



Omnicell Announces Third Quarter 2010 Results

MOUNTAIN VIEW, Calif., Oct 27, 2010 /PRNewswire via COMTEX News Network/ -- Omnicell, Inc. (Nasdaq: OMCL), a leading global provider of system solutions to acute healthcare facilities, today announced results for its third quarter ended September 30, 2010.

GAAP results: Revenue for the third quarter of 2010 was \$56.3 million, up \$1.6 million or 3% from the second quarter of 2010, and up \$2.3 million or 4% from the third quarter of 2009.

Third quarter 2010 net income as reported in accordance with U.S. generally accepted accounting principles (GAAP) was \$1.3 million, or \$0.04 per diluted share. This compares to net income of \$2.0 million, or \$0.06 per diluted share in the second quarter of 2010, and net income of \$0.9 million, or \$0.03 per diluted share in the third quarter of 2009.

Non-GAAP results: Non-GAAP net income was \$3.6 million for the third quarter of 2010, or \$0.11 per diluted share. Non-GAAP net income excludes a charge of \$1.7 million related to restructuring, reduction-in-force and other related charges primarily associated with the consolidation of our development facilities announced in July 2010. Also excluded is \$0.6 million of non-recurring tax adjustments from the repatriation of profits from India associated with the facilities consolidation. Total after tax charges excluded from GAAP income related to restructuring, reduction-in-force, and other related charges are \$1.6 million. Non-GAAP net income also excludes a \$2.4 million gain related to the settlement of litigation claims, and the tax on this gain of \$1.0 million. The total after tax gain excluded from GAAP net income related to the settlement of litigation is \$1.4 million. Also excluded from GAAP income is \$2.2 million in stock compensation expense for the third quarter 2010. This compares to non-GAAP net income of \$4.1 million, or \$0.12 per diluted share for the second quarter of 2010, which excludes \$2.1 million in stock compensation expense. Third quarter 2010 results compare to non-GAAP net income of \$3.3 million, or \$0.10 per diluted share for the third quarter of 2009, which excludes \$2.4 million in stock compensation expense.

The consolidated results include the September 29, 2010 acquisition of Pandora Data Systems, a leading provider of analytical software for medication diversion detection and regulatory compliance.

"Omnicell enjoyed success in the marketplace during the third quarter with strong orders across our entire customer base," said Randall Lipps, Omnicell President, CEO and Chairman. "Our continued wins with large healthcare institutions, as well as the acquisition of a leading provider of data analytics for medication control systems, underscore the value Omnicell is delivering to organizations that are on the forefront of the sweeping changes in healthcare."

Omnicell Conference Call Information

Omnicell will hold a conference call at 2:30 p.m. PDT today to discuss third quarter financial results. The conference call can be monitored by dialing 1-800-696-5518 within the U.S. or 1-706-758-4883 for all other locations. The Conference ID # is 19264410. Internet users can access the conference call at <http://ir.omnicell.com/events.cfm>. A replay of the call will be available today at approximately 3:30 p.m. PDT and will be available until 8:59 p.m. PDT on November 3rd. The replay access numbers are 1-800-642-1687 within the U.S. and 1-706-645-9291 for all other locations, conference code # 19264410.

About Omnicell

Omnicell, Inc. (Nasdaq: OMCL) is a leading provider of systems that enable healthcare facilities to increase operational efficiency, enhance patient safety and allow clinicians to spend more time with their patients.

Founded in 1992, Omnicell's medication-use solutions include complete automation systems for the central pharmacy, anesthesia workstations for the operating room, dispensing cabinet systems for nursing units, and safe, secure medication transportation and verification systems to the patient bedside. From a medication's arrival at the receiving dock to its dosing to the patient, Omnicell systems store it, package it, bar code it, order it, issue it, and provide information and controls on its use and reorder.

Omnicell supply product lines provide a healthcare institution with comprehensive supply chain solutions that result in fast, effective control of costs, capture of charges for payer reimbursement, and timely reorder of supplies. Products range from high-security closed-cabinet systems and software to open-shelf and combination solutions in the nursing unit, cath lab and operating room.

For more information, visit www.omnicell.com.

Forward-Looking Statements

To the extent any statements contained in this release deal with information that is not historical, these statements are necessarily forward-looking. As such, they are subject to the occurrence of many events outside Omnicell's control and are subject to various risk factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. The risk factors are described in the Company's Securities and Exchange Commission (SEC) filings and include, without limitation, the unfavorable general economic and market conditions, the tightening in the credit market, the continued growth and acceptance of our products and services and the continued growth of the clinical automation and workflow automation market generally, the potential of increasing competition, the ability of the company to improve sales productivity, to grow product backlog, retain key personnel, cut expenses, manage future changes in revenue levels, develop new products and integrate acquired companies, products or intellectual property in a timely and cost-effective manner. Prospective investors are cautioned not to place undue reliance on forward-looking statements.

