
**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, 2024

OR

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.)

**4220 North Freeway
Fort Worth, TX 76137**

(Address of registrant's principal executive offices, including zip code)

(877) 415-9990

(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 transition 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 30, 2024, there were 45,923,492 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, 2024	December 31, 2023
(In thousands, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 512,364	\$ 467,972
Accounts receivable and unbilled receivables, net of allowances of \$ 6,463 and \$5,564, respectively	248,512	252,025
Inventories	103,466	110,099
Prepaid expenses	26,585	25,966
Other current assets	98,991	71,509
Total current assets	989,918	927,571
Property and equipment, net	109,034	108,601
Long-term investment in sales-type leases, net	43,909	42,954
Operating lease right-of-use assets	26,531	24,988
Goodwill	735,357	735,810
Intangible assets, net	205,115	211,173
Long-term deferred tax assets	37,383	32,901
Prepaid commissions	50,191	52,414
Other long-term assets	86,317	90,466
Total assets	\$ 2,283,755	\$ 2,226,878
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 43,145	\$ 45,028
Accrued compensation	41,446	51,754
Accrued liabilities	167,187	149,276
Deferred revenues	164,586	121,734
Total current liabilities	416,364	367,792
Long-term deferred revenues	65,195	58,622
Long-term deferred tax liabilities	1,493	1,620
Long-term operating lease liabilities	34,568	33,910
Other long-term liabilities	7,099	6,318
Convertible senior notes, net	570,439	569,662
Total liabilities	1,095,158	1,037,924
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; 56,207 and 55,822 shares issued; 45,924 and 45,539 shares outstanding, respectively	56	56
Treasury stock at cost, 10,283 shares outstanding, respectively	(290,319)	(290,319)
Additional paid-in capital	1,139,010	1,122,292
Retained earnings	354,681	370,357
Accumulated other comprehensive loss	(14,831)	(13,432)
Total stockholders' equity	1,188,597	1,188,954
Total liabilities and stockholders' equity	\$ 2,283,755	\$ 2,226,878

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,	
	2024	2023
(In thousands, except per share data)		
Revenues:		
Product revenues	\$ 133,295	\$ 185,715
Services and other revenues	112,856	104,914
Total revenues	246,151	290,629
Cost of revenues:		
Cost of product revenues	92,441	109,527
Cost of services and other revenues	61,087	56,073
Total cost of revenues	153,528	165,600
Gross profit	92,623	125,029
Operating expenses:		
Research and development	22,056	22,878
Selling, general, and administrative	92,414	125,114
Total operating expenses	114,470	147,992
Loss from operations	(21,847)	(22,963)
Interest and other income (expense), net	4,016	1,781
Loss before income taxes	(17,831)	(21,182)
Benefit from income taxes	(2,155)	(6,182)
Net loss	\$ (15,676)	\$ (15,000)
Net loss per share:		
Basic	\$ (0.34)	\$ (0.33)
Diluted	\$ (0.34)	\$ (0.33)
Weighted-average shares outstanding:		
Basic	45,732	44,887
Diluted	45,732	44,887

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

OMNICELL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Net loss	\$ (15,676)	\$ (15,000)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(1,399)	1,479
Other comprehensive income (loss)	(1,399)	1,479
Comprehensive loss	\$ (17,075)	\$ (13,521)

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	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Stockholders' Equity
	Shares	Amount	Shares	Amount					
(In thousands)									
Balances as of December 31, 2023	55,822	\$ 56	(10,283)	\$ (290,319)	\$ 1,122,292	\$ 370,357	\$ (13,432)	\$ 1,188,954	
Net loss	—	—	—	—	—	(15,676)	—	—	(15,676)
Other comprehensive loss	—	—	—	—	—	—	(1,399)	(1,399)	
Share-based compensation	—	—	—	—	9,381	—	—	—	9,381
Issuance of common stock under employee stock plans	385	—	—	—	8,042	—	—	—	8,042
Tax payments related to restricted stock units	—	—	—	—	(705)	—	—	—	(705)
Balances as of March 31, 2024	56,207	\$ 56	(10,283)	\$ (290,319)	\$ 1,139,010	\$ 354,681	\$ (14,831)	\$ 1,188,597	
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Stockholders' Equity
	Shares	Amount	Shares	Amount					
(In thousands)									
Balances as of December 31, 2022	55,030	\$ 55	(10,283)	\$ (290,319)	\$ 1,046,760	\$ 390,728	\$ (17,087)	\$ 1,130,137	
Net loss	—	—	—	—	—	(15,000)	—	—	(15,000)
Other comprehensive income	—	—	—	—	—	—	1,479	1,479	
Share-based compensation	—	—	—	—	15,180	—	—	—	15,180
Issuance of common stock under employee stock plans	322	—	—	—	12,114	—	—	—	12,114
Tax payments related to restricted stock units	—	—	—	—	(1,369)	—	—	—	(1,369)
Balances as of March 31, 2023	55,352	\$ 55	(10,283)	\$ (290,319)	\$ 1,072,685	\$ 375,728	\$ (15,608)	\$ 1,142,541	

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,	
	2024	2023
	(In thousands)	
Operating Activities		
Net loss	\$ (15,676)	\$ (15,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	21,253	21,974
Loss on disposal of assets	39	802
Share-based compensation expense	8,641	14,042
Deferred income taxes	(4,609)	(7,770)
Amortization of operating lease right-of-use assets	1,930	2,248
Impairment and abandonment of operating lease right-of-use assets related to facilities	—	7,815
Amortization of debt issuance costs	971	1,045
Changes in operating assets and liabilities:		
Accounts receivable and unbilled receivables	3,393	(22,156)
Inventories	6,302	6,760
Prepaid expenses	(619)	(873)
Other current assets	928	34
Investment in sales-type leases	(1,125)	613
Prepaid commissions	2,223	2,574
Other long-term assets	836	628
Accounts payable	(1,443)	20
Accrued compensation	(10,278)	(25,171)
Accrued liabilities	5,063	(689)
Deferred revenues	34,121	29,135
Operating lease liabilities	(2,778)	(2,678)
Other long-term liabilities	781	(583)
Net cash provided by operating activities	49,953	12,770
Investing Activities		
External-use software development costs	(3,383)	(3,499)
Purchases of property and equipment	(8,957)	(10,141)
Net cash used in investing activities	(12,340)	(13,640)
Financing Activities		
Proceeds from issuances under stock-based compensation plans	8,042	12,114
Employees' taxes paid related to restricted stock units	(705)	(1,369)
Change in customer funds, net	4,589	(6,883)
Net cash provided by financing activities	11,926	3,862
Effect of exchange rate changes on cash and cash equivalents	(556)	176
Net increase in cash, cash equivalents, and restricted cash	48,983	3,168
Cash, cash equivalents, and restricted cash at beginning of period	500,979	352,835
Cash, cash equivalents, and restricted cash at end of period	\$ 549,962	\$ 356,003

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

OMNICELL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) (UNAUDITED)

	Three Months Ended March 31,	
	2024	2023
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 512,364	\$ 340,413
Restricted cash included in other current assets	37,598	15,590
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 549,962</u>	<u>\$ 356,003</u>
Supplemental disclosure of non-cash investing activities		
Unpaid purchases of property and equipment	\$ 483	\$ 1,321

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, 2024 and December 31, 2023, and the results of operations, comprehensive loss, and cash flows for the three months ended March 31, 2024 and 2023. 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, 2023, filed with the SEC on February 28, 2024. The Company's results of operations, comprehensive loss, and cash flows for the three months ended March 31, 2024 are not necessarily indicative of results that may be expected for the year ending December 31, 2024, 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.

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, 2024, 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

There was no recently adopted authoritative guidance that is expected to have a material impact on the Company's Condensed Consolidated Financial Statements through the reporting date.

Recently Issued Authoritative Guidance

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose significant segment expenses that are regularly provided to the CODM. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280, on an interim and annual basis. The amendments are effective for the Company's annual periods beginning January 1, 2024, and for interim periods within fiscal years beginning January 1, 2025. Retrospective application is required, with early adoption permitted. The Company is currently evaluating the impact ASU 2023-07 will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for the Company's annual periods beginning January 1, 2025, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating the impact ASU 2023-09 will have on its consolidated financial statements.

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

Note 2. 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. Solutions in this category include, but are not limited to, XT Series automated dispensing systems and products related to the Central Pharmacy Dispensing Service and IV Compounding Service.

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, are designed to improve patient engagement and adherence to prescriptions.

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.

Advanced 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®, Specialty Pharmacy Services, 340B solutions, Inventory Optimization Service, other software solutions, and services related to the Central Pharmacy Dispensing Service and IV Compounding Service.

