OMNICELL, Inc
Form 10-K
March 11, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File No. 000-33043
OMNICELL, INC.
(Exact name of Registrant as specified in its charter)

Delaware	94-3166458
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

590 East Middlefield Road
Mountain View, CA 94043
(Address of registrant's principal executive offices, including zip code)
(650) 251-6100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
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 ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)
		Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

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The aggregate market value of the registrant's common stock, $0.001 par value, held by non-affiliates of the registrant as of June 30, 2012 was $479.3 million (based upon the closing sales price of such stock as reported on The NASDAQ Global Select Market on such date) which excludes an aggregate of 754,154 shares of the registrant's common stock held by officers, directors and affiliated stockholders. For purposes of determining whether a stockholder was an affiliate of the registrant at June 30, 2012, the registrant has assumed that a stockholder was an affiliate of the registrant at June 30, 2012 if such stockholder (i) beneficially owned 10% or more of the registrant's common stock and/or (ii) was affiliated with an executive officer or director of the registrant at June 30, 2012. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

As of March 1, 2013, there were 34,098,661 shares of the registrant's common stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

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PART I

ITEM 1 BUSINESS

This Annual Report on Form 10-K contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

Forward-looking statements include, but are not limited to, statements about:

- the extent and timing of future revenues, including the amounts of our current backlog, which represents firm orders that have not completed installation and therefore have not been recognized as revenue;
- the size or growth of our market or market share;
- the opportunity presented by new products or emerging markets;
- our expectations regarding our future backlog levels;
- our ability to align our cost structure and headcount with our current business expectations;
- the operating margins or earnings per share goals we may set;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our ability to generate cash from operations and our estimates regarding the sufficiency of our cash resources; and
- our ability to acquire companies, businesses, products or technologies on commercially reasonable terms and integrate such acquisitions effectively.

In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. We discuss many of these risks in this Annual Report on Form 10-K in greater detail in the section entitled "Risk Factors" under Part I, Item 1A below. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report on Form 10-K. You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits, completely and with the understanding that our actual future results may be materially different from what we expect. All references in this report to "Omnicell, Inc.," "Omnicell," "our," "us," "we," or the "Company" collectively refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries.

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 anticipated in any forward-looking statements, even if new information becomes available in the future.

We own various trademarks, copyrights and trade names used in our business, including the following: Omnicell®, the Omnicell logo, OmniRx®, OmniCenter®, OmniSupplier®, OmniBuyer®, SafetyStock®, WorkflowRx™, OmniLinkRx™, SecureVault™, Optiflex™, SinglePointe™, AnywhereRN™, Anesthesia Workstation™ , Savvy™, MTS Medication Technologies®, the MTS Medication Technologies logo, Medlocker®, AccuFlex®, Autobond ™, AutoGen ™, easyBLIST™, Pandora®, OnDemand®, Multi-Med™, RxMap®, MTS-350 ™, MTS-400 ™ and MTS-500 ™. This report also includes other trademarks, service marks and trade names of other companies. All other trademarks used in this report are trademarks of their respective holders.

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Overview

We are a leading provider of automation and business information solutions enabling healthcare systems to streamline the medication administration process and manage costly medical supplies for increased operational efficiency and enhanced patient safety. Our automation, analytics and medication adherence solutions are designed to enable healthcare facilities to acquire, manage, dispense and administer medications and medical-surgical supplies and are intended to enhance patient safety, reduce medication errors, reduce operating costs, improve workflow and increase operational efficiency.

Approximately 2,700 hospitals utilize one or more of our products, of which more than 1,700 hospitals in the United States have installed our automated hardware/software solutions for controlling, dispensing, acquiring, verifying, tracking and analyzing medications and medical and surgical supplies. Approximately 6,000 institutional and retail pharmacies utilize our medication adherence packaging solutions.

The medical industry has become increasingly aware that the human element of patient care inevitably creates the risk of medication administration errors.

The Institute of Medicine, a non-profit, non-governmental arm of the National Academies, published a report in 2006 that estimated that 1.5 million medication errors are made each year in the United States. Acute care facilities are required to adhere to medication regulatory controls that we believe cannot be adequately supported by manual tracking systems or partially automated systems. Nursing shortages add an additional challenge to acute care facilities to meet regulatory controls and improve patient safety while still providing adequate patient care. Non-acute care facilities face similar safety challenges. According to "Adherence to Long-Term Therapies-Evidence for Action" the World Health Organization has stated, “Across diseases, adherence is the single most important modifiable factor that compromises treatment outcome.” U.S. health system thought leaders see medication adherence as a key requirement for closing the medication loop and delivering better clinical outcomes and financial results. Medication non-adherence is described as a critical problem creating approximately $290 billion in extra costs, according to the New England Healthcare Institute, resulting in approximately 125,000 deaths per year. In addition, the Centers for Medicare & Medicaid Services states that 11% of all hospital admissions are related to medication adherence.

We provide solutions to help healthcare systems and caregivers address these problems. Our patient-centric medication and supply management solutions help improve workflow efficiencies and patient outcomes.

Business Segments

Our business is organized into two operating business segments: Acute Care, which primarily includes products and services sold to hospital customers, and Non-Acute Care, which primarily includes products and services sold to customers outside of the hospital setting.

Acute Care

In acute care facilities, our solutions utilize advanced, software based medication control and tracking algorithms that interact with hardware security features, resulting in a system that provides both the pharmacist and the nurse real-time safety controls. Our solutions also go a step further by providing medication bar code verification at every step of the medication administration process, from entry to the hospital through to administration to a patient. Our systems enable our customers to reduce or eliminate inefficiencies such as manual tracking and reconciliations, nursing time spent in obtaining medications and in inventory control and extraneous process steps.

Similar to our medication solutions, our medical and surgical supply systems provide acute care hospitals control over consumable supplies critical to providing quality healthcare. Our solutions provide inventory control software that is designed to ensure critical supplies are always stocked in the right locations. At the same time, usage tracking helps hospital administrators to ensure that money is not wasted on excessive stores of supplies and helps optimize reimbursement by improving charge capture. Our systems automate the tracking of activities in perioperative areas such as the operating room and catheter lab, including tracking implantable tissue grafts for additional patient safety and regulatory compliance.

Additionally, we offer analytics and reporting software for pharmacists and materials managers to more easily manage inventory flow, tracking and optimization. These reports are often used to identify hospital employees who may be improperly diverting pharmaceuticals stored in the automated dispensing cabinets. Such diversion or theft, especially

of controlled substances, could result in black market sales or other illicit uses.

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Non-Acute Care

Our Non-Acute Care product lines were added to our solutions through the acquisition of MedPak Holdings, Inc. ("MedPak") in May 2012. MedPak is the parent company of MTS Medication Technologies, Inc. ("MTS"), a worldwide provider of medication adherence packaging systems, and a wholly-owned Omnicell subsidiary. MTS manufactures proprietary medication dispensing systems and related products for use by medication prescription providers: primarily institutional pharmacies servicing long-term care and correctional facilities. These systems utilize consumable medication punch cards and specialized machines that allow the pharmacies to automatically or semi-automatically assemble, fill and seal drugs into medication punch cards representing a weekly or monthly supply of a patient's medication. The use of these cards and machines provides a cost-effective customized package personalized to the patient. The punch card medication dispensing system provides tamper evident packaging and promotes medication compliance.

Our Non-Acute Care systems are used by institutional pharmacists to package medications into blister cards that form the backbone of medication control in non-acute care facilities. Our line of equipment provides solutions ranging from low cost semi-automated packaging systems to fully automated robotic systems that help eliminate human error and increase the efficiency of packaging medication for non-acute care facilities. Our OnDemand line of multi-medication packaging equipment can be used by retail pharmacies to provide enhanced packages that we believe increase the probability that patients will adhere to the medication regimen prescribed by their caregiver.

Our Non-Acute Care segment primarily manufactures and sells consumable medication blister cards, packaging equipment and ancillary products throughout the United States, Canada, Europe and Australia. This segment's customers are predominantly institutional pharmacies that supply nursing homes, assisted living and correctional facilities with prescription medications for their patients. We manufacture our proprietary consumable blister cards and most of our packaging equipment in our own facilities. This manufacturing process uses integrated equipment for manufacturing the consumable medication blister cards. In addition, we utilize the services of contract manufacturers for some of our packaging equipment. We distribute products directly in the United Kingdom and in Germany through our subsidiaries in those countries.