Use of Non-GAAP Financial Information

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

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

- a) *Stock-based compensation expense impact of Accounting Standards Codification (ASC) 718.* We recognize equity plan-related compensation expenses, which represents the fair value of all share-based payments to employees, including grants of employee stock options, as required under ASC 718, "Stock Compensation".
- b) *Restructuring charges* In the third quarter of 2010 we incurred charges for restructuring and impairment in executing our plan for consolidation of our Bangalore, India and Woodlands, Texas offices with our California and Tennessee facilities. These charges consisted of severance for departing employees and relocation benefits for transferring employees, exit and disposal costs related to the closed facilities, and impairment of abandoned leasehold improvements. In the first quarter of 2009, we incurred charges for employee severance in connection with a reduction in force, which was designed to align our cost structure with current business expectations. The financial impact of these charges is excluded from our non-GAAP results as they are considered to be infrequent in nature, they are not expected to occur in the ordinary course of business, and are not used for the purpose of evaluating the company's core performance.
- c) *Reduction-in-force and other exit related charges.* In the third quarter of 2010 we conducted a small reduction-in-force to rebalance the required workforce by function to our current business environment. Additionally, we incurred lease termination costs and leasehold improvement impairment costs (upon abandonment) in connection with merging our Lebanon, Tennessee office with our office in Nashville.
- d) *Litigation Settlement.* In the third quarter of 2010 we settled two pending litigations with Flo Healthcare LLC (now part of InterMetro Industries Corporation), paid InterMetro \$2.65 million, and entered into a patent cross-license agreement with InterMetro, wherein Omnicell received an ongoing license to the patent at issue in the suits, and InterMetro received licenses to two Omnicell patents. The parties then jointly filed for dismissal of the cases. The resulting credit to third quarter 2010 Selling general and administrative expense reflects the true-up for the settlement with release of the liability in excess of the amounts settled.
- e) *Taxes on repatriated foreign earnings.* In the third quarter of 2010, the closure of our Bangalore, India office, resulted in a charge for repatriation taxes and a valuation allowance against deferred tax assets.

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

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

- 1) Such non-GAAP financial measures provide an additional analytical tool for understanding Omnicell's financial performance by excluding the impact of items which may obscure trends in the core operating results of the business;
- 2) Since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency and enhances investors' ability to compare our performance across financial reporting periods;
- 3) These non-GAAP financial measures are employed by Omnicell's management in its own evaluation of performance and are utilized in financial and operational decision making processes, such as budget planning and forecasting; and
- 4) These non-GAAP financial measures facilitate comparisons to the operating results of other companies in our industry, which use similar financial measures to supplement their GAAP results, thus enhancing the perspective of investors who wish to utilize such comparisons in their analysis of our performance.

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

- i) While share-based compensation calculated in accordance with ASC 718 constitutes an ongoing and recurring expense of Omnicell, it is not an expense that requires cash settlement by Omnicell. We therefore exclude these charges for purposes of evaluating core operating results. Thus, our non-GAAP measurements are presented exclusive of stock-based compensation expense to assist management and investors in evaluating our core operating results.
- ii) We present ASC 718 share-based payment compensation expense in our reconciliation of non-GAAP financial measures on a pre-tax basis because the exact tax differences related to the timing and deductibility of share-based compensation, under ASC 718, are dependent upon the trading price of Omnicell's common stock and the timing and exercise by employees of their stock options. As a result of these timing and market uncertainties the tax effect related to share-based compensation expense would be inconsistent in amount and frequency and is therefore excluded from our non-GAAP results.

Our Adjusted EBITDA calculation is defined as earnings before interest income and expense, taxes, depreciation and amortization, and non-cash expenses, including ASC 718 stock compensation expense.

As stated above, we present non-GAAP financial measures because we consider them to be important supplemental measures of performance. However, non-GAAP financial measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for Omnicell's GAAP results. In the future, we expect to incur expenses similar to certain of the non-GAAP adjustments described above and expect to continue reporting non-GAAP financial measures excluding such items. Some of the limitations in relying on non-GAAP financial measures are:

- Omnicell's stock option and stock purchase plans are important components of incentive compensation arrangements and will be reflected as expenses in Omnicell's GAAP results for the foreseeable future under ASC 718.
- Other companies, including other companies in Omnicell's industry, may calculate non-GAAP financial measures differently than Omnicell, limiting their usefulness as a comparative measure.