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
Consumables	Point in time, as transfer of control occurs, generally upon shipment to or receipt by customer	Product
Technical services	Over time, as services are provided, typically ratably over the service term	Service
Advanced 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 \$2.0 million and \$3.1 million for the three months ended March 31, 2024 and 2023, respectively.

Disaggregation of Revenues

The following table summarizes the Company's revenues disaggregated by revenue type for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Connected devices, software licenses, and other	\$ 111,069	\$ 165,147
Consumables	22,226	20,568
Technical services	58,515	53,357
Advanced Services	54,341	51,557
Total revenues	\$ 246,151	\$ 290,629

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, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
United States	\$ 218,176	\$ 255,943
Rest of world ⁽¹⁾	27,975	34,686
Total revenues	\$ 246,151	\$ 290,629

⁽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,	December 31,
	2024	2023
(In thousands)		
Short-term unbilled receivables, net ⁽¹⁾	\$ 22,661	\$ 22,524
Long-term unbilled receivables, net ⁽²⁾	10,360	11,850
Total contract assets	\$ 33,021	\$ 34,374
(In thousands)		
Short-term deferred revenues	\$ 164,586	\$ 121,734
Long-term deferred revenues	65,195	58,622
Total contract liabilities	\$ 229,781	\$ 180,356

⁽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 \$121.7 million as of December 31, 2023 include deferred revenues from product sales and service contracts, net of deferred cost of sales of \$12.4 million. During the three months ended March 31, 2024, the

Company recognized revenues of \$50.2 million, that were included in the corresponding gross short-term deferred revenues balance of \$134.1 million as of December 31, 2023.

Deferred revenues from product sales primarily relate to delivered and invoiced products, pending installation and acceptance. Deferred revenues from service contracts primarily relate to services that have been invoiced, where services have not yet been provided. Short-term deferred revenues are expected to be recognized within the next twelve months. Long-term deferred revenues substantially consist of deferred revenues on long-term technical and Advanced Services contracts which have been invoiced and are expected to be recognized as revenue beyond twelve months, generally not more than ten years. The Company generally invoices customers for products upon shipment. Invoicing associated with the service portion of agreements is generally periodic and is billed on a monthly, quarterly, or annual basis, and in certain circumstances, multiple years are billed at one time. Advanced Services agreements are generally invoiced periodically on a monthly, quarterly or annual basis over the life of the agreement. In certain circumstances portions of these agreements may be invoiced lump sum.

In addition, the Company has remaining performance obligations associated with contracts for which the associated products have been accepted or associated services have started, but where invoicing has not yet occurred and therefore are not reflected in deferred revenue. These remaining performance obligations are comprised of the non-variable portions of technical services and Advanced Services provided under non-cancellable contracts with minimum commitments. Remaining performance obligations which are not included in deferred revenues are \$359.0 million as of March 31, 2024. Remaining performance obligations are expected to be recognized ratably over the remaining terms of the associated contracts, which terms vary but are generally not more than ten years. Remaining performance obligations do not include product obligations, services where the associated product has not been accepted, services which have not yet started, variable portions of services, and certain other obligations.

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, 2024 and 2023. Also, there were no customers that accounted for more than 10% of the Company's accounts receivable balance as of March 31, 2024 and December 31, 2023.

Note 3. Net Loss Per Share

The basic and diluted net loss per share calculations for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
	(In thousands, except per share data)	
Net loss	\$ (15,676)	\$ (15,000)
Weighted-average shares outstanding – basic and diluted	<u>45,732</u>	<u>44,887</u>
Net loss per share – basic and diluted	\$ (0.34)	\$ (0.33)
Anti-dilutive weighted-average shares related to stock award plans	3,276	3,634
Anti-dilutive weighted-average shares related to convertible senior notes and warrants	11,816	11,816

Note 4. Cash and Cash Equivalents and Fair Value of Financial Instruments

Cash and cash equivalents of \$512.4 million and \$468.0 million as of March 31, 2024 and December 31, 2023, respectively, consisted of bank accounts and highly-liquid U.S. Government money market funds held in sweep and asset management accounts with financial institutions of high credit quality. As of March 31, 2024 and December 31, 2023, cash equivalents were \$488.5 million and \$451.0 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,

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2024 and December 31, 2023, the fair value of the convertible senior notes was \$ 539.8 million and \$527.2 million, respectively, compared to their carrying values of \$570.4 million and \$569.7 million, respectively, which are 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 5. Balance Sheet Components

Balance sheet details as of March 31, 2024 and December 31, 2023 are presented in the tables below:

	March 31, 2024	December 31, 2023
	(In thousands)	
Inventories:		
Raw materials	\$ 48,025	\$ 51,439
Work in process	4,689	1,327
Finished goods	50,752	57,333
Total inventories	<u><u>\$ 103,466</u></u>	<u><u>\$ 110,099</u></u>
Other current assets:		
Funds held for customers, including restricted cash ⁽¹⁾	\$ 56,572	\$ 43,649
Net investment in sales-type leases, current portion	12,037	11,867
Prepaid income taxes	6,753	8,279
Other current assets ⁽²⁾	23,629	7,714
Total other current assets	<u><u>\$ 98,991</u></u>	<u><u>\$ 71,509</u></u>
Other long-term assets:		
External-use software development costs, net	\$ 63,540	\$ 66,659
Unbilled receivables, net	10,360	11,850
Deferred debt issuance costs	3,524	3,718
Other long-term assets	8,893	8,239
Total other long-term assets	<u><u>\$ 86,317</u></u>	<u><u>\$ 90,466</u></u>
Accrued liabilities:		
Operating lease liabilities, current portion	\$ 10,549	\$ 10,518
Customer fund liabilities	56,572	43,649
Advance payments from customers	10,235	10,551
Rebate liabilities	53,857	51,277
Group purchasing organization fees	4,095	4,445
Taxes payable	4,716	2,191
Other accrued liabilities	27,163	26,645
Total accrued liabilities	<u><u>\$ 167,187</u></u>	<u><u>\$ 149,276</u></u>

⁽¹⁾ Includes restricted cash of \$37.6 million and \$33.0 million as of March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes deferred cost of sales of \$15.3 million as of March 31, 2024.

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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, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
(In thousands)		
Beginning balance	\$ (13,432)	\$ (17,087)
Other comprehensive income (loss)	(1,399)	1,479
Ending balance	<u><u>\$ (14,831)</u></u>	<u><u>\$ (15,608)</u></u>

Note 6. Property and Equipment

The following table represents the property and equipment balances as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
(In thousands)		
Equipment	\$ 100,591	\$ 95,996
Furniture and fixtures	5,189	4,500
Leasehold improvements	17,935	17,919
Purchased software and internal-use software development costs	125,344	118,004
Construction in progress	6,333	11,614
Property and equipment, gross	255,392	248,033
Accumulated depreciation and amortization	(146,358)	(139,432)
Total property and equipment, net	<u><u>\$ 109,034</u></u>	<u><u>\$ 108,601</u></u>

Depreciation and amortization expense of property and equipment was \$ 8.6 million and \$6.3 million for the three months ended March 31, 2024 and 2023, 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, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
(In thousands)		
United States	\$ 104,920	\$ 104,312
Rest of world	4,114	4,289
Total property and equipment, net	<u><u>\$ 109,034</u></u>	<u><u>\$ 108,601</u></u>

Note 7. External-Use Software Development Costs

The carrying amounts of external-use software development costs as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024	December 31, 2023
(In thousands)		
Gross carrying amount	\$ 242,580	\$ 239,038
Accumulated amortization	(179,040)	(172,379)
External-use software development costs, net ⁽¹⁾	<u><u>\$ 63,540</u></u>	<u><u>\$ 66,659</u></u>

⁽¹⁾ Included in other long-term assets in the Condensed Consolidated Balance Sheets.

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The Company recorded \$6.7 million and \$7.4 million to cost of revenues for amortization of external-use software development costs for the three months ended March 31, 2024 and 2023, respectively.