Our acquisition of MTS aligns us with the long-term trends of the healthcare market to participate in the management of patient health across the continuum of care. We can now serve both the acute care and non-acute markets. Omnicell and MTS bring capabilities to each other that strengthen the product lines and expand the medication management coverage of both companies.

Business Strategy

Our key business strategies include:

- Further penetrating the existing market for our products through sustaining technological leadership in our products by:
  - Consistently innovating our product and service offerings; and
  - Maintaining our flexibility in customer product design and in the installation process.
- Increasing penetration of the international market by:
  - Bringing new products and technologies to market that are specific to international markets;
  - Building direct sales, distribution or other capabilities when and where it is appropriate;
  - Establishing direct sales, distribution or other capabilities when and where it is appropriate;
- Partnering with companies that have sales, distribution or other capabilities that we do not possess in non-U.S. geographies; and
  - Increasing customer awareness of safety issues in the administration of medications;
- Expanding our product offering through acquisitions and partnerships.

We provide comprehensive patient safety solutions for the medication and medical and surgical supply needs of our customers. To meet these needs, we strive to provide proprietary, innovative solutions that help our customers stay focused on their goal of providing quality healthcare at affordable costs. Our solutions are designed to provide everything the customer requires for installation and maintenance of medication and medical and surgical supply control. Our vision of improving healthcare for everyone has led us to take certain steps in the development of our

business and our long term approach to our market, such as:

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- Providing a full service, positive experience for our hospital customers in the solution sales process, the timing and implementation of our product installations and the responsiveness of our support services;
- Delivering solutions that are designed to provide our customers with the best experience in the healthcare industry as measured by customer input and third party surveys;
- Innovating products to address patient safety and cost-containment pressures facing healthcare facilities while improving clinician workflow and overall operating efficiency;
- Incorporating a broad range of clinical input into our product solution development to accommodate needs ranging from those of institutional pharmacies to stand-alone community hospitals to multi-hospital entities and integrated delivery networks, ("IDNs"); and
- Developing new solutions to enhance our customers' existing systems and protect our customers' investments by preserving, leveraging and upgrading their existing information systems, as well as striving to provide integration of our products with the other healthcare information systems our customers use.

We have developed or acquired numerous technologies that provide long-term solutions for our customers. Our own product development activities have brought a number of innovative and proprietary products to the market. Our most recently announced solutions include the fourth generation Omnicell G4 platform with the Unity single unified database across the automated medication dispensing system. The Unity database is designed to decrease the risk of human error and save significant pharmacy time by eliminating the need for repetitive entry of drug formularies in multiple locations. The Unity G4 platform is designed to help hospitals closely manage medication and supply inventory to reduce costs, comply with increasingly stringent regulatory pressures and safeguard the patient. The new platform offers a consistent user interface across all of our products.

In addition to our own development, we have acquired products that extend patient safety controls to a wider range of applications and departments in the hospital. These include products for the central pharmacy, the operating room, the catheterization lab, the nursing areas and the patient point of care. Our most recent acquisitions include the 2010 acquisition of an analytics solution to allow pharmacists and materials managers to more easily manage inventory flow, tracking and optimization, and to provide information that can be used to detect diversion or theft and the 2012 acquisition of MTS. We believe the breadth of our portfolio of automation products makes our solutions more valuable to our customers, allowing hospital clinicians to automate and control more of the medication and medical and surgical supply distribution processes. Looking forward, we expect to offer products with an even greater ability to improve patient safety for our customers, both through internal development and through acquisitions.

Industry Background

The acute care market in the United States, where most of our sales occur, is comprised of approximately 6,400 hospitals and other facilities with a total capacity of approximately 947,000 acute care beds. Our customers include single location community hospitals, government hospitals and regional and national entities.

The delivery of healthcare in the United States still relies on a significant number of manual and paper-based processes. Most hospitals have deployed at least some automation solutions, but few have deployed them throughout the institution. The use of manual and paper-based systems in many hospital departments today results in highly complex and inefficient processes for tracking and delivering medications and supplies. In addition, many existing healthcare information systems are unable to support the modernization of healthcare delivery processes or address mandated patient safety initiatives. These factors have contributed to medical errors and unnecessary process costs across the healthcare sector.

Healthcare providers and facilities are also affected by significant economic pressures. Demand for healthcare services continues to increase, driving shortages in the United States labor market for healthcare professionals, particularly nurses and pharmacists. Rising costs of labor, prescription drugs and new medical technology all contribute to increased spending. Governmental pressures surrounding healthcare reform have led to increased scrutiny of the cost and efficiency with which healthcare providers deliver their services. These factors, combined with the continuing consolidation in the healthcare industry, have significantly increased the need to improve the efficiency of healthcare professionals and to control costs.

Outside the United States, certain healthcare providers also are becoming increasingly aware of the benefits of automation. Many governmental and private entities look to the progress made over the last several years in the

United States and are starting to invest significantly in information technology and automation. International growth in our industry is therefore expected to become significant over the next several years.

In the United States, where most of our non-acute business occurs, the market is comprised of approximately 6,000 institutional pharmacies servicing over 15,600 long term care facilities. According to IMS Healthcare, Inc. ("IMS"), an

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independent third party provider of information to the pharmaceutical and healthcare industry, pharmaceutical sales are expected to grow approximately 1% to 4% annually through 2016. IMS expects that certain sectors of the market, such as biotechnology and other specialty and generic pharmaceuticals, will grow faster than the overall market which suggests opportunities for the market in which we operate. In addition to medication control at long term care facilities, our Multi-Medication products provide packaging that simplifies the process for individuals providing self-care to track and administer medications. At this time these solutions are sold primarily outside the United States.

Key Industry Events and Reports

Reports by the Institute of Medicine, ("IOM"), the Food and Drug Administration, ("FDA"), and the Joint Commission for the Accreditation of Healthcare Organizations, also known as The Joint Commission, have increased public and healthcare industry awareness of the dangers caused by medication errors. Regulatory standards and industry guidelines, such as those published by the Institute for Safe Medication Practices, ("ISMP"), as well as the desire of healthcare organizations to provide premium quality service and avoid liability, have driven acute care facilities to prioritize investment in capital equipment to improve patient safety. Such reports and regulatory standards include:

- On February 25, 2004, the FDA published a rule that requires linear bar codes on most prescription drugs. Drug manufacturers, re-packagers, re-labelers and private label distributors are subject to the rule. The FDA estimated that the bar code rule, once implemented, would result in a 50% reduction in medication errors, 500,000 fewer adverse drug events over the subsequent 20 years, $93 billion in cost savings and other economic benefits.
- In 2004, The Joint Commission set medication management standard 2.20, which requires that medications are properly and safely stored throughout the hospital. The Joint Commission audits all healthcare facilities seeking accreditation for proper medication handling control and reviews all exceptions to control procedures.
- In June 2006, the IOM issued a report which augmented a series of reports issued between 1999 and 2005 highlighting the prevalence of medication errors and indicated that an estimated 1.5 million medication errors occur annually in the United States.
- In 2008, and updated in 2009, the ISMP published guidelines for the Interdisciplinary Safe Use of Automated Dispensing Cabinets.
- The Joint Commission first established the National Patient Safety Goals, ("NPSG"), in 2002. In 2010, NPSG 03.04.01, National Patient Safety Goals on Labeling Medications specified the need for labeling all medications, medication containers (i.e. syringes, medicine cups, basins, etc.) and other solutions on and off the sterile field in perioperative and other procedural settings.
- Top teaching hospitals are among the early adopters of our new technologies and our customers include 10 of the 17 2012-2013 Honor Roll Hospitals, as rated by US News and World Report.

Information published by CVS Caremark and The Health Intelligence Network (HIN) has identified issues with medication adherence and the need to address both attitudinal and behavioral changes. These findings present an opportunity for pharmacists to have a significant impact on patient quality of life and overall healthcare by providing interventional support that includes adherence tools.