Pursuant to the requirements of SEC Regulation G, a detailed reconciliation between Omnicell's non-GAAP and GAAP financial results is set forth in the financial tables at the end of this press release. Investors are advised to carefully review and consider this information strictly as a supplement to the GAAP results that are contained in this press release and in Omnicell's SEC filings.

OMCL-E

Omnicell, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data, unaudited)

Three Months Ended

	September 30, ----- 2010 -----	June 30, ----- 2010 -----	September 30, ----- 2009 -----
Revenues:			
Product	\$43,241	\$42,023	\$42,854
Services and other revenues	13,045	12,670	11,103
	-----	-----	-----
Total revenue	56,286	54,693	53,957
	-----	-----	-----
Cost of revenues:			
Cost of product revenues	19,449	19,009	20,087
Cost of services and other revenues	6,698	6,816	6,621
Restructuring charges	39	-	-
	---	---	---
Total cost of revenues	26,186	25,825	26,708
	-----	-----	-----
Gross profit	30,100	28,868	27,249
Operating expenses:			
Research and development	6,089	4,950	4,981
Selling, general, and administrative	19,851	20,426	21,324
Restructuring charges	1,157	-	-
	-----	---	---
Total operating expenses	27,097	25,376	26,305
	-----	-----	-----
Income (loss) from operations	3,003	3,492	944
Other income and expense, net	159	53	56
	---	---	---
Income (loss) before provision for (benefit from) income taxes	3,162	3,545	1,000
Provision for (benefit from) income taxes	1,886	1,580	146
	-----	-----	---
Net income (loss)	\$1,276	\$1,965	\$854
	=====	=====	=====
Net income (loss) per share:			
Basic	\$0.04	\$0.06	\$0.03
Diluted	\$0.04	\$0.06	\$0.03
Weighted average shares outstanding:			
Basic	32,822	32,567	31,704
Diluted	33,540	33,452	32,380

Nine Months Ended

	September 30, ----- 2010	September 30, ----- 2009

Revenues:	----	----
Product	\$127,559	\$127,221
Services and other revenues	37,580	31,583
	-----	-----
Total revenue	165,139	158,804
	-----	-----
Cost of revenues:		
Cost of product revenues	57,723	59,542
Cost of services and other revenues	20,823	20,055
Restructuring charges	39	1,209
	---	-----
Total cost of revenues	78,585	80,806
	-----	-----
Gross profit	86,554	77,998
Operating expenses:		
Research and development	15,604	13,532
Selling, general, and administrative	61,789	63,861
Restructuring charges	1,157	1,315
	-----	-----
Total operating expenses	78,550	78,708
	-----	-----
Income (loss) from operations	8,004	(710)
Other income and expense, net	286	433
	---	---
Income (loss) before provision for (benefit from) income taxes	8,290	(277)
Provision for (benefit from) income taxes	-	-
	4,070	(165)
	-----	-----
Net income (loss)	\$4,220	\$(112)
	=====	=====
Net income (loss) per share:		
Basic	\$0.13	\$(0.00)
Diluted	\$0.13	\$(0.00)
Weighted average shares outstanding:		
Basic	32,534	31,578
Diluted	33,383	31,578

Omnicell, Inc.
Condensed Consolidated Balance Sheets
(In thousands)

September	December
30,	31,
2010	2009
---	---
(unaudited)	(1)

ASSETS

Current assets:		
Cash and cash equivalents	\$178,625	\$169,230
Accounts receivable, net	45,070	40,826
Inventories	9,345	10,502
Prepaid expenses	11,198	8,780
Deferred tax assets	15,247	15,247
Other current assets	6,596	6,159
	-----	-----
Total current assets	266,081	250,744
Property and equipment, net	13,512	13,209
Non-current net investment in sales-		
type leases	9,630	10,104
Goodwill	28,651	24,982
Other intangible assets	5,164	4,233
Non-current deferred tax assets	8,089	9,666
Other assets	8,610	9,322
	-----	-----
Total assets	\$339,737	\$322,260
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	13,695	\$10,313
Accrued compensation	6,747	8,095
Accrued liabilities	8,900	11,997
Deferred service revenue	15,881	14,457
Deferred gross profit	12,521	13,689
	-----	-----
Total current liabilities	57,744	58,551
Long-term deferred service revenue	19,169	20,810
Other long-term liabilities	886	595
	---	---
Total liabilities	77,799	79,956
Stockholders' equity:		
Total stockholders' equity	261,938	242,304
	-----	-----
Total liabilities and stockholders'		
equity	\$339,737	\$322,260
	=====	=====

(1) Information derived from our December 31, 2009 audited Consolidated Financial Statements.