The estimated future amortization expenses for external-use software development costs were as follows:

	March 31, 2024
	(In thousands)
Remaining nine months of 2024	\$ 18,813
2025	19,030
2026	13,500
2027	7,546
2028	3,688
Thereafter	963
Total	\$ 63,540

Note 8. Goodwill and Intangible Assets

Goodwill

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

	(In thousands)
Balance as of December 31, 2023	\$ 735,810
Foreign currency exchange rate fluctuations	(453)
Balance as of March 31, 2024	\$ 735,357

Intangible Assets, Net

The carrying amounts and useful lives of intangible assets as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024				
	Foreign currency				
	Gross carrying amount ⁽¹⁾	Accumulated amortization	exchange rate fluctuations	Net carrying amount	Useful life (years)
(In thousands, except for years)					
Customer relationships	\$ 307,418	\$ (119,877)	\$ (1,364)	\$ 186,177	4 - 30
Acquired technology	46,134	(29,344)	—	16,790	4 - 20
Trade names	9,200	(7,942)	—	1,258	5 - 12
Patents	2,337	(1,447)	—	890	2 - 20
Total intangible assets, net	\$ 365,089	\$ (158,610)	\$ (1,364)	\$ 205,115	

	December 31, 2023				
	Foreign currency				
	Gross carrying amount ⁽¹⁾	Accumulated amortization	exchange rate fluctuations	Net carrying amount	Useful life (years)
(In thousands, except for years)					
Customer relationships	\$ 307,418	\$ (115,232)	\$ (1,326)	\$ 190,860	4 - 30
Acquired technology	84,876	(67,033)	—	17,843	4 - 20
Backlog	1,800	(1,800)	—	—	2
Trade names	9,200	(7,680)	—	1,520	5 - 12
Patents	2,404	(1,454)	—	950	2 - 20
Total intangible assets, net	\$ 405,698	\$ (193,199)	\$ (1,326)	\$ 211,173	

⁽¹⁾ The differences in gross carrying amounts between periods are primarily due to the write-off of certain fully amortized intangible assets.

Amortization expense of intangible assets was \$ 6.0 million and \$8.3 million for the three months ended March 31, 2024 and 2023, respectively.

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

	March 31, 2024
	(In thousands)
Remaining nine months of 2024	\$ 16,763
2025	21,064
2026	18,076
2027	16,223
2028	15,184
Thereafter	117,805
Total	<u>\$ 205,115</u>

Note 9. Debt and Credit Agreement

On November 15, 2019, the Company entered into an Amended and Restated Credit Agreement (as amended, the "Prior 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 Prior A&R Credit Agreement provided for (a) a five-year revolving credit facility of \$500.0 million (the "Prior Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to \$ 250.0 million (the "Prior Incremental Facility"). In addition, the Prior A&R Credit Agreement included 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 and March 29, 2023, the Company entered into amendments to the Prior 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 as well as to remove and replace the interest rate benchmark based on the London interbank offered rate ("LIBOR") and related LIBOR-based mechanics applicable to borrowings under the Prior A&R Credit Agreement with an interest rate benchmark based on the secured overnight financing rate ("SOFR") as administered by the Federal Reserve Bank of New York and related SOFR-based mechanics.

The Company entered into a Second Amended and Restated Credit Agreement (the "Second A&R Credit Agreement") on October 10, 2023, with the lenders from time to time party thereto, Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC and TD Securities (USA) LLC as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The Second A&R Credit Agreement supersedes the Prior A&R Credit Agreement and provides for (a) a five-year revolving credit facility of \$350.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to an amount equal to the sum of (i) the greater of \$250.0 million or 100% of the

adjusted consolidated EBITDA for the last four quarters and (ii) additional amounts subject to pro forma compliance with certain consolidated secured net leverage ratio (the "Current Incremental Facility"). In addition, the Second 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 Second A&R Credit Agreement has an expiration date of October 10, 2028, subject to acceleration under certain conditions, upon which date all remaining outstanding borrowings will be due and payable.

Loans under the Current Revolving Credit Facility bear interest, at the Company's option, at a rate equal to either (a) the Adjusted Term SOFR (as defined in the Second A&R Credit Agreement), plus an applicable margin ranging from 1.50% to 2.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the Second 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) the Adjusted Term SOFR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.50% to 1.25% per annum based on the Company's Consolidated Total Net Leverage Ratio. Undrawn commitments under the Current Revolving Credit Facility are subject to a commitment fee ranging from 0.20% to 0.35% per annum based on the Company's Consolidated Total Net Leverage Ratio on the average daily unused portion of the Current Revolving Credit Facility. Subject to the terms and conditions of the Current Revolving Credit Facility or Current Incremental Facility the Company is permitted to make voluntary prepayments at any time without payment of a premium or penalty. The availability of funds under the Current Revolving Credit Facility may be subject to reduction in order to maintain compliance with the financial covenants under the Second A&R Credit Agreement.

The Second 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 Second A&R Credit Agreement contains financial covenants that require the Company and its subsidiaries to not exceed a maximum consolidated secured net leverage ratio (not to exceed 3.00:1) and maintain a minimum consolidated interest coverage ratio (not to be less than 3.00:1). In addition, the Second 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 Second A&R Credit Agreement and, at the election of the Company and the contracting counterparty, any secured 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 Second 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 refinancing of the Prior Credit Agreement was evaluated in accordance with ASC 470-50, *Debt - Modifications and Extinguishments*. In determining whether the refinancing was to be accounted for as a debt extinguishment or a debt modification, the Company considered whether lenders within the syndicate remained the same or changed and whether the changes in debt terms were substantial. This assessment was performed on an individual lender basis within the syndicate. As a result, the refinancing was accounted for as a modification with the exception of certain lenders that exited the syndicate. The exit of certain lenders resulted in an immaterial write-off of existing unamortized debt issuance costs. The remaining unamortized debt issuance costs related to debt modification, along with the new deferred costs, will be amortized over the remaining term of the Second A&R Credit Agreement.

In connection with entering into the Second A&R Credit Agreement on October 10, 2023, the Company incurred and capitalized an additional \$3.0 million of debt issuance costs. The debt issuance costs are being amortized to interest expense using the straight-line method through 2028.

As of both March 31, 2024 and December 31, 2023, the Company had \$ 350.0 million of funds available under the Current Revolving Credit Facility. As of March 31, 2024 and December 31, 2023, the Company had no outstanding balance under the Current Revolving Credit Facility. The Company was in compliance with all covenants as of March 31, 2024.

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, 2024 and December 31, 2023, none of the conditional conversion features of the Notes were triggered, and therefore, the Notes are not convertible during the second quarter of 2024, commencing on April 1, 2024, and were not convertible during the first quarter of 2024, commencing on January 1, 2024. Accordingly, the Company classified the Notes as a long-term liability in its Condensed Consolidated Financial Statements as of both March 31, 2024 and December 31, 2023. Whether the Notes will be convertible following the second fiscal quarter of 2024 will depend on the satisfaction of the conversion conditions in the future.

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 could 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, 2024, none of the criteria for a fundamental change or a conversion rate adjustment had been met.

As of March 31, 2024, the Company may redeem for cash all or any portion of the Notes, at its option, 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.

The debt issuance costs associated with the Notes are being amortized to interest expense over the term of the Notes using an effective interest rate of 0.80%. As of March 31, 2024, the remaining life of the Notes and the related issuance cost accretion is approximately 1.5 years.

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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, 2024, the if-converted value of the Notes did not exceed the principal amount.

The Notes consisted of the following balances reported in the Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
	(In thousands)	
Principal amount	\$ 575,000	\$ 575,000
Unamortized debt issuance costs	(4,561)	(5,338)
Convertible senior notes, net	<u>\$ 570,439</u>	<u>\$ 569,662</u>

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, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Contractual coupon interest	\$ 359	\$ 359
Amortization of debt issuance costs	\$ 777	\$ 771

Convertible Note Hedge and Warrant Transactions

In connection with the issuance of the Notes in September 2020, 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

The Company enters into non-cancelable sales-type lease arrangements with the leases varying in length from one to ten years. The Company optimizes cash flows by selling a majority of its sales-type leases, other than those relating to U.S. government hospitals and Advanced Services products, including Central Pharmacy Dispensing Service and IV Compounding Service, 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.

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The following table presents the Company's income recognized from sales-type leases for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Sales-type lease revenues	\$ 7,036	\$ 5,716
Cost of sales-type lease revenues	(4,187)	(2,662)
Selling profit on sales-type lease revenues	<u>\$ 2,849</u>	<u>\$ 3,054</u>

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, 2024 and December 31, 2023:

	March 31,	December 31,
	2024	2023
	(In thousands)	
Net minimum lease payments to be received	\$ 66,344	\$ 65,017
Less: Unearned interest income portion	(10,398)	(10,196)
Net investment in sales-type leases	55,946	54,821
Less: Current portion ⁽¹⁾	(12,037)	(11,867)
Long-term investment in sales-type leases, net	<u>43,909</u>	<u>42,954</u>

⁽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,
	2024
(In thousands)	
Remaining nine months of 2024	\$ 11,232
2025	13,056
2026	10,984
2027	9,333
2028	8,245
Thereafter	13,494
Total future minimum sales-type lease payments	66,344
Present value adjustment	(10,398)
Total net investment in sales-type leases	<u>\$ 55,946</u>

Operating Leases

The following table represents the Company's income recognized from operating leases for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Rental income	\$ 856	\$ 2,259

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 twelve years. As of March 31, 2024, 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, 2024
	(In thousands)
Remaining nine months of 2024	\$ 9,688
2025	11,858
2026	10,996
2027	9,057
2028	7,749
Thereafter	1,865
Total operating lease payments	51,213
Present value adjustment	(6,096)
Total operating lease liabilities ⁽¹⁾	\$ 45,117

⁽¹⁾ Amount consists of a current and long-term portion of operating lease liabilities of \$10.5 million and \$34.6 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 \$2.6 million and \$3.0 million for the three months ended March 31, 2024 and 2023, respectively. Short-term lease costs and variable lease costs were not material for the three months ended March 31, 2024 and 2023. The Company recorded impairment and abandonment charges to operating lease right-of-use assets of \$7.8 million during the three months ended March 31, 2023, in connection with restructuring activities to reduce its real estate footprint and for optimization of certain leased facilities. The impairment and abandonment charges were recorded to selling, general, and administrative expenses on the Company's Condensed Consolidated Statements of Operations. Refer to Note 16, *Restructuring Expenses*, for additional information regarding the Company's restructuring activities.