- In 2011, CVS Caremark Corporation published a study in "Health Affairs" that found that patients who take medications as doctors direct them to may save the healthcare system as much as $7,800 per patient annually. The study also found that these patients experienced fewer emergency room visits and inpatient hospital stays.
- In September 2011, the second annual Medication Adherence e-survey, indicated a slight uptick in the previous 12 months in the number of programs designed to improve non-adherence as well as an increasing reliance on community or "retail" pharmacists to help individuals understand and adhere to their medication regimens. These reports, and the general awareness of patient safety in the medical field, have created a heightened desire to implement solutions that mitigate risks and improve the quality of healthcare. Automated medication distribution systems have become the standard of care in acute care settings. Hospitals throughout the country are seeking to implement the most robust medication safety solutions available. Blister cards have become the standard of care for providing patient safety in non-acute care settings.

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Healthcare Reform

In 2009, the U.S. government passed the American Reinvestment and Recovery Act, ("ARRA"), which provides for, among other things, the funding of incentives for healthcare organizations to implement Electronic Healthcare Records, ("EHR"). ARRA establishes minimal requirements for electronic healthcare usage and provides incentives for electronic healthcare adoption through 2015 and penalties for non-adoption after 2015. In 2010, the U.S. Congress passed the Patient Protection and Affordable Care Act, which prescribes broad-based measures designed to provide healthcare to a greater percentage of the population as well as limiting the cost of providing healthcare. We believe that both ARRA and the Patient Protection and Affordable Care Act will drive the need for increased efficiency in providing healthcare without reducing healthcare standards. Omnicell's Unity G4 platform includes the only automated dispensing system that is Modular EHR certified and works with all "hospital information system vendors," as defined by the U.S. Department of Health and Human Services Office of National Coordinator for Health Information Technology. We believe our products assist healthcare organizations in achieving the goals of the new laws by allowing them to reduce process steps, eliminate manual tracking, reduce waste from expired medications and supplies, track quality levels and reduce errors that result in re-admissions. The new platform's single unified database across the automated medication dispensing system decreases the risk of human error and saves significant pharmacy time by eliminating the need for repetitive entry of drug formularies in multiple locations. The Unity platform is designed to help hospitals closely manage medication and supply inventory to reduce costs, comply with increasingly stringent regulatory pressures and safeguard the patient.

Acute Care Products and Services

We provide solutions that are designed to enable healthcare professionals to reduce medication errors and improve administrative controls, while simultaneously improving workflow and increasing a healthcare facility's operational efficiency. Our Acute Care products are designed to enable our customers to enhance and improve the effectiveness of the medication-use process, the efficiency of the medical surgical supply chain, overall patient care and clinical and financial outcomes of healthcare facilities. From the point at which a medication arrives at the receiving dock to the time it is administered, our systems are capable of storing, packaging, bar coding, ordering and issuing the medication, as well as providing information and controls on its use and reorder. Our medication-use product line includes systems for medication dispensing in acute care nursing departments, central pharmacy automation, physician order management and nursing workflow automation at the bedside. Our supply product lines provide healthcare facilities with cost data which enables detailed quantification of charges for payer reimbursement, inventory management, implant monitoring and timely reorder of supplies. These products range from industrial grade software driven carousels for managing large amounts of inventory in the central pharmacy to high-security closed cabinet systems and software to open-shelf and combination solutions in the nursing unit, catheterization lab and operating room. Our combination medication-use and supply products allow the operating departments to store, track and dispense medications and supplies through a single system while optimizing the workflows for each type of medication or supply managed. Our data analytics products provide critical information to clinicians that help them optimize efficiency, safety, and security. We also provide services, including customer education and training, to help customers to optimize their use of our technology.

Our analytics solution allows pharmacists and materials managers to more easily manage inventory flow, tracking and optimization, and aids in the identification of those engaged in narcotics diversion within the acute care hospital.

Medication Use Products

Our medication-use product line includes our OmniRx, SinglePointe, AnywhereRN, Anesthesia Workstation, WorkflowRx, Controlled Substance Management, OmniLinkRx, Savvy Mobile Medication System and Pandora Data Analytics products. To provide our customers with end-to-end medication control, our product line incorporates bar code technology throughout. Our solutions incorporate fourth generation technology, which we believe is the most advanced on the market today. Medication control technology has evolved over the past 30 years. First generation technology provided secure electronic storage and dispensing of medications in distributed locations in the hospital but was only economically viable to deploy with the most frequently used drugs and controlled substances. Second generation technology added specific patient data, electronically transmitted from other hospital information systems that, when combined with information stored in Omnicell systems, guided clinicians to the medications needed to care

for specific patients at specific times in the day. Second generation technology was still limited with respect to the number and type of medications that could be tracked. Third generation technology, which we provide in our SinglePointe solution, is able to track medication dispensing and dynamically manage up to 100% of medications specific to individual patients. Used in combination with the rest of our suite of medication use solutions, we believe that SinglePointe provides advanced levels of medication management automation unavailable from any other vendor in the market today. Each of the products in our medication-use solution suite is summarized in the table below.

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Product	Use in Hospital	Description
OmniRx	Any nursing area in a hospital department that administers medications	Secure dispensing system that automates the management and dispensing of medications at the point of use.
SinglePointe	Any nursing area in a hospital department that administers medications	Software product for use in conjunction with the OmniRx product that controls medications on a patient-specific basis, allowing automated control of up to 100% of the medications used in a hospital.
AnywhereRN	Any nursing area in a hospital department that administers medications	Software that allows nurses to remotely operate automated dispensing cabinets from virtually any workstation in the hospital.
Pandora Analytics	Hospital central pharmacy and general hospital management	Advanced reporting and data analytics tools.
Savvy Mobile System	Any nursing area in a hospital department that administers medications	Mobile wireless computer and dispensing system that provides a mobile platform for hospital information systems and a convenient and secure method for nurses to move medication and supplies.
OmniLinkRx	Hospital central pharmacy	Prescription routing system that allows nurses and doctors to scan handwritten prescription orders for electronic delivery to pharmacists for approval and filling.
WorkflowRx	Hospital central pharmacy	Automated pharmacy storage, retrieval and packaging systems.
Controlled Substance Management	Hospital central pharmacy	Controlled substance inventory management system.
Anesthesia Workstation	Operating room	Secure dispensing system for the management of anesthesia supplies and medications.

Nursing Floor Solutions

The OmniRx solution is the core of our medication control solutions. The OmniRx solution is a dispensing cabinet that automates the management and dispensing of medications at the point of use. The OmniRx features biometric fingerprint identification, advanced single-dose dispensing, bar code confirmation, integrated medication label printing and a wide range of drawer modules enabling the establishment of various security levels. Software features of the OmniRx include patient profiling, notification of medications due, a variety of security features, waste management, clinical pharmacology and integration with an Internet browser for clinical reference information. As part of our G4 launch, the user interface for the OmniRx was completely redesigned to make it more intuitive and easy to use for clinicians. OmniRx has met meaningful use criteria by obtaining modular EHR certification, as defined by the Office of the National Coordinator.

The SinglePointe solution is a software extension to the OmniRx solution that allows pharmacists to automate the distribution of specially handled medications, enabling control of up to 100% of all medications through the automated dispensing system. The OmniRx system, which provides stock of medications at the nursing unit, typically stores the most frequently used medications. The SinglePointe solution allows for patient specific medications, which would not otherwise be stocked in the OmniRx, to be controlled through the OmniRx, which extends the benefits of automated medication distribution. These benefits include increased patient safety, consistency in tracking and inventory control, simplification of procedures and improved monitoring of controlled substances to a broader range of the medication distribution process in the hospital.

The AnywhereRN solution is a software solution that allows nurses to operate the automated dispensing cabinets from virtually any remote workstation within the hospital. This software enables enhanced workflow for nurses such that they are no longer limited to being directly in front of the cabinet to perform certain medication administration functions. AnywhereRN is intended to reduce nurse distractions in the medication administration process, allowing

cabinet operations to be done in private or quieter areas. Anywhere RN is also intended to eliminate congestion at the cabinet by minimizing nurse queuing to withdraw medications.

The Pandora Analytics solution is comprised of reports and analytical software for medication diversion detection, customizable user options, hospital inventory management controls, point of care data analytics and financial optimization. Pandora Analytics is designed to assist hospitals in their efforts to improve patient safety, regulatory compliance and reduce costs.