Omnicell, Inc.
Reconciliation of GAAP to Non-GAAP
(In thousands, except per share data, unaudited)

Three months ended

	September 30, 2010		June 30, 2010	
	Net	Earnings	Net	Earnings
	income	per	income	per
	-----	share-	-----	share-
		diluted		diluted
	-----	-----	-----	-----
GAAP	\$1,276	\$0.04	\$1,965	\$0.06
Non-GAAP adjustments:				
Restructuring cost				
Gross profit	39			
Operating expenses	1,157			
Reduction-in-force, other exit related charges				
Gross profit	285			
Operating expenses	219			
Litigation settlement (operating expense)	(2,439)		-	
Subtotal pretax adjustments	(739)		-	
Income tax effect of non-GAAP adjustments	326			
Taxes on repatriated foreign earnings	574			
ASC 718 share-based compensation adjustment				
Gross profit	293		363	
Operating expenses	1,905		1,734	
Total after tax adjustments	2,359	0.07	2,097	0.06
Non-GAAP	\$3,635	\$0.11	\$4,062	\$0.12
	=====	=====	=====	=====

Three months ended

	September 30, 2009	
	Net	Earnings
	income	per
	-----	share-
		diluted
	-----	-----
GAAP		\$854
Non-GAAP adjustments:		\$0.03
Restructuring cost		
Gross profit		
Operating expenses		

Reduction-in-force, other exit related charges			
Gross profit			
Operating expenses			
Litigation settlement (operating expense)	-		

Subtotal pretax adjustments	-		
Income tax effect of non-GAAP adjustments			
Taxes on repatriated foreign earnings			
ASC 718 share-based compensation adjustment			
Gross profit	360		
Operating expenses	2,053		

Total after tax adjustments	2,413	0.07	
Non-GAAP	\$3,267	\$0.10	
	=====	=====	

Omniceil, Inc.
Reconciliation of GAAP to Non-GAAP
(In thousands, except per share data, unaudited)

	Nine months ended			
	September 30, 2010		September 30, 2009	
	Net	Earnings	Net	Earnings
	income	per share-	Income	(loss)
	-----	diluted	(loss)	per share-
		-----	-----	diluted

GAAP	\$4,220	\$0.13	\$(112)	\$-
Non-GAAP adjustments:				
Restructuring cost				
Gross profit	39		1,209	
Operating expenses	1,157		1,315	

Reduction-in-force,
other exit related
charges

Gross profit	285			
Operating expenses	219			
Litigation settlement (operating expense)	(2,439)		-	
	-----		---	
Subtotal pretax adjustments	(739)		2,524	
Income tax effect of non-GAAP adjustments	326		(991)	
Taxes on repatriated foreign earnings	574			
ASC 718 share-based compensation adjustment				
Gross profit	977		1,026	
Operating expenses	5,474		6,245	
	-----		-----	
Total after tax adjustments	6,612	0.19	8,804	0.28
Non-GAAP	\$10,832	\$0.32	\$8,692	\$0.28
	=====	=====	=====	=====

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

	Three Months Ended		
	September 30, 2010	June 30, 2010	September 30, 2009
	----	----	----
GAAP net income (loss)	\$1,276	\$1,965	\$854
Add back:			
ASC 718 stock compensation expense	2,198	2,097	2,413
Restructuring charges	1,196		
Reduction-in-force, other exit related charges	504		
Litigation settlement	(2,439)		
Interest	(181)	(88)	(108)
Depreciation and amortization expense	2,188	2,178	2,297
Income tax expense (benefit)	1,886	1,580	146
	-----	-----	---
Non-GAAP adjusted EBITDA (1)	\$6,628	\$7,732	\$5,602
	=====	=====	=====

	Nine Months Ended	
	September	September
	30,	30,
	2010	2009
	----	----
GAAP net income (loss)	\$4,220	\$(112)
Add back:		
ASC 718 stock compensation expense	6,451	7,271
Restructuring charges	1,196	2,524
Reduction-in-force, other exit related charges	504	-
Litigation settlement	(2,439)	-
Interest	(341)	(508)
Depreciation and amortization expense	6,489	7,171
Income tax expense (benefit)	4,070	(165)
	-----	-----
Non-GAAP adjusted EBITDA (1)	\$20,150	\$16,181
	=====	=====

(1) Defined as earnings before interest income and expense, taxes, depreciation and amortization, and non-cash expenses, including stock compensation expense, per ASC 718, formerly FAS 123R.

Also excludes non-GAAP adjustments for Restructuring, Reduction-in-force and other exit related charges, and Litigation settlement.

SOURCE Omnicell, Inc.

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