The following table summarizes supplemental cash flow information related to the Company's operating leases for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities	\$ 3,401	\$ 3,358
Right-of-use assets obtained in exchange for new lease liabilities	\$ 3,671	\$ 189

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, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Weighted-average remaining lease term, years	4.4	4.6
Weighted-average discount rate, %	5.8 %	5.8 %

Note 13. Commitments and Contingencies

Purchase Obligations

In the ordinary course of business, the Company issues purchase orders based on its current manufacturing needs. As of March 31, 2024, the Company had non-cancelable purchase commitments of \$103.0 million, of which \$90.0 million are expected to be paid within the year ending December 31, 2024.

Legal Proceedings

The Company is currently involved in various legal proceedings.

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 any current legal proceedings based on its belief that any potential material loss, while reasonably possible, is not probable. Furthermore, any possible range of loss in such matters cannot be reasonably estimated at this time. The Company believes that it has valid defenses with respect to 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 legal proceedings or because of the diversion of management's attention and the creation of significant expenses, regardless of outcome.

The Company is not a party to any legal proceedings that management believes may have a material impact on the Company's financial position or results of operations.

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. For the three months ended March 31, 2024, the Company's provision for income taxes was computed based on the actual effective tax rate for the year-to-date by applying the discrete method. The Company determined that as small changes in estimated "ordinary" income result in significant changes in the estimated annual effective tax rate, the actual effective tax rate provided a more accurate income tax provision for the reporting period ended March 31, 2024. The Company recorded a benefit from income taxes of \$2.2 million and \$6.2 million for the three months ended March 31, 2024 and 2023, respectively. The change in the benefit from income taxes for the three months ended March 31, 2024 compared to the benefit from income taxes for the same period in 2023 was primarily due to decrease in research and development credits, foreign-derived intangible income ("FDII") deduction, and reduction in the benefit from state taxes. The estimated effective tax rate before discrete items was 22.8% and 36.8% for the three months ended March 31, 2024 and 2023, respectively.

The effective tax rate for the three months ended March 31, 2024 differed from the statutory rate of 21% primarily due to the favorable benefit of the research and development credits and state income taxes, partially offset by the unfavorable impact of Global Intangible Low-Taxed Income ("GILTI") inclusion and non-deductible compensation and equity charges. The effective tax rate for the three months ended March 31, 2023 differed from the statutory rate of 21% primarily due to the favorable benefit of the research and development credits, state income taxes and a FDII benefit deduction, partially offset by unfavorable impact of non-deductible compensation and equity charges, and GILTI inclusion.

The Organization for Economic Co-Operation and Development ("OECD") introduced Base Erosion and Profit Shifting ("BEPS") Pillar Two rules that impose a global minimum tax rate of 15% on multi-national corporations. The rules are effective for the Company's financial year beginning January 1, 2024. These rules did not have an impact on the Company's provision for income taxes for the three months ended March 31, 2024.

As of March 31, 2024 and December 31, 2023, the Company had gross unrecognized tax benefits of \$ 11.1 million and \$10.7 million, respectively. The Company recognizes interest and penalties related to uncertain tax positions in interest and other income (expense), net in the Condensed Consolidated Statements of Operations. Accrued interest and penalties are included within other long-term liabilities on the Condensed Consolidated Balance Sheets. As of March 31, 2024 and December 31, 2023, the amount of accrued interest and penalties was \$0.5 million and \$0.4 million, respectively.

The Company files income tax returns in the United States and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examinations by taxing authorities, including major jurisdictions such as the United States, Germany, Italy, France, and the United Kingdom. With few exceptions, as of March 31, 2024, the Company was no longer subject to U.S., state, and foreign tax examinations for years before 2020, 2019, and 2019, respectively.

Although the Company believes it has adequately provided for unrecognized tax benefits, 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

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, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cost of product and service revenues	\$ 1,555	\$ 2,008
Research and development	1,075	1,606
Selling, general, and administrative	6,011	10,428
Total share-based compensation expense	<u>\$ 8,641</u>	<u>\$ 14,042</u>

During the three months ended March 31, 2024 and 2023, the Company capitalized approximately \$ 0.7 million and \$1.1 million, respectively, of non-cash share-based compensation expense to internal-use and external-use software development costs related to internal labor. The Company did not capitalize any material non-cash share-based compensation expense to inventory during the three months ended March 31, 2024 and 2023.

Employee Stock Purchase Plan ("ESPP")

The following assumptions were used to value shares under the ESPP for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Expected life, years	0.5 - 2.0	0.5 - 2.0
Expected volatility, %	33.7% - 57.0%	31.7% - 63.9%
Risk-free interest rate, %	1.5% - 5.5%	0.1% - 5.1%
Dividend yield, %	— %	— %

For the three months ended March 31, 2024 and 2023, employees purchased approximately 334,000 and 209,000 shares of common stock, respectively, under the ESPP at a weighted-average price of \$24.06 and \$46.96, respectively. As of March 31, 2024, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately \$1.5 million and is expected to be recognized over a weighted-average period of 1.6 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, 2023. There were no stock options granted during the three months ended March 31, 2024.

	Three Months Ended March 31,	
	2023	
Expected life, years	3.2	
Expected volatility, %	44.8 %	
Risk-free interest rate, %	3.7 %	
Estimated forfeiture rate, %	10.0 %	
Dividend yield, %	— %	

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The following table summarizes the stock option activity under the 2009 Plan during the three months ended March 31, 2024:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value
(In thousands, except per share data)				
Outstanding at December 31, 2023	2,023	\$ 67.68	4.6	\$ 1,013
Granted	—	—		
Exercised	—	—		
Expired	(117)	73.88		
Forfeited	(17)	62.81		
Outstanding at March 31, 2024	<u>1,889</u>	\$ 67.35	4.4	\$ 88
Exercisable at March 31, 2024	1,766	\$ 66.74	4.4	\$ 88
Vested and expected to vest at March 31, 2024 and thereafter	1,882	\$ 67.30	4.4	\$ 88

As of March 31, 2024, total unrecognized compensation cost related to unvested stock options was \$ 1.8 million, which is expected to be recognized over a weighted-average vesting period of 0.5 years.

Restricted Stock Units (“RSUs”)

The following table summarizes the RSU activity under the 2009 Plan during the three months ended March 31, 2024:

	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, 2023	1,078	\$ 84.66	1.5	\$ 40,551
Granted (Awarded)	178	27.37		
Vested (Released)	(73)	94.23		
Forfeited	(56)	82.70		
Outstanding and unvested at March 31, 2024	<u>1,127</u>	\$ 75.08	1.5	\$ 32,952

As of March 31, 2024, total unrecognized compensation cost related to RSUs was \$ 52.0 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, 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value
(In thousands, except per share data)		
Outstanding at December 31, 2023	24	\$ 70.96
Granted (Awarded)	3	32.45
Vested (Released)	(3)	72.02
Outstanding and unvested at March 31, 2024	<u>24</u>	\$ 66.81

As of March 31, 2024, 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 0.1 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, 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value
(In thousands, except per share data)		
Outstanding at December 31, 2023	75	\$ 127.14
Granted	177	28.67
Vested	—	—
Forfeited	(65)	122.29
Outstanding and unvested at March 31, 2024	<u>187</u>	<u>\$ 35.79</u>

As of March 31, 2024, total unrecognized compensation cost related to PSUs was approximately \$ 6.8 million, which is expected to be recognized over the remaining weighted-average vesting period of 2.0 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, 2024:

	Number of Shares
	(In thousands)
Stock options outstanding	1,889
Non-vested restricted stock awards	1,338
Shares authorized for future issuance	2,354
ESPP shares available for future issuance	2,916
Total shares reserved for future issuance	<u>8,497</u>

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”). During the first quarter of 2022, the 2014 Repurchase Program was completed, and as of March 31, 2024, the maximum dollar value of shares that may yet be purchased under the 2016 Repurchase Program was \$2.7 million.