The Savvy Mobile Medication solution provides a mobile workstation for nurses, equipped with locking drawers for secure transportation of medications and patient supply items. Savvy allows both tracking and physical control of medications

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extended to the patient bedside. Savvy Mobile Medication solution is designed to provide efficient workflow support, allowing nurses to remotely access the automated dispensing cabinet utilizing AnywhereRN, saving nursing time and minimizing the risk of interruptions to enhance patient safety. This same mobile solution can be used to access hospital applications, including electronic medical records and electronic medication administration records.

Central Pharmacy Solutions

The OmniLinkRx solution is a physician order software product that automates communication between nurses and the pharmacy. Used in the central pharmacy, the OmniLinkRx solution simplifies the communication of handwritten physician orders from remote nursing stations to the pharmacy.

The WorkflowRx solution is an automated storage, retrieval, inventory management and repackaging solution for the central pharmacy. It is designed to help pharmacists ensure that the right medications are stored in and retrieved from proper locations, both in the central pharmacy and in automated dispensing cabinets. The WorkflowRx solution is deployed on a storage and retrieval carousel, on a repackaging system, or on both. Bar code administration through the WorkflowRx solution is designed to help ensure that medications are stocked correctly from their point of entry into the healthcare facility. Labeling medications with bar codes using a repackaging system enables bedside medication administration solutions, such as the Savvy solution, to perform bar code checking at the patient bedside.

The Controlled Substance Management solution provides perpetual inventory management and an automated audit trail to help the pharmacy comply with regulatory standards while increasing efficiency. The shared database between the pharmacy, the operating room and nursing cabinets tracks and monitors narcotic movement throughout the hospital, providing a true closed-loop solution. The Controlled Substance Management software, coupled with our automated dispensing technology, enables healthcare facilities to track, monitor and control the movement of controlled substances from the point of initial receipt from the wholesaler throughout internal distribution. The Controlled Substance Management solution maintains a perpetual item inventory and complete audit using integrated bar code technology with both fixed and portable scanners. Bar coded forms and labels may also be generated directly from the Controlled Substance Management system.

Operating Room Solutions

The Anesthesia Workstation solution is a system for the management of anesthesia supplies and medications. The system is tailored for the workflow of the clinician working in the operating room. The Anesthesia TT solution is a fixed position tabletop unit designed as a medication-only system. The Anesthesia Workstation and the Anesthesia TT were redesigned as part of the G4 product release, incorporating improved ergonomics to enhance the particular workflows inherent to the operating room and to increase the software capability to better handle case management.

Medical and Surgical Supply Products

Our medical and surgical supply products provide acute care hospitals control over consumable supplies critical to providing quality healthcare. These solutions provide inventory control software that is designed to ensure that critical supplies are always stocked in the right locations. At the same time, usage tracking helps hospital administrators to ensure that money is not wasted on excessive stores of supplies and helps optimize reimbursement by improving charge capture.

Implantable tissue and bone grafts can also be monitored and tracked for additional patient safety and regulatory compliance. The bone and tissue features are integrated with our overall medical and surgical supply chain inventory management and charge capture systems. These solutions are designed for use in the materials management department, the nursing unit and specialty areas such as the catheterization lab and the operating room. They integrate with other information management systems and utilize bar code technology extensively.

Our supply product line includes the Omnicell Supply Cabinet, Omnicell Open Supply Solution, Supply/Rx Combination Cabinet, Omnicell Tissue Center, OptiFlex SS, OptiFlex CL and OptiFlex MS. Each of these products is summarized in the table below.

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Product	Use in Hospital	Description
Omnicell Supply Solution	Any nursing area in a hospital department that uses patient care supplies	Secure dispensing system that automates the management and dispensing of medical and surgical supplies at the point of use.
Omnicell Open Supply Solution	Areas that require the management of high volume/low dollar inventory as well as areas where space restrictions limit the ability to install closed cabinets and other areas such as offsite clinics and doctor's offices.	Ability to expand inventory management capabilities by providing efficient workflow and flexibility to enable either remote inventory management from closed supply cabinets or completely open shelf inventory management from a touchscreen PC and Scanner.
Supply/Rx Combination Solution	Any nursing area in a hospital department that uses patient care supplies and administers medications	Secure dispensing system that manages both supplies and medications from the same cabinets, using the same user interface screens, in medical and surgical units and specialty areas.
Omnicell Tissue Center	Perioperative areas of the hospital	Manages the chain of custody for bone and tissue specimens from the donor to the patient in the operating room.
OptiFlex SS	Perioperative areas of the hospital	Specialty modules for the perioperative areas.
OptiFlex CL	Procedure areas in the hospital including the cardiac catheterization lab	Specialty modules for the cardiac catheterization lab and other procedure areas.
OptiFlex MS	Any nursing area in a hospital department that administers supplies	System for the management of medical and surgical supplies that provides the flexibility of utilizing bar code control in an open shelf environment.

The Omnicell Supply Solution is a secure dispensing system that dispenses and tracks medical and surgical supplies at the point of use. Specialty modules are available for a variety of solutions to manage implants and medications used across the hospital as described below.

- Supply/Rx Combination Solution is designed to manage medications and supplies in one versatile cabinet or group of cabinets. This solution allows each department to manage supplies and medications independently, while tracking transaction data, inventory, expenses and treatment costs through a single system.
- Omnicell Tissue Center allows the operating room staff to manage the chain of custody for bone and tissue specimens from the donor to the patient in the operating room. This solution enables compliance with The Joint Commission requirements and Association of Operating Room Nurses guidelines regarding the handling of tissue specimens.
- OptiFlex SS manages supplies and preference cards in the perioperative areas whether the supplies are stored on open shelves or in automated dispensing cabinets. The preference-list system creates a unique bar code for each surgical case, based on physician, procedure, and patient and provides information on the case for data analysis, reporting and charge capture. The Suture Module is designed to be integrated into the Omnicell Supply Solution to secure, dispense and automatically track suture usage.
- OptiFlex CL manages supplies and creates cases in the cardiac catheterization lab, interventional radiology and other procedure areas. This solution allows real-time point of use data collection and accurate supply tracking regardless of whether supplies are stored on open shelves or in automated dispensing cabinets. It also improves cost management through automated charge capture and case profiling by the physician. The Catheter Module is designed to be integrated into the Omnicell supply cabinet and allows hospitals to secure, dispense and electronically track accurate catheter usage. The Implant Tracking Module records expiration date, lot and serial number information to enable compliance with Joint Commission and FDA requirements regarding surgical implants in the event of a recall.

- OptiFlex MS solution provides control over general medical and surgical supplies stored in open shelves or in automated dispensing cabinets.

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Other Acute Care Products and Services

Omnicell Interface Software. Our interface software provides interface and integration between our medication-use products or our supply products and a healthcare facility's in-house information management systems. Interface software is designed to provide integration and communication of patient data, logistical data, inventory information, charge capture and billing information and other healthcare database information.

Services. We provide services that include customer education and training and maintenance and support services, all provided on a time-and-material basis. We also provide fixed period service contracts to our customers for post-installation technical support with phone support, on-site service, parts and access to software upgrades. On-site service is provided by our field service team.

Non-Acute Care Products and Services

Pharmacy Packaging Equipment and Automation

We offer a complete equipment product line, from manual sealers to fully automated OnDemand machines. Long-term care pharmacies typically use two methods for packaging medications into adherence packages: pre-pack where blister cards are pre-packaged with a 7- to 30-day supply of a specific single medication and placed into inventory until needed to fill a specific patient order, and on demand, where individual patient medication orders are packaged and labeled by an automated robotic system. We have a packaging solution for each of these methods for any size pharmacy operation. Our systems increase pharmacy output and improve dispensing accuracy, enabling improved patient safety and economics.

Pharmacy Sealers for Medication Packaging

Our blister cards are heat-sealed adherence packages that require a sealer to create an impermeable barrier. By using specially designed equipment to control heat, time and pressure, the institutional pharmacy serving the long term care patients is able to create a quality seal on every package, providing a secure barrier to moisture and gases. Within this range of equipment is the perfect sealing solution for almost any pharmacy, from a low volume manual punch card sealer to a high volume, all electric heat sealer with programmable computer logic for punch cards and unit dose packages.

