more products to market faster with even higher quality.

Also during Q3 we settled a longstanding intellectual property lawsuit with Flo Healthcare Solutions, now part of Intermetro Industries, which is a subsidiary of Emerson Electric. We became involved in the lawsuit as a result of our 2007 acquisition of Rioux Vision. In connection with the acquisition, we booked a liability for the defense of the lawsuit. The payment we made in connection with the settlement and granted licenses, totaling $2.65 million, including a cross license of two Omnicell patents, was less than the outstanding liability, resulting in a pre-tax benefit of $2.4 million. The restructuring charges and the litigation settlement benefit largely offset each other on an after tax basis.

Non-GAAP Results

The adjustments to GAAP results are the exclusion of stock compensation expenses, the restructuring costs and related charges, and the litigation settlement benefit. 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 is available on our web site.

Our Q3 2010 non-GAAP net income was $3.6 million, or $0.11 per share, exceeding analyst consensus by $0.01 per share. Our Q3 2010 non-GAAP net income was up $0.4 million or $0.01 per share from Q3 2009.

Earnings before Interest, Taxes, Depreciation and Amortization, which also excludes stock compensation amortization, the restructuring and related charges and the litigation benefit, were $6.6 million for the third quarter of 2010, up $1.0 million or 18% year to year. EBITDA is a good measure of the operational results of the company and we're happy to continue growing this measure much faster than revenue growth.

Our cash and short-term investments were $179 million at the end of Q3 2010. The acquisition of Pandora and the litigation settlement used $9 million of cash, which was offset by $2 million of cash generated from operations. Days sales outstanding were 74, up 10 days from last quarter. Our mix of installations was less heavily weighted to leases, which tends to drive DSOs up. Our DSO was near an all-time low in Q2 at 64. Despite the increase in Q3, we are operating in our expected range of DSO, and expect to continue in the 70-80 day DSO range in the future. Our Inventories were $10 million, consistent with the previous quarter.

The acquisition of Pandora will change our balance sheet and operating results slightly. Pandora was acquired for $6 million in cash and the transaction closed on

September 29, 2010. We expect Pandora to add $2-3 million of revenue annually, but because of some unfulfilled product promotions that expire during Q2 2011, we expect most of the revenues for the next six months to be deferred until the middle of 2011 and so there will be negligible revenue contribution from Pandora in Q4 2010 and Q1 2011. On a GAAP basis including the amortization of purchased intangible assets, we expect the acquisition will be dilutive 2 cents per share in Q4 2010, dilutive one cent per share in Q1 2011 and break even for the full year of 2011. On a pro-forma basis, excluding the amortization of purchased intangible assets, we expect the results will be dilutive one cent per share in each of Q4 2010 and Q1 2011, and slightly accretive for the full year 2011. Pandora's financials have been incorporated into our Q3 balance sheet, but there was virtually no impact to the P&L in Q3.

2010 Revenue and Profit Guidance

For 2010, the guidance we set at the beginning of the year is reconfirmed. We expect product backlog at the end of 2010 to be towards the upper end of our previously stated range of $118 to $125 million. We expect 2010 revenue to be between $220 and $222 million. Our backlog gives us good visibility to the revenue to be installed in the next two quarters and we expect there to be little change to these installation schedules. Our guidance for non-GAAP earnings excluding stock compensation expenses and restructuring charges for 2010 is between $0.40 to $0.45 per share. These profit expectations assume an effective tax rate of 42% on GAAP earnings, and no material change in interest rates, and include the consolidated results of Pandora Data Systems. These non-GAAP expectations exclude the charges for facilities consolidation during Q3, the benefit for litigation settlement, and stock compensation expenses. We feel that maintaining our profit guidance including the initial dilution due to the Pandora acquisition and the absorption of other expenses discussed, is a positive indicator of the underlying strength of our business.

Summary

Omnicell financial results exceeded expectations, we had a strong order quarter with good success in new accounts, and Pandora adds to our data analytics capabilities and market presence. It was a very strong quarter for the company and sets us up well for the future.

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

	Three Months Ended			Nine Months Ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
GAAP net income (loss)	$ 1,276	$ 1,965	$ 854	$ 4,220	$ (112)
Add back:					
ASC 718 stock compensation expense	2,198	2,097	2,413	6,451	7,271
Restructuring charges	1,196			1,196	2,524
Reduction-in-force, other exit-related charges	504			504	-
Litigation settlement	(2,439)			(2,439)	-
Interest	(181)	(88)	(108)	(341)	(508)
Depreciation and amortization expense	2,188	2,178	2,297	6,489	7,171
Income tax expense (benefit)	1,886	1,580	146	4,070	(165)
Non-GAAP adjusted EBITDA (1)	$ 6,628	$ 7,732	$ 5,602	$ 20,150	$ 16,181

(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.

Use of Non-GAAP Financial Information

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

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

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

b) Restructuring charges In the third quarter of 2010 we incurred charges for restructuring and impairment in executing our plan for consolidation of our Bangalore, India and Woodlands, Texas offices with our California and Tennessee facilities. These charges consisted of severance for departing employees and relocation benefits for transferring employees, exit and disposal costs related to the closed facilities, and impairment of abandoned leasehold improvements. In the first quarter of 2009, we incurred charges for employee severance in connection with a reduction in force, which was designed to align our cost structure with current business expectations. The financial impact of these charges is excluded from our non-GAAP results as they are considered to be infrequent in nature, they are not expected to occur in the ordinary course of business, and are not used for the purpose of evaluating the company’s core performance.

c) *Reduction-in-force and other exit related charges.* In the third quarter of 2010 we conducted a small reduction-in-force to rebalance the required workforce by function to our current business environment. Additionally, we incurred lease termination costs and leasehold improvement impairment costs (upon abandonment) in connection with merging our Lebanon, Tennessee office with our office in Nashville.

d) *Litigation Settlement*. In the third quarter of 2010 we settled two pending litigations with Flo Healthcare LLC (now part of InterMetro Industries Corporation), paid InterMetro $2.65 million, and entered into a patent cross-license agreement with InterMetro, wherein Omnicell received an ongoing license to the patent at issue in the suits, and InterMetro received licenses to two Omnicell patents. The parties then jointly filed for dismissal of the cases. The resulting credit to third quarter 2010 Selling general and administrative expense reflects the true-up for the settlement with release of the liability in excess of the amounts settled.

e) *Taxes on repatriated foreign earnings*. In the third quarter of 2010, the closure of our Bangalore, India office, resulted in a charge for repatriation taxes and a valuation allowance against deferred tax assets.

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

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

1) Such non-GAAP financial measures provide an additional analytical tool for understanding Omnicell’s financial performance by excluding the impact of items which may obscure trends in the core operating results of the business;

2) Since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency and enhances investors’ ability to compare our performance across financial reporting periods;

3) These non-GAAP financial measures are employed by Omnicell’s management in its own evaluation of performance and are utilized in financial and operational decision making processes, such as budget planning and forecasting; and

4) These non-GAAP financial measures facilitate comparisons to the operating results of other companies in our industry, which use similar financial measures to supplement their GAAP

results, thus enhancing the perspective of investors who wish to utilize such comparisons in their analysis of our performance.

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

i) While share-based compensation calculated in accordance with ASC 718 constitutes an ongoing and recurring expense of Omnicell, it is not an expense that requires cash settlement by Omnicell. We therefore exclude these charges for purposes of evaluating core operating results. Thus, our non-GAAP measurements are presented exclusive of stock-based compensation expense to assist management and investors in evaluating our core operating results.