The timing, price, and volume of repurchases are to be based on market conditions, relevant securities laws, and other factors. The stock repurchases may be made from time to time on the open market, in privately negotiated transactions, or pursuant to a Rule 10b-18 plan, subject to the terms and conditions of the Second A&R Credit Agreement, as amended. 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, 2024 and 2023, the Company did not repurchase any of its outstanding common stock under the 2016 Repurchase Program.

Note 16. Restructuring Expenses

On November 23, 2022, the Company committed to a plan to reduce the Company’s headcount (the “2022 Plan”), as part of the Company’s expense containment efforts being implemented due to ongoing macroeconomic headwinds. During the first quarter of 2023, as a result of continued exploration of expense containment measures, the Company committed to further reduce its headcount across many of its functions, and also committed to reduce its real estate footprint to align with its broader hybrid work strategy and in an effort to further reduce costs. During the three months ended March 31, 2023, the Company incurred \$5.3 million of employee severance costs and related expenses related to the 2022 Plan. As of March 31, 2024, there was no material unpaid balance related to the 2022 Plan.

On November 2, 2023, the Company committed to a plan to reduce the Company's headcount and real estate footprint (the "2023 Plan") as part of the Company's expense containment initiatives and other actions to reduce discretionary spending being implemented due to challenging industry dynamics and macroeconomic conditions. The Company did not incur any material expenses related to the 2023 Plan during the three months ended March 31, 2024. As of March 31, 2024 and December 31, 2023, the unpaid balance related to the 2023 Plan was \$1.3 million and \$8.9 million, respectively.

On April 26, 2024, the Company's management committed to the wind down of the Company's Medimat Robotic Dispensing System ("RDS") product line, subject to local law and statutory works council consultation requirements. During the three months ended March 31, 2024, the Company incurred approximately \$3.3 million of employee severance costs and related expenses related to the RDS wind down, which were unpaid as of March 31, 2024.

Refer to Note 12, *Lessee Leases*, for information regarding the Company's restructuring activities for the reduction of its real estate footprint and optimization of certain leased facilities.

The following table summarizes the total employee-related restructuring expense recognized in the Company's Condensed Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Cost of product and service revenues	\$ 2,696	\$ 144
Research and development	311	485
Selling, general, and administrative	156	4,685
Total restructuring expense	\$ 3,163	\$ 5,314

Note 17. Subsequent Events

On May 2, 2024, the Company announced management's commitment to the wind down of the Company's RDS product line, subject to local law and statutory works council consultation requirements. The Company estimates that it will incur approximately \$15 million to \$20 million of aggregate nonrecurring charges related to the expected reduction in headcount and real estate footprint, and expects that the remaining charges will be incurred in the remainder of 2024 and 2025. Refer to Note 16, *Restructuring Expenses*, for additional information.

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 on Form 10-Q 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 regarding our future sales pipeline and 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 products, services, and solutions, opportunities in certain market categories, and continued expansion in these market categories, as well as our belief that our technology, services, and solutions within these market categories position us well to address the needs of retail, acute, post-acute, and specialty pharmacy providers;
- 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 goal of advancing our platform with the development of new products, services, or solutions or the enhancement of existing products, services, or solutions;

- *growth opportunities presented by new products, services, solutions, and markets;*
- *our projected target revenues, operating costs, and cash flows;*
- *our ability to align our medication management infrastructure development and global workforce headcount with our current business expectations;*
- *our goal to deliver on the industry vision of the Autonomous Pharmacy, as well as our plan to migrate our customers from an on-premise infrastructure to our cloud-based platform;*
- *our belief that our solutions that support the industry vision of the Autonomous Pharmacy, are strongly aligned with trends in the healthcare market, and are well-positioned to address the evolving needs of healthcare institutions;*
- *our expectation to continue to acquire companies, businesses, products, services, or technologies and to effectively integrate or manage these acquired companies, businesses, products, services, or technologies;*
- *our ability to secure adequate supplies of raw materials and components utilized in the manufacture of our products of a quality that we require, on a timely basis, and at acceptable prices;*
- *our containment of the impacts of the ransomware incident we experienced in May 2022, and any further impacts on the Company, including its business, operating results, cash flow, or financial condition;*
- *our expected future uses of cash 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," "forecasts," "goals," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "target," "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 on Form 10-Q, including Part I - Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II - Item 1A. "Risk Factors," as well as in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the U.S. Securities and Exchange Commission ("SEC") on February 28, 2024. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements should be considered in light of these risks and uncertainties. You should carefully read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits, as well as other documents we file with, or furnish to, the 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 on Form 10-Q represent our current estimates and assumptions and speak only as of the date of this Quarterly Report on Form 10-Q. 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, whether as a result of changed circumstances, future events, even if new information becomes available in the future, or otherwise.

Other Information

All references in this Quarterly Report on Form 10-Q to "Omnicell," "our," "us," "we," or "the Company" collectively refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries. The term "Omnicell, Inc." refers only to Omnicell, Inc., excluding its subsidiaries.

We own various registered and unregistered trademarks and service marks used in our business, some of which appear in this Quarterly Report on Form 10-Q, including Omnicell®. This Quarterly Report on Form 10-Q 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 solving the critical challenges inherent in medication management and elevating the role of clinicians within healthcare as an essential component of care delivery. Omnicell is focused on helping its customers to define and deliver a cost effective medication management strategy that is designed to equip and empower pharmacists and nurses to focus on patient care rather than administrative tasks, and to drive improved clinical, operational, and financial outcomes across all care settings. We are doing this with an industry-leading medication management infrastructure which includes robotics, smart devices, intelligent software, and expert services. This comprehensive set of solutions provides the critical foundation for customers to realize the industry vision of the Autonomous Pharmacy, a vision defined by pharmacy leaders for improving operational efficiencies and ultimately targeting zero-error medication management.

Omnicell solutions are helping healthcare facilities worldwide to reduce costs, improve labor efficiency, establish new revenue streams, enhance supply chain control, support compliance, and move closer to the industry vision of the Autonomous Pharmacy. We sell our product and consumable solutions together with related service offerings. Revenues generated in the United States represented 89% and 88% of our total revenues for the three months ended March 31, 2024 and 2023, 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. As our business evolves, we continue to evaluate the metrics and methods we use to measure the success of our business.

We utilize bookings as an indicator of the success of our business. We define bookings generally as: (i) the value of non-cancelable contracts for our connected devices, software products, and Advanced Services (although, for those Advanced Services contracts without a minimum commitment, bookings only include the amount of revenue that has been recognized once the services have been provided); and (ii) for our consumables, the value of orders placed through our Omnicell Storefront online platform or through written or telephonic orders. We typically exclude technical services and other less significant items ancillary to our products and services, such as freight revenue from bookings. In addition, dependent upon counterparty or credit risk, which is evaluated at the time of contract signing, for a given multi-year subscription contract we may reduce the portion of the contractual commitment booked at a given time. As noted, the portfolio of products, solutions and services we offer has evolved. As a result, the ordering process for certain of our solutions has also evolved. For example, orders for certain solutions may not include a purchase order. Connected devices and software license bookings are recorded as revenue upon customer acceptance of the installation or receipt of goods. Revenues from Advanced Services bookings are recorded over the contractual term.

We generally provide installation planning and consulting as part of most connected device product sales, which is typically included in the initial price of the solution. To help ensure the maximum availability of our systems, our customers typically purchase technical services contracts (maintenance and support) in increments of one to five years. In addition to connected device product sales, we provide a range of services to our customers. We also provide Advanced Services such as Central Pharmacy Dispensing Service (service portion), IV Compounding Service (service portion), EnlivenHealth, Specialty Pharmacy Services, 340B solutions, Inventory Optimization Service, and other software solutions, which typically are provided over 2-7 years.

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The following table summarizes each revenue category:

Revenue Category	Revenue Type	Income Statement Classification	Included in Bookings
Connected devices, software licenses, and other	Nonrecurring	Product	Yes ⁽¹⁾
Consumables	Recurring	Product	Yes
Technical services	Recurring	Service	No
Advanced Services ⁽²⁾⁽³⁾	Recurring	Service	Yes

⁽¹⁾ Certain other insignificant revenue streams ancillary to our products and services, such as freight revenue, are not included in bookings.

⁽²⁾ Includes Central Pharmacy Dispensing Service (service portion), IV Compounding Service (service portion), EnlivenHealth, Specialty Pharmacy Services, 340B solutions, Inventory Optimization Service, and other software solutions.

⁽³⁾ For those Advanced Services contracts without a minimum commitment, bookings only include the amount of revenue that has been recognized once the services have been provided.