- The SureSeal is a programmable, manual sealer utilizing heat only. It is designed as a cost-effective, entry level sealer for low volume sealing of medication punch cards.
- The Autobond is a programmable, semi-automated heat and pressure sealer operating off of electricity and compressed air. Autobond provides temperature and time controls for a consistent quality sealing.
- The AutoGen is a programmable, semi-automated heat and pressure sealer operating off of electricity only.
- The Gemini is a compact all electric heat and pressure sealer.

Automated Fillers and Sealers

Our automated filler equipment is designed specifically for the long-term care institutional pharmacy with enough order volume to warrant pre-packaging frequently used medications into blister packs to keep in inventory awaiting a patient order. This packaging equipment elevates pre-packaging to a higher level of efficiency, resulting in higher accuracy and increased production levels. The systems combine both automated filling and sealing capabilities into one machine.

- The MTS-350 is a tabletop machine capable of filling a wide range of medications and features an ergonomic design and easy-to-use controls. The 350 provides a semi-automated mechanism for filling blister cards and a sealer utilizing compressed air and heat.
- The MTS-400 is ergonomically designed for high pre-pack volume for the medium to large pharmacy. The 400 provides a portable workstation with built-in compressor and storage so as not to take up valuable counter space. The 400 has an optional label applicator.
- The MTS-500 is designed to fully automate pre-packaging in the pharmacy and is capable of producing up to 960 pre-packaged punch cards per hour. It includes an integrated label applicator and conveyor to optimize output.

Pharmacy Automation Systems

Our OnDemand automated solutions are designed to meet the broad needs of pharmacies. Our OnDemand machines allow pharmacies to package individual patient medication orders accurately and efficiently. These machines interface with pharmacy information systems to obtain patient-specific prescription information which enable on demand

packaging

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capabilities for our larger institutional pharmacy customers. Our current line of OnDemand machines includes the following products:

- AccuFlex uses robotic technology to accurately and efficiently fill a variety of single-dose medication dispensing systems.
- OnDemand 400 for RxMap is an automation system designed specifically for multi-med adherence packaging. It fills multiple medication prescriptions into a single punch card.
- OnDemand Express II optimizes robotic technology for high-speed and accurate fulfillment of single-dose punch cards and reclaimable packaging.

Blister Cards

We offer a wide variety of heat seal and cold seal punch cards. These products include the following:

- Heat Seal Punch Cards come in a variety of formats that will fit various packaging requirements. Our heat seal cards require a heat sealer such as the MTS Autobond. Punch cards come in a variety of configurations, from 14- to 90-day dose.
- Cold Seal Cards are both efficient and reliable and do not require any additional equipment to be sealed. They are ideal for emergency orders, for heat sensitive medications or when the use of a heat sealer is not practical.
- Short Cycle Dispensing Solutions include a variety of card styles for short-cycle and reduced cycle dispensing.
- Unit Dose/Reclaimable Packaging is a highly versatile, cost efficient and practical Unit Dose / Reclaimable Packaging solution. Pharmacies can print, package and seal a wide variety of unit dose dispensing systems ranging from 24-hour dosing to a 30-day regimen.
- The Opti-Pak system is a disposable, color-coded compliance package that is both tamper-evident and hygienic. We offer the ability to automate the filling and sealing of the Opti-Pak product that makes this system a viable compliance packaging solution for the pharmacy, home, and resident.
- Multi-Med Cards allow the packaging of multiple drugs into a single blister cavity. These products are primarily used in community-based pharmacies to assist in organizing complex medication regimes into a simple to use solution that enhances medication adherence. Multi-Med cards are sold in a variety of formats to fit the needs of pharmacists and patients.

Pharmacy Printing and Labeling Solutions

Pharmacy labeling is an important part of the packaging process to ensure the right medication is packaged and delivered to the right facility, and ultimately, the right patient. Drug specific, bar code scannable labels are affixed on many different types of packages prior to them being dispensed.

We provide a windows-based computer program that utilizes an extensive drug image database to produce a wide variety of medication labels on multiple printers. We also provide printers and related consumables.

Medication Management Solutions

Medication management systems are now an integral part of long-term care facilities. Currently, most facilities rely on manual systems that do not provide the level of security, accountability and efficiencies that are attainable with the use of automation. When automation is implemented, pharmacies benefit by helping facilities meet regulatory requirements and improve the response time in delivering emergency and first dose prescriptions. Patients benefit by having access to medications immediately with minimized medication errors. We offer specialized versions of the OmniRx medication control solution that is utilized by institutional pharmacies to provide their customers with secure medication management of first doses and narcotics.

Sales and Distribution

We sell our Acute Care and Non-Acute Care solutions primarily in the United States and Canada. Approximately 93% of our product revenue for 2012 was generated in those markets. For the years ended December 31, 2012, 2011 and 2010, no single customer accounted for greater than 10% of our revenues. Our sales force is organized by geographic region in the United States and Canada where our sales are primarily made direct to end user customers with the exception of Non-Acute Care consumables. Outside the United States and Canada, we field a direct sales force for Non-Acute Care products in the

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United Kingdom and Germany. For other geographies where we sell Non-Acute Care products, and for all Acute Care products sold outside the United States and Canada, we sell through distributors. Our foreign operations are discussed in Note 1 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on From 10-K under the heading "Geographic Risk." As of December 31, 2012, our combined direct, corporate and international distribution sales teams consisted of approximately 134 staff members. Nearly all of our direct sales team members have hospital capital equipment or clinical systems experience. Our sales representatives are generally organized to sell either the Acute Care or Non-Acute Care product lines. Our corporate sales team focuses on large IDNs, group purchasing organizations ("GPOs"), and the U.S. government.

The sales cycle for our automation systems is long and can take in excess of 24 months. This is due in part to the cost of our systems and the number of people within each healthcare facility involved in the purchasing decision. To initiate the selling process, the sales representative generally targets the director of pharmacy, the director of materials management or other decision makers and is responsible for educating each group within the healthcare facility about the benefits of our solutions relative to competing methods of managing medications or medical and surgical supplies.

We have contracts with several GPOs that enable us to sell our automation systems to GPO member healthcare facilities. The primary advantage to customers who buy our products pursuant to a GPO agreement is that they benefit from pre-negotiated contract terms and pricing. The benefit to the GPO is the fee earned as a percentage of sales, which is paid by us. These GPO contracts are typically for multiple years with options to renew or extend for up to two years and some of which can be terminated by either party at any time. Our current GPO contracts include AmeriNet, Inc., Broadlane, Inc., Carolina Shared Services, LLC, Child Health Corporation of America, HealthTrust Purchasing Group, L.P., MedAssets Supply Chain Systems, Novation, LLC, Premier Purchasing Partners, L.P., and Resources Optimization & Innovation. We have also contracted with the U.S. General Services Administration, allowing the Department of Veteran Affairs, the Department of Defense and other Federal Government customers to purchase or lease our products.

We offer multi-year, non-cancelable lease payment terms to assist healthcare organizations in purchasing our systems by reducing their cash flow requirements. We sell the majority of our multi-year lease receivables to third party leasing finance companies, but we also maintain a certain portion of our leases in-house.

Our field operations representatives support our sales force by providing operational and clinical expertise prior to the close of a sale and during installation of our automation systems. This group assists the customer with the technical implementation of our automation systems, including configuring our systems to address the specific needs of each individual customer. After the systems are installed, on-site support is provided by our field service team and technical support group.

We offer telephone technical support through our technical support centers in Illinois and Florida. Our support centers are staffed 24 hours a day, 365 days a year. We have found that a majority of our Acute Care customers' service issues and our NonAcute Care customers' service issues can be addressed either over the phone or by our support center personnel utilizing their on-hand remote diagnostics tools. In addition, we utilize remote dial-in software that monitors customer conditions on a daily basis. We offer a suite of remote monitoring features, which proactively monitors system status and alerts service personnel to potential problems before they lead to system failure.

In addition, our international sales team handles direct sales to non-acute healthcare facilities in the United Kingdom and Germany, and handles sales, installation and service through distribution partners in other parts of Europe, Asia, Australia, the Middle East, South Africa, and South America. We have been involved in a growing number of new installations in international markets and expect to continue growing our business in light of the expected increase in global demand for hospital automation solutions. In 2011, we announced the introduction of a Mandarin based-product in the People's Republic of China and a comprehensive agreement with a Chinese-based company to distribute the product.

We have not sold and have no future plans to sell our products either directly or indirectly to customers located in countries that are identified as state sponsors of terrorism by the U.S. Department of State, or those subject to economic sanctions and export controls.

Manufacturing and Inventory

Our manufacturing process allows us to configure hardware and software in unique combinations to meet a wide variety of individual customer requirements. Our Acute Care products manufacturing process consists primarily of the final assembly of components and of subassemblies which are assembled by third party single source manufacturers. We and our partners test subassemblies and perform inspections to assure the quality and reliability of our products. While many components of our systems are standardized and available from multiple sources, certain components or subsystems are fabricated by a sole supplier according to our specifications and schedule requirements. Our Non-Acute Care product manufacturing process consists of fabrication and assembly of equipment and mechanized process manufacturing of consumables.

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Our arrangements with our contract manufacturers generally set forth quality, cost and delivery requirements, as well as manufacturing process terms, such as continuity of supply, inventory management, capacity flexibility, quality and cost management, oversight of manufacturing and conditions for the use of our intellectual property.

Our manufacturing organization procures components and schedules production based on the backlog of customer orders. Installation of equipment and software typically occurs between two weeks and twelve months after the initial order is received, depending upon the customer's particular needs. We deploy a key operational strategy of operating with backlog levels that approximate the average installation cycle of our customers, which allows us to more efficiently manage our installation teams, improve production efficiencies, reduce inventory scrap and lower shipping costs. Shipment of consumables typically occurs between one and fourteen days after an order is received.

Competition

The medication management and supply chain solutions market is intensely competitive. We compete directly with a number of companies and are affected by evolving and new technologies, changes in industry standards and dynamic customer requirements.

Our current direct competitors in the medication management and supply chain solutions market include CareFusion Corporation (a spinoff from Cardinal Health, Inc., which includes Pyxis Corporation), McKesson Automation Inc. (a business unit of McKesson Corporation), AmerisourceBergen Corporation (through its acquisition of MedSelect, Inc. and Automed), Cerner Corporation, Talyst, Inc., Emerson Electronic Co. (through its acquisitions of Flo Healthcare LLC, Lionville Systems, Inc. and medDispense, L.P.), PhACTs LLC, Swisslog Holding AG, Stinger Medical, Stanley Black and Decker, Inc. (through their acquisition of InfoLogix, Inc.), Ergotron, Inc., Capso Solutions LLC (through their acquisition of Artromick International, Inc.), Rubbermaid Medical Solutions (a business unit of Newell Rubbermaid Inc.), WaveMark Inc., ParExcellence Systems, Inc., Vanas n.v., Lawson Software, Inc. and MACH4 Automatisierungstechnik GmbH. Our current direct competitors in the medication packaging solutions market include Drug Package, Inc., AutoMed Technologies, Inc. (a subsidiary of AmerisourceBergen Corporation), Manchac Technologies, LLC (through its Dosis product line) and RX Systems, Inc. in the United States, and Surgichem Ltd., and Jones Packaging Ltd. in Europe.

We believe our products and services compare favorably with the offerings of our competitors, particularly with respect to proprietary technological advancements, system performance, system reliability, installation, applications training, service response time and service repair quality.

Intellectual Property and Proprietary Technology

We rely on a combination of patents, trademarks, copyright and trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights.

We pursue patent protection in the United States and foreign jurisdictions for technology that we believe to be proprietary and that offers a potential competitive advantage for our products. Our issued patents relate to, among other things, the use of locking and sensing lids with pharmacy drawers and the methods of restocking these drawers, and the use of guiding lights in the open matrix, locking lid and sensing lid pharmacy drawers. These patents also apply to our unit-dose mechanism and methods, the single-dose dispensing mechanism, the methods for restocking the single-dose drawers using exchange liners, certain methods for loading and unloading mobile carts, the method of use of scanners with a mobile cart, and certain methods for using radio frequency tags with storage items. Our patents expire at various times between 2013 and 2030.

All of our product system software is copyrighted and subject to the protection of applicable copyright laws. We intend to seek additional international and U.S. patents on our technology and to seek registration of our trademarks. We have obtained registration of Omnicell, the Omnicell logo, OmniRx, OmniCenter, OmniSupplier, OmniBuyer, SafetyStock, eMTS Medication Technologies, the MTS Medication Technologies logo, Medlocker, AccuFlex, Pandora, OnDemand, RxMap, and OnDemand400 for RxMap. Trade secrets and other confidential information are also important to our business. We protect our trade secrets through a combination of contractual restrictions and confidentiality and licensing agreements.

Research and Development

We utilize industry standard operating systems and databases, but generally develop our own application and interface software in our research and development facilities. New product development projects are prioritized based on

customer input. Research and development takes place in Mountain View, California; Nashville, Tennessee; and St. Petersburg, Florida.

Employees

As of December 31, 2012, we had a total of 1,089 employees, including 266 in manufacturing, 120 in research and development, 177 in sales, of which 134 comprise our combined direct, corporate and inside sales teams, 22 in sales

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administration and 21 in field operations who perform pre-sales activity, 191 in customer service, 136 in field operations, 66 in marketing and 133 in general and administration positions. We have rebalanced our staff as needed, at times eliminating some functional positions and at other times adding new functional specific positions to meet the evolving needs of our marketplace while controlling costs. None of our employees is represented by a collective bargaining agreement, nor have we experienced any work stoppage. We believe that our employee relations are good.

Business Under Government Contracts

A number of our U.S. government owned or government-run hospital customers sign five-year leases, with payment terms that are subject to one-year government budget funding cycles. Failure of any of our U.S. government customers to receive their annual funding could impair our ability to sell to these customers, or to collect payments on our existing unsold leases. For additional information regarding these leases, see the section entitled "Risk Factors" under Part I, Item 1A below.

Financing Practices Relating to Working Capital

We assist healthcare facilities in financing their cash outlay requirements for the purchase of our systems by offering multi-year, non-cancelable sales contracts. For additional information regarding these financing activities, see Note 1 of "Notes to Consolidated Financial Statements" included elsewhere in this Annual Report on Form 10-K.

Product Backlog

Product backlog is the dollar amount of medication and supply dispensing systems for which we have purchase orders from our customers and for which we believe we will install, bill and gain customer acceptance within one year. Due to industry practice that allows customers to change order configurations with limited advance notice prior to shipment and occasional customer changes in installation schedules, we do not believe that backlog as of any particular date is necessarily indicative of future sales. However, we do believe that backlog is an indication of a customer's willingness to install our solutions. As of December 31, 2012 and 2011, our backlog was $155 million and $134 million, respectively.

Company Information

We were incorporated in California in 1992 under the name of Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc.

Available Information

We file reports and other information with the Securities and Exchange Commission (the "SEC") including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy or information statements. Those reports and statements as well as all amendments to those documents filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act (1) are available at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549, (2) are available at the SEC's internet site (www.sec.gov), which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC and (3) are available free of charge through our website as soon as reasonably practicable after electronic filing with, or furnishing to, the SEC. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our website address is www.omnicell.com. Information on our website is not incorporated by reference nor otherwise included in this report.

Executive Officers of the Registrant

The following table sets forth certain information as of March 1, 2013 about our executive officers:

Name	Age	Position
Randall A. Lipps	55	President, Chief Executive Officer, and Chairman of the Board of Directors
J. Christopher Drew	47	Executive Vice President, Field Operations
Robin G. Seim	53	Executive Vice President Finance, Administration and Manufacturing, Chief Financial Officer
Dan S. Johnston	49	Executive Vice President and General Counsel
Nhat H. Ngo	40	Executive Vice President, Strategy and Business Development
Marga Ortigas-Wedekind	51	Executive Vice President, Global Marketing and Product Development
Jorge R. Taborga	54	Executive Vice President, Engineering

Michael D. Stevenson	50	Executive Vice President, Global Manufacturing

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Randall A. Lipps was named Chief Executive Officer and President of Omnicell in October 2002. Mr. Lipps has served as Chairman of the Board and a Director of Omnicell since founding Omnicell in September 1992. Mr. Lipps received both a B.S. in economics and a B.B.A. from Southern Methodist University.