Our full-time employee headcount was approximately 3,590 and 3,650 on March 31, 2024 and December 31, 2023, 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

The U.S. spent a total of \$634 billion on prescription drugs in 2022, an increase of 9% compared to 2021, and prescription drugs impact the vast majority of patients in virtually all settings of care. We believe there are significant challenges facing the practice of pharmacy today including, but not limited to, budget constraints, increased healthcare worker turnover rates, labor shortages, drug shortages, drug diversion, manual and error-prone processes, complex compliance requirements, and limited inventory visibility. Each of these challenges may lead to poor medication management outcomes including, but not limited to, medication errors, adverse drug events, lack of patient adherence, and medication waste. We also recognize that these challenges may impact the timing of contracting for, or implementing, our products, solutions, or services. However, we believe that over time these significant challenges to the practice of pharmacy will drive demand for increased automation, visibility, insights, and improved medication management outcomes that our solutions are designed to enable. Because of this, we believe that our solutions are well-positioned to address the evolving needs of healthcare institutions and therefore present opportunities for long-term growth.

In an effort to address these challenges and deliver solutions to help drive positive medication management outcomes, we continue to make significant investments in our research and development efforts to further advance the industry vision of the Autonomous Pharmacy. Furthermore, we believe a combination of robotics, smart devices, intelligent software, and expert services is needed in every care setting where medications are managed. We are focused on delivering solutions to help our customers realize the industry vision of the Autonomous Pharmacy and drive positive medication management outcomes with outstanding customer experience through a mature channel in four market categories:

- **Point of Care.** As a market leader, we expect to continue expansion into this product market as customers increase the use of our dispensing systems in more areas within their hospitals and increasingly in ambulatory care settings. However, we recognize that the current macroeconomic environment, with significant labor constraints, may impact our customers' considerations in the near term when they are determining whether to implement new workflows that may affect those same stressed labor pools. As we are largely through the replacement cycle of our previous generation of automated dispensing systems, we are seeing demand moderate. With the launch of next-generation enhancements and solutions for points of care, we believe we are providing a path for customers to maximize the value of their existing technology investments through upgrades and acquisitions of new program offerings for their current installed base. We also believe there is an opportunity for us to expand this offering and define a new standard for dispensing systems in ambulatory settings. We believe our current solutions within the Point of Care market and new innovation and services will continue to help customers drive improved clinical and financial outcomes.
- **Central Pharmacy and IV Compounding.** This market represents the beginning of the medication management process in acute care settings, and we believe it is a significant automation opportunity for high volumes of manual, repetitive, and error-prone processes that are often common in pharmacies today. Manual medication dispensing processes are usually labor intensive, error-prone, and may lead to excess medication waste and expirations for our healthcare partners. Automating the central pharmacy dispensing process should enable customers to reallocate pharmacy labor, enhance dispensing accuracy and patient safety, and reduce medication waste and expirations. Likewise, the manual compounding of sterile IV preparations can be error-prone and create significant patient safety risks, and outsourcing sterile IV compounding could lead to increased medication costs and lack of access to needed medications as a result of being unable to source medications when they are required. As a result, we believe IV automation provides a significant opportunity to enhance patient safety and reduce costs. We anticipate that these technology-enabled services will become more critical as health systems continue to face labor shortages, increased financial pressure, and supply chain disruptions.
- **Specialty Pharmacy and 340B Program.** We believe that health systems will continue to invest in programs that are intended to improve patient outcomes and drive cost savings by utilizing specialty pharmacies and the federal 340B Drug Pricing Program (the "340B Program"). The 340B Program allows qualifying hospitals and health systems to stretch federal resources and expand patient access to healthcare by requiring manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to eligible healthcare organizations and covered entities. Specialty drugs are used for treatment of complex conditions and often require intensive patient management and specialized workflows for dispensing and care coordination. Specialty medications are projected to account for nearly 60% of U.S. total spending on medications, with total spending projected to be approximately \$420 billion in 2025. Specialty pharmacies serve as the connection between patients, prescribing physicians, and payers and work to streamline access and adherence to these specialty drugs. We believe a solution that is designed to help health systems start or optimize their specialty pharmacy programs and the related pharmaceutical aspects of patient care will help ensure continuity of care and should contribute to the revenue and profitability of those organizations. We believe that a fully optimized specialty pharmacy operation represents one of the largest economic opportunities for hospitals and health systems.
- **Retail, Institutional, and Payer.** We believe the Retail, Institutional, and Payer market represents a significant opportunity as healthcare evolves. Retail drug prescriptions represent 85% of all prescription drugs dispensed in the U.S., growing at a rate of 1.7% annually through 2022. Additionally, the COVID-19 pandemic accelerated the shift of outpatient care from hospitals and physician offices to other, more convenient settings, such as retail pharmacies and the home (including through telehealth technologies). New technologies and increased scope of practice for pharmacists appear to be spurring innovation and expansion of the provision of clinical services by retail pharmacies, which, combined with the move to value-based care, we believe will drive the adoption of our patient engagement solutions, that are intended to help providers (including pharmacists) and payers engage patients in new ways that are expected to improve outcomes, reduce the total cost of care, and lead to more profitable operations. Because of the complexity of relationships between payers and providers, as well as the large number of retail pharmacies, including a significant number of independent pharmacies, we believe a network of established relationships between payers, providers and pharmacies will continue to be important.

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;
- Lessor leases;
- Allowance for credit losses;
- Inventory;
- Internal-use and external-use software development costs;
- Lessee leases;
- Business combinations;
- Valuation and impairment of goodwill and intangible assets;
- 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, 2024 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, 2023.

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	
	2024	2023	\$	%
	(Dollars in thousands)			
Product revenues	\$ 133,295	\$ 185,715	\$ (52,420)	(28)%
Percentage of total revenues	54%	64%		
Services and other revenues	112,856	104,914	\$ 7,942	8%
Percentage of total revenues	46%	36%		
Total revenues	<u>\$ 246,151</u>	<u>\$ 290,629</u>	<u>\$ (44,478)</u>	<u>(15)%</u>

Product revenues represented 54% and 64% of total revenues for the three months ended March 31, 2024 and 2023, respectively. Product revenues decreased by \$52.4 million, primarily due to lower volumes from our automated dispensing systems business primarily as a result of the impact of a continued challenging environment for some of our health system customers and the timing of our XT Series systems lifecycle, as we are largely through the replacement cycle and seeing demand moderate.

Services and other revenues represented 46% and 36% of total revenues for the three months ended March 31, 2024 and 2023, respectively. Services and other revenues include revenues from technical services and Advanced Services offerings. Services and other revenues increased by \$7.9 million, primarily due to an increase of \$5.2 million in technical services revenues as a result of growth in our installed customer base as well as the impact of pricing actions and an increase of \$2.8 million in Advanced Services revenues due to continued customer demand.

Our international sales represented 11% and 12% of total revenues for the three months ended March 31, 2024 and 2023, 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, which may be dependent upon customers' capital equipment budgets and/or capital equipment approval cycles, 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 and/or staffing levels 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, provisions for excess and obsolete inventory, and amortization of software development costs and intangibles.

	Three Months Ended March 31,				
			Change in		
	2024	2023	\$	%	
(Dollars in thousands)					
Cost of revenues:					
Cost of product revenues	\$ 92,441	\$ 109,527	\$ (17,086)	(16)%	
As a percentage of related revenues	69%	59%			
Cost of services and other revenues	61,087	56,073	\$ 5,014	9%	
As a percentage of related revenues	54%	53%			
Total cost of revenues	\$ 153,528	\$ 165,600	\$ (12,072)	(7)%	
As a percentage of total revenues	62%	57%			
Gross profit	\$ 92,623	\$ 125,029	\$ (32,406)	(26)%	
Gross margin	38%	43%			

Cost of revenues for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 decreased by \$12.1 million, primarily driven by a \$17.1 million decrease in cost of product revenues, partially offset by a \$5.0 million increase in cost of services and other revenues.

The decrease in cost of product revenues was primarily driven by the decrease in product revenues of \$52.4 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease in cost of product revenues has not decreased proportionally with the decrease in product revenues for the three months ended March 31, 2024, primarily due to the decrease in revenues of higher margin products as well as the impact of certain fixed costs, such as labor and overhead. In addition, the decrease in cost of product revenues was partially offset by an increase of \$2.6 million of restructuring costs incurred during the three months ended March 31, 2024. The increase in cost of services and other revenues was primarily driven by the increase in services and other revenues of \$7.9 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

The overall decrease in gross margin primarily relates to lower product revenues for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 whereas the decrease in cost of product revenues has not decreased proportionally with the decrease in product revenues, primarily due to the decrease in revenues of higher margin products as well as the impact of certain fixed costs, such as labor and overhead. The decrease is partially offset by restructuring costs incurred during the three months ended March 31, 2024. Our gross profit for the three months ended March 31, 2024 was \$92.6 million, as compared to \$125.0 million for the three months ended March 31, 2023.

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

	Three Months Ended March 31,				
			Change in		
	2024	2023	\$	%	
(Dollars in thousands)					
Operating expenses:					
Research and development	\$ 22,056	\$ 22,878	\$ (822)	(4)%	
As a percentage of total revenues	9%	8%			
Selling, general, and administrative	92,414	125,114	\$ (32,700)	(26)%	
As a percentage of total revenues	38%	43%			
Total operating expenses	\$ 114,470	\$ 147,992	\$ (33,522)	(23)%	
As a percentage of total revenues	47%	51%			
Interest and other income (expense), net	\$ 4,016	\$ 1,781	\$ 2,235	125%	

Research and Development. Research and development expenses decreased by \$0.8 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease was primarily attributed to a decrease in employee-related expenses as a result of lower headcount.

Selling, General, and Administrative. Selling, general, and administrative expenses decreased by \$32.7 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease was primarily due to a decrease of \$12.9 million in employee-related expenses as a result of lower headcount, a decrease of \$8.4 million in impairment and abandonment charges of operating lease right-of-use and other assets in connection with restructuring activities of certain leased facilities, a decrease of \$4.5 million in restructuring costs, a decrease of \$3.8 million in consulting expenses, a decrease of \$1.4 million in freight out, and a decrease of \$1.1 million in commissions expenses.

Interest and Other Income (Expense), Net. Interest and other income (expense), net changed by \$2.2 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily driven by a \$2.9 million increase in other income and a \$0.7 million increase in other expense. The increase in other income during the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 is primarily attributable to higher interest income received due to higher interest rates and higher cash and cash equivalents balances.

Benefit from Income Taxes

	Three Months Ended March 31,		Change in	
	2024	2023	\$	%
			(Dollars in thousands)	
Benefit from income taxes	\$ (2,155)	\$ (6,182)	\$ 4,027	(65)%

For the three months ended March 31, 2024 and 2023, we recorded a benefit from income taxes of \$2.2 million and \$6.2 million, respectively. The change in the benefit from income taxes for the three months ended March 31, 2024 compared to the benefit from income taxes for the same period in 2023 was primarily due to a decrease in research and development credits, foreign-derived intangible income deduction and benefit from state taxes.

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 \$512.4 million at March 31, 2024 compared to \$468.0 million at December 31, 2023. All of our cash and cash equivalents are invested in bank accounts and money market funds held in sweep and asset management accounts with financial institutions of high credit quality.

Our cash position and working capital at March 31, 2024 and December 31, 2023 were as follows:

	March 31,	December 31,
	2024	2023
(In thousands)		
Cash and cash equivalents	\$ 512,364	\$ 467,972
Working capital	\$ 573,554	\$ 559,779

Our ratio of current assets to current liabilities was 2.4:1 and 2.5:1 at March 31, 2024 and December 31, 2023, respectively.

Sources of Cash

Revolving Credit Facility

On November 15, 2019, we entered into an Amended and Restated Credit Agreement (as amended, the "Prior 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 Prior A&R Credit Agreement provided for (a) a five-year revolving credit facility of \$500.0 million (the "Prior Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to \$250.0 million (the "Prior Incremental Facility"). In addition, the Prior A&R Credit Agreement included 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 and March 29, 2023, we entered into amendments to the Prior 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 our flexibility to repurchase our common stock and

make other restricted payments, and replace the total net leverage covenant, as well as to remove and replace the interest rate benchmark based on the London interbank offered rate ("LIBOR") and related LIBOR-based mechanics applicable to borrowings under the Prior A&R Credit Agreement with an interest rate benchmark based on the secured overnight financing rate ("SOFR") as administered by the Federal Reserve Bank of New York and related SOFR-based mechanics.

On October 10, 2023, we entered into a Second Amended and Restated Credit Agreement (the "Second A&R Credit Agreement") with the lenders from time to time party thereto, Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC and TD Securities (USA) LLC as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The Second A&R Credit Agreement supersedes the Prior A&R Credit Agreement and provides for (a) a five-year revolving credit facility of \$350.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to an amount equal to the sum of (i) the greater of \$250.0 million and 100% of the adjusted consolidated EBITDA for the last four quarters and (ii) additional amounts subject to pro forma compliance with certain consolidated secured net leverage ratio (the "Current Incremental Facility"). In addition, the Second A&R Credit Agreement includes a letter of credit sub-limit of up to \$15 million and a swing line loan sub-limit of up to \$25 million. The Second A&R Credit Agreement has an expiration date of October 10, 2028, subject to acceleration under certain conditions, upon which date all remaining outstanding borrowings will be due and payable.

As of March 31, 2024, we had \$350.0 million of funds available under the Current Revolving Credit Facility. As of March 31, 2024, there was no outstanding balance under the Current 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 Current 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. In addition, we may also use a portion of our cash, as we consider various options related to our outstanding debt.

The 2016 Repurchase Program has a total of \$2.7 million remaining for future repurchases as of March 31, 2024, which may result in additional use of cash. There were no stock repurchases during the three months ended March 31, 2024. 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 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 Current 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 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,	
	2024	2023
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ 49,953	\$ 12,770
Investing activities	(12,340)	(13,640)
Financing activities	11,926	3,862
Effect of exchange rate changes on cash and cash equivalents	(556)	176
Net increase in cash, cash equivalents, and restricted cash	\$ 48,983	\$ 3,168

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Operating Activities

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results, and the timing of other liability payments.

Net cash provided by operating activities was \$50.0 million for the three months ended March 31, 2024, primarily consisting of a net loss of \$15.7 million adjusted for non-cash items of \$28.2 million and changes in assets and liabilities of \$37.4 million. The non-cash items primarily consisted of depreciation and amortization expense of \$21.3 million, share-based compensation expense of \$8.6 million, amortization of operating lease right-of-use assets of \$1.9 million, amortization of debt issuance costs of \$1.0 million, and a change in deferred income taxes of \$4.6 million. Changes in assets and liabilities include cash inflows primarily from (i) an increase in deferred revenues of \$34.1 million primarily due to an increase in billings for certain technical service and Advanced Service offerings, (ii) a decrease in inventories of \$6.3 million, primarily due to management of inventory levels to align with the current forecasted demand as well as inventory management efforts, (iii) an increase in accrued liabilities of \$5.1 million, (iv) a decrease in accounts receivable and unbilled receivables of \$3.4 million driven by overall business activity and the timing of billings, shipments, and collections, as well as the impacts of lower revenues, (v) a decrease in prepaid commissions of \$2.2 million, (vi) a decrease in other current assets of \$0.9 million, (vii) a decrease in other long-term assets of \$0.8 million, and (viii) an increase in other long-term liabilities \$0.8 million. These cash inflows were partially offset by (i) a decrease in accrued compensation of \$10.3 million, primarily due to a decrease in the accrual for restructuring initiatives, as well as timing of payroll and ESPP purchases, (ii) a decrease in operating lease liabilities of \$2.8 million, (iii) a decrease in accounts payables of \$1.4 million, (iv) an increase in investment in sales-type leases of \$1.1 million, and (v) an increase in prepaid expenses of \$0.6 million.

Net cash provided by operating activities was \$12.8 million for the three months ended March 31, 2023, primarily consisting of a net loss of \$15.0 million and changes in assets and liabilities of \$12.4 million, offset by non-cash items of \$40.2 million. The non-cash items primarily consisted of depreciation and amortization expense of \$22.0 million, share-based compensation expense of \$14.0 million, amortization of operating lease right-of-use assets of \$2.2 million, impairment and abandonment of operating lease right-of-use assets related to facilities of \$7.8 million, amortization of debt issuance costs of \$1.0 million, and a change in deferred income taxes of \$7.8 million. Changes in assets and liabilities include cash outflows primarily from (i) a decrease in accrued compensation of \$25.2 million, primarily due to a decrease in the accrual for restructuring initiatives, lower commissions, as well as timing of payroll and ESPP purchases, (ii) an increase in accounts receivable and unbilled receivables of \$22.2 million, primarily due to the timing of billings, shipments and collections, and (iii) a decrease in operating lease liabilities of \$2.7 million. These cash outflows were partially offset by (i) an increase in deferred revenues of \$29.1 million, primarily due to an increase in billings for certain service and subscription offerings, (ii) a decrease in inventories of \$6.8 million, primarily due to management of inventory levels to align with the current forecasted demand, and (iii) a decrease in prepaid commissions of \$2.6 million.

Investing Activities

Net cash used in investing activities was \$12.3 million for the three months ended March 31, 2024, which consisted of capital expenditures of \$9.0 million for property and equipment and \$3.4 million for external-use software development costs.

Net cash used in investing activities was \$13.6 million for the three months ended March 31, 2023, which consisted of capital expenditures of \$10.1 million for property and equipment, and \$3.5 million for external-use software development costs.

Financing Activities

Net cash provided by financing activities was \$11.9 million for the three months ended March 31, 2024, primarily due to \$8.0 million in proceeds from employee stock option exercises and ESPP purchases and a net change in the customer funds balances of \$4.6 million, partially offset by \$0.7 million in employees' taxes paid related to restricted stock unit vesting.