J. Christopher Drew joined Omnicell in April 1994 and was named Senior Vice President, Operations in January 2005. In January 2009, Mr. Drew was named Senior Vice President, Field Operations. In March 2012, Mr. Drew was named Executive Vice President, Field Operations. From April 1994 to January 2005, Mr. Drew served in various management positions with Omnicell, including Vice President of Branded Solutions and Director of Corporate Development. Mr. Drew received a B.A. in economics from Amherst College and an M.B.A. from the Stanford Graduate School of Business.

Robin G. Seim joined Omnicell in February 2006 as Vice President and was named Chief Financial Officer in March 2006. In January 2009, Mr. Seim was named Chief Financial Officer and Vice President Finance, Administration and Manufacturing. In March 2012, Mr. Seim was named Executive Vice President Finance, Administration and Manufacturing and Chief Financial Officer. Prior to joining Omnicell, Mr. Seim served as Chief Financial Officer of several technology companies, including Villa Montage Systems, Inc. from 1999 to 2001, Candera, Inc. from 2001 to 2004 and Mirra, Inc., in 2005. Prior to 1999, Mr. Seim held a number of management positions with Nortel Networks, Bay Networks, and IBM. Mr. Seim received a B.S. in accounting from California State University, Sacramento.

Dan S. Johnston joined Omnicell in November 2003 as Vice President and General Counsel. In March 2012, Mr. Johnston was named Executive Vice President and General Counsel. From April 1999 to November 2003, Mr. Johnston was Vice President and General Counsel at Be, Inc., a software company. From September 1994 to March 1999, Mr. Johnston was an attorney with the law firm Cooley LLP. Mr. Johnston received a B.S. in computer information systems from Humboldt State University and a J.D. from the Santa Clara University School of Law.

Nhat H. Ngo joined Omnicell in November 2008 as Vice President of Strategy and Business Development. In March 2012, Mr. Ngo was named Executive Vice President, Strategy and Business Development. From January 2007 to October 2008, Mr. Ngo served as Vice President of Business Development and Licensing for a business unit of Covidien, a global healthcare products company. From June 1999 to April 2006, Mr. Ngo worked at BriteSmile, Inc., a direct-to-consumer aesthetic technology company and served in a variety of senior leadership positions in marketing, sales, operations, strategic planning and corporate development. From September 1997 to June 1999, Mr. Ngo practiced corporate law at Shaw Pittman, LLP. Mr. Ngo received a B.S. in commerce, with a concentration in finance, from the University of Virginia McIntire School of Commerce and a J.D. from the University of Virginia School of Law.

Marga Ortigas Wedekind joined Omnicell in January of 2009 as Vice President, Marketing. In May 2009, she was named Vice President, Global Marketing and Product Development. In March 2012, Ms. Ortigas-Wedekind was named Executive Vice President, Global Marketing and Product Development. From February 2002 to October 2008, Ms. Ortigas Wedekind was the Senior Vice President Marketing, Development, and Clinical Affairs of Xoft, Inc., a medical device company. Ms. Ortigas Wedekind's earlier career includes several senior marketing roles, including Guidant Corporation's Vascular Intervention Division from January 1990 to February 2000, covering international and worldwide sales and marketing, and culminating in the role of Director, Market Development. Ms. Ortigas Wedekind received a B.A. in political economics from Wellesley College and an M.B.A. from the Stanford Graduate School of Business.

Jorge R. Taborga joined Omnicell in July 2007 as Vice President and Chief Information Officer. In February of 2013, he was named Executive Vice President, Engineering. From January 2009 to February 2013, Mr. Taborga was Vice President of Manufacturing, Quality and Information Technology. Prior to joining Omnicell, Mr. Taborga held a number of executive positions with Bay Networks and Quantum, and ran his own management consulting company. He also held executive roles in two cloud computing companies, fusionOne and Terrasping. Mr. Taborga's earlier career includes senior roles in product development with ROLM Systems and Thomas-Conrad. Mr. Taborga received B.S. and M.S. degrees in Computer Science from Texas A&M University. He is currently pursuing a Ph.D. in Organizational Systems at Saybrook University.

Michael D. Stevenson joined Omnicell through the acquisition of MTS in May of 2012, and was named Executive Vice President, Global Manufacturing for Omnicell in February 2013. Mr. Stevenson joined MTS in 1986 where he

served in a variety of key management positions including General Manager and Chief Operating Officer. Mr. Stevenson received an Industrial Engineering degree from the University of South Florida and an M.B.A. from the University of Tampa.

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Item 1A.RISK FACTORS

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer and the market price of our common stock could decline.

Unfavorable economic and market conditions, a decreased demand in the capital equipment market and uncertainty regarding the rollout of government legislation in the healthcare industry could adversely affect our operating results.

Customer demand for our products is significantly linked to the strength of the economy. If decreases in demand for capital equipment caused by weak economic conditions and decreased corporate and government spending, including any effects of fiscal budget balancing at the federal level effective in 2013, deferrals or delays of capital equipment projects, longer time frames for capital equipment purchasing decisions or generally reduced expenditures for capital solutions continues, we will experience decreased revenues and lower revenue growth rates and our operating results could be materially and adversely affected.

Additionally, as the U.S. Federal government implements healthcare reform legislation, and as Congress, regulatory agencies and other state governing organizations continue to review and assess additional healthcare legislation and regulations, there may be an impact on our business. Healthcare facilities may decide to postpone or reduce spending until the implications of such healthcare enactments are more clearly understood, which may affect the demand for our products and harm our business.

The medication management and supply chain solutions market is highly competitive and we may be unable to compete successfully against new entrants and established companies with greater resources and/or existing business relationships with our current and potential customers.

The medication management and supply chain solutions market is intensely competitive. We expect continued and increased competition from current and future competitors, many of which have significantly greater financial, technical, marketing and other resources than we do. Our current direct competitors in the medication management and supply chain solutions market include CareFusion Corporation (a spinoff from Cardinal Health, Inc., which includes Pyxis Corporation, PhACTs LLC and Rowa Technologies), McKesson Automation Inc. (a business unit of McKesson Corporation), AmerisourceBergen Corporation (through its acquisition of MedSelect, Inc. and Automed), Cerner Corporation, Talyst, Inc., Emerson Electronic Co. (through its acquisitions of Flo Healthcare LLC, Lionville Systems, Inc. and medDispense, L.P.), Swisslog Holding AG, Stinger Medical, Stanley Black and Decker, Inc. (through their acquisition of InfoLogix, Inc.), Ergotron, Inc., Capso Solutions LLC (through their acquisition of Artromick International, Inc.), Rubbermaid Medical Solutions (a business unit of Newell Rubbermaid Inc.), WaveMark Inc., ParExcellence Systems, Inc., Vanas n.v., Lawson Software, Inc. and MACH4 Automatisierungstechnik GmbH. Our current direct competitors in the medication packaging solutions market include Drug Package, Inc., AutoMed® Technologies, Inc. (a subsidiary of AmerisourceBergen Corporation) Manchac Technologies, LLC (through its Dosis product line) and RX Systems, Inc. in the United States, and Surgichem Ltd., and Jones Packaging Ltd. in Europe.

The competitive challenges we face in the medication management and supply chain solutions market include, but are not limited to, the following:

- certain competitors may develop new features or capabilities for their products not previously offered that could compete directly with our products;
- competitive pressures could result in increased price competition for our products and services, fewer customer orders and reduced gross margins, any of which could harm our business;
- current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, including larger, more established healthcare supply companies, thereby increasing their ability to develop and offer products and services to address the needs of our prospective customers;
- our competitors may develop, license or incorporate new or emerging technologies or devote greater resources to the development, promotion and sale of their products and services than we do;

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- certain competitors have greater brand name recognition and a more extensive installed base of medication and supply dispensing systems or other products and services than we do, and such advantages could be used to increase their market share;
- certain competitors may have existing business relationships with our current and potential customers, which may cause these customers to purchase medication and supply dispensing systems or automation solutions from these competitors;
- other established or emerging companies may enter the medication management and supply chain solutions market; and
- our competitors may secure products and services from suppliers on more favorable terms or secure exclusive arrangements with suppliers or buyers that may impede the sales of our products and services.

Any reduction in the demand for or adoption of our medication and supply systems, related services, or consumables would reduce our revenues.