Net cash provided by financing activities was \$3.9 million for the three months ended March 31, 2023, primarily due to \$12.1 million in proceeds from employee stock option exercises and ESPP purchases, partially offset by \$1.4 million in employees' taxes paid related to restricted stock unit vesting and a net change in the customer funds balances of \$6.9 million.

Contractual Obligations

There have been no significant changes during the three months ended March 31, 2024 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, 2023.

Contractual obligations as of March 31, 2024 were as follows:

	Payments Due By Period						2029 and thereafter	
	Total	Remainder of		2025 - 2026	2027 - 2028			
		2024	(in thousands)					
Operating leases ⁽¹⁾	\$ 51,213	\$ 9,688	\$ 22,854	\$ 16,806	\$ 1,865			
Purchase obligations ⁽²⁾	\$ 103,043	89,995	13,007	41	—			
Convertible senior notes ⁽³⁾	\$ 577,157	719	576,438	—	—			
Total ⁽⁴⁾	\$ 731,413	\$ 100,402	\$ 612,299	\$ 16,847	\$ 1,865			

- ⁽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⁾ 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, 2024, 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, 2024, there was no outstanding balance under the current Second A&R Credit Agreement. 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.

The net carrying amount under our convertible senior notes was \$570.4 million as of March 31, 2024. 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, 2024, the fair market value of our convertible senior notes was \$539.8 million. Refer to Note 4, *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, and in the future we may use, 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. We do not hold or issue any derivative financial instruments for speculative trading purposes. As of March 31, 2024, 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, 2024 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, 2023, filed with the SEC on February 28, 2024.

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 on Form 10-Q 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, 2024.

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

There are no material changes to the risk factors previously disclosed in Part I - Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the U.S. Securities and Exchange Commission on February 28, 2024.

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

Issuer Purchases of Equity Securities

During the three months ended March 31, 2024, we did not repurchase any shares of our common stock under our repurchase program. 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

Securities Trading Plans of Directors and Officers

During the three months ended March 31, 2024, none of our directors or officers adopted or terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated By Reference		
		Form	Exhibit	Filing Date
10.1**	Omnicell, Inc. Executive Bonus Plan			
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).			

* Indicates a management contract, compensation plan, or arrangement.

+ 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 7, 2024

By: /s/ Nchacha E. Etta

Nchacha E. Etta,

Executive Vice President & Chief Financial Officer
(principal financial officer and duly authorized officer)

OMNICELL, INC. EXECUTIVE BONUS PLAN

OBJECTIVES: The objectives of this Omnicell, Inc. Executive Bonus Plan ("Executive Bonus Plan"), effective for performance periods commencing on or after January 1, 2024, are to:

- 1) Drive earnings predictability and revenue growth;
- 2) Drive execution of operating plan and strategic objectives; and
- 3) Motivate and inspire Executives (as defined below) to contribute at peak performance levels.

ELIGIBILITY: Executive Officers (as that term is defined in Rule 3b-7 of the Securities Exchange Act of 1934, as amended) ("Executives") who are employed full-time by Omnicell, Inc. ("Omnicell") during the applicable performance period are eligible to participate in the Executive Bonus Plan; provided, however, that if an Executive is hired after the fifteenth day of the second month of the relevant quarter, or is no longer employed by Omnicell as of the last day of the relevant quarter or fiscal year, the Executive will not be eligible to participate in the Executive Bonus Plan for such quarter or fiscal year, as applicable.

BONUS FUNDING: The Executive Bonus Plan will fund based on the extent to which the Company achieves Corporate Financial Target(s) approved by the Compensation Committee of the Board of Directors (the "Committee") for the applicable performance period. The Corporate Financial Targets may have a threshold, target and maximum funding range set at the beginning of the applicable performance period that, upon attainment, will determine the percentage of funding for such performance period. Performance periods and the terms for such performance period may be set on an annual or quarterly basis or such other basis as determined by the Committee.

STRATEGIC GOALS: The Committee, at its discretion, may set strategic incentive goals, applied to each Executive or any subset thereof, and that may be utilized as a bonus influencer mechanism, reducing or increasing an Executive's actual cash bonus.

INCENTIVE TARGET: An Executive's Incentive Target will be established by the Committee and expressed as either a fixed dollar amount or a percentage of the Executive's base salary.

PAYMENT SCHEDULE AND FORM: An Executive's bonus under the Executive Bonus Plan will typically be paid on a quarterly basis after the Committee has determined the achievement level of the Corporate Financial Target(s) for the applicable performance period. The Committee may determine, at its discretion, whether the bonus for a particular performance period is paid in cash, equity or any combination thereof. Unless subject to a deferral election under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any bonus payable under the Executive Bonus Plan shall be paid as soon as practicable following the conclusion of the applicable performance period, but in any event no later than two and a half months following the conclusion of the fiscal year in which the bonus was earned, and each payment under the Executive Bonus Plan will be treated as a separate payment for purposes of Section 409A of the Code.

BONUS COMPONENTS:

BONUS FUNDING: The Corporate Financial Target(s) are one or more targets set at the discretion of the Committee on either a quarterly or annual basis that are intended to drive the Company towards desired outcomes regarding overall corporate performance and may include metrics, including but not limited to: profitability; sales success; expense controls; operating income/expense/margins; or such other targets as identified by the Committee. The Corporate Financial Target(s) set by the Committee may include a threshold, target and maximum funding range. Actual results will be compared to the Corporate Financial Target(s) to determine the percentage of funding achieved. The funding ranges may include a threshold, target and maximum payout level that will typically range from 0% and 200% of the Executive's Incentive Target for the applicable performance period.

Strategic Goals(s): The Strategic Goals(s) are one or more goals set at the discretion and determination of the Committee for an applicable performance period that the Committee may utilize to enhance or drive desired performance to a particular strategic objective.

OMNICELL, INC. EXECUTIVE BONUS PLAN

Incentive Payout: The Incentive Payout is based on Bonus Funding and achievement of goals tied to the corporate operating plan and Strategic Goals. This payout is achieved by meeting the quarterly and/or annual individual objectives as approved by the Committee.

DIRECTION AND ADMINISTRATION

- *The Committee may adjust the percentage weightings, including Bonus Funding or Individual Incentive Target, within the Executive Bonus Plan to redirect behavior based on changes in the economic environment, immediate needs of the Company, changes in long-term strategies and individual career growth and development throughout the fiscal year. The Committee may alter the incentive payout (including by eliminating the incentive payout) based on achievement of publicly announced targets, product milestones, strategic goals, cross functional teamwork and collaboration, unforeseen changes in the economy and/or geopolitical climate, and any other factors deemed relevant by the Committee.*
- *The Committee reserves the right to make changes to or terminate the Executive Bonus Plan at any time.*
- *Prior to payment, no award under the Executive Bonus Plan shall be transferable other than by will, the laws of descent and distribution. Any attempt to transfer or otherwise dispose of an award shall be null and void.*
- *The Company shall deduct from all payments made under the Executive Bonus Plan to an Executive (or, in the event of the Executive's death, to the Executive's beneficiary or estate, as applicable) any Federal, state or local taxes required by law to be withheld with respect to such payments. Participants shall be solely responsible for all other taxes associated with the amounts payable under an award or the Executive Bonus Plan.*
- *This Executive Bonus Plan shall be unfunded and constitutes an unvested promise by the Company to make payments in accordance with the terms of the Executive Bonus Plan. The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Executive Bonus Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.*
- *The provisions of the Executive Bonus Plan shall not give any Executive any right to be retained in the employment of the Company. In the absence of any specific agreement to the contrary, the Executive Bonus Plan shall not affect any right of the Company, or of any affiliate of the Company, to terminate, with or without cause, any Executive's employment at any time. The Executive Bonus Plan shall not replace any contract of employment between the Company and any Executive, but shall be considered a supplement thereto. The Executive Bonus Plan is in addition to, and not in lieu of, any other employee benefit plan or program in which any Executive may be or become eligible to participate by reason of employment with the Company.*
- *The Executive Bonus Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware without giving effect to principles of conflicts of laws.*
- *The amounts paid under this Executive Bonus Plan are subject to forfeiture, recovery by the Company or other action pursuant to the terms of the award or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation the Omnicell, Inc. Policy on Recoupment of Incentive Compensation, or as otherwise required by law.*

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 7, 2024

/s/ Randall A. Lipps

Randall A. Lipps

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Nchacha E. Etta, 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 7, 2024

/s/ Nchacha E. Etta

Nchacha E. Etta
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

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 Nchacha E. Etta, 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, 2024 (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 7th day of May, 2024.

/s/ Randall A. Lipps

Randall A. Lipps
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Nchacha E. Etta

Nchacha E. Etta
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Omnicell, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."