Our medication and supply dispensing systems represent only one approach to managing the distribution of pharmaceuticals and supplies at acute healthcare facilities and our medication packaging systems represent only one way of managing medication distribution at non-acute care facilities. A significant portion of domestic and international healthcare facilities still use traditional approaches in some form that do not include fully automated methods of medication and supply management. As a result, we must continuously educate existing and prospective customers about the advantages of our products, which requires significant sales efforts and can cause longer sales cycles. Despite our significant efforts and extensive time commitments in sales to healthcare facilities, we cannot be assured that our efforts will result in sales to these customers.

In addition, our medication and supply dispensing systems and our more complex automated packaging systems typically represent a sizable initial capital expenditure for healthcare organizations. Changes in the budgets of these organizations and the timing of spending under these budgets can have a significant effect on the demand for our medication and supply dispensing systems and related services. These budgets are often supported by cash flows that can be negatively affected by declining investment income and influenced by limited resources, increased operational and financing costs, macroeconomic conditions such as unemployment rates and conflicting spending priorities among different departments. Any decrease in expenditures by healthcare facilities or increased financing costs could decrease demand for our medication and supply dispensing systems and related services and reduce our revenues.

Changing customer requirements could decrease the demand for our products and services and our new product solutions may not achieve market acceptance.

The medication management and supply chain solutions market is characterized by evolving technologies and industry standards, frequent new product introductions and dynamic customer requirements that may render existing products obsolete or less competitive. The medication management and supply chain solutions market could erode rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to meet changing customer requirements. The process of developing products and services such as those we offer is extremely complex and is expected to become increasingly more complex and expensive in the future as new technologies are introduced. If we are unable to enhance our existing products or develop new products to meet changing customer requirements, and bring such enhancements and products to market in a timely manner, demand for our products could decrease.

We cannot provide assurance that we will be successful in marketing any new products or services that we introduce, that new products or services will compete effectively with similar products or services sold by our competitors, or that the level of market acceptance of such products or services will be sufficient to generate expected revenues and synergies with our other products or services. Deployment of new products or services often requires interoperability with other Omnicell products or services as well as with healthcare facilities' existing information management systems. If these products or services fail to satisfy these demanding technological objectives, our customers may be dissatisfied and we may be unable to generate future sales.

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The healthcare industry faces financial constraints and consolidation that could adversely affect the demand for our products and services.

The healthcare industry has faced, and will likely continue to face, significant financial constraints. Recently enacted legislation such as the American Recovery and Reinvestment Act in 2009, the Patient Protection and Affordable Care Act in 2010, the Budget Control Act of 2011, and other health reform legislation may cause customers to postpone purchases of our products while the impact of this legislation on their operations is determined. Our automation solutions often involve a significant financial commitment from our customers and, as a result, our ability to grow our business is largely dependent on our customers' capital and operating budgets. To the extent healthcare spending declines or increases more slowly than we anticipate, demand for our products and services could decline.

Many healthcare providers have consolidated to create larger healthcare delivery organizations in order to achieve greater market power. If this consolidation continues, it could reduce the number of our target customers or could cause our existing customers to begin utilizing our competitors' products if such customers are acquired by healthcare providers that prefer our competitors' products to ours. In addition, the resulting organizations could have greater bargaining power, which may lead to price erosion.

If we experience delays in installations of our medication and supply dispensing systems or our more complex medication packaging systems, resulting in delays in our ability to recognize revenue, our competitive position, results of operations and financial condition could be harmed.

The purchase of our medication and supply dispensing systems or our more complex medication packaging systems is often part of a customer's larger initiative to re-engineer its pharmacy, distribution and materials management systems and as a result, our sales cycles are often lengthy. The purchase of our systems often entail larger strategic purchases by customers that frequently require more complex and stringent contractual requirements and generally involve a significant commitment of management attention and resources by prospective customers. These larger and more complex transactions often require the input and approval of many decision-makers, including pharmacy directors, materials managers, nurse managers, financial managers, information systems managers, administrators, lawyers and boards of directors. For these and other reasons, the sales cycle associated with the sale of our medication and supply dispensing systems is often lengthy and subject to a number of delays over which we have little or no control. A delay in, or loss of, sales of our medication and supply dispensing systems could have an adverse effect upon our operating results and could harm our business.

In addition, and in part as a result of the complexities inherent in larger transactions, the average time between the purchase and installation of our systems is generally between two weeks and one year. Delays in installation can occur for reasons that are often outside of our control. We have also experienced fluctuations in our customer and transaction size mix, which makes our ability to forecast our product backlog more difficult. Because we recognize revenue for our medication and supply dispensing systems and our more complex medication packaging systems only upon installation at a customer's site, any delay in installation by our customers will also cause a delay in the recognition of the revenue for that system.

We may not be able to successfully integrate acquired businesses or technologies into our existing business, which could negatively impact our operating results.

As a part of our business strategy we may seek to acquire businesses, technologies or products in the future. For example, in 2012 we completed the acquisition of MTS. We cannot provide assurance that any acquisition or any future transaction we complete will result in long-term benefits to us or our stockholders, or that our management will be able to integrate or manage the acquired business effectively. Acquisitions entail numerous risks, including difficulties associated with the integration of operations, technologies, products and personnel that, if realized, could harm our operating results. Risks related to potential acquisitions include, but are not limited to:

- difficulties in combining previously separate businesses into a single unit and the complexity of managing a more dispersed organization as sites are acquired;
- the substantial costs that may be incurred and the substantial diversion of management's attention from day-to-day business when evaluating and negotiating such transactions and then integrating an acquired business;
- discovery, after completion of the acquisition, of liabilities assumed from the acquired business or of assets acquired that are broader in scope and magnitude or are more difficult to manage than originally assumed;

- failure to achieve anticipated benefits such as cost savings and revenue enhancements;
- difficulties related to assimilating the products of an acquired business; and

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- failure to understand and compete effectively in markets in which we have limited previous experience.

Successful integration of acquired operations, products and personnel into Omnicell may place a significant burden on the combined company's management and internal resources. We may also experience difficulty in effectively integrating the different cultures and practices of any acquired entity. The challenges of integrating acquired entities could disrupt the combined company's ongoing business, distract its management focus from other opportunities and challenges, and increase expenses and working capital requirements. The diversion of management attention and any difficulties encountered in the transition and integration process could harm our business, financial condition and operating results.

Demand for our consumable medication packages is time-sensitive and if we are not able to supply the demand from our institutional and retail pharmacy customers on schedule, they may utilize alternative means to distribute medications to their customers.

Approximately 15% of our revenue is generated from the sale of consumable medication packages, which are produced in our St. Petersburg, Florida facilities on a continuous basis and shipped to our institutional pharmacies and retail pharmacy customers shortly before they are required by those customers. The demands placed on institutional pharmacies and retail pharmacies by their customers represent real time requirements of those customers. Our customer agreements for the sale of consumable medication packages are typically short-term in nature and typically do not include any volume commitments on the part of the customer. Although our packaging may be considered the preferred method of maintaining control of medications during the medication distribution and administration process, institutional and retail pharmacies have alternative methods of distributing medications, including bulk and alternative packaging, and medication adherence packaging may be supplied by our competitors. To the extent that we are unable to supply packaging to our customers in a timely manner, that demand will be met via alternative distribution methods and our revenue will decline. Any disruption in the production capabilities of our St. Petersburg facilities will adversely affect our ability to ship our consumable medication packages and would reduce our revenue.

Our international operations may subject us to additional risks that can adversely affect our operating results.

We currently have operations outside of the United States, including sales efforts centered in Canada, Europe, the Middle East and Asia-Pacific regions and supply chain efforts in Asia. In 2011, we launched Mandarin-language versions of our G4 medication automation products for clinical use in China and entered into a partnership to distribute, install, and service our automated medication dispensing systems in China. We intend to continue to expand our international operations, particularly in certain markets that we view as strategic, including China and the Middle East. Our international operations subject us to a variety of risks, including:

- our reliance on distributors for the sale and post-sale support of our automated dispensing systems outside the United States;
- the difficulty of managing an organization operating in various countries;
- growing political sentiment against international outsourcing of production;
- reduced protection for intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes;
- changes in foreign regulatory requirements;
- the requirement to comply with a variety of international laws and regulations, including labor, import, export, tax, anti-bribery and employment laws and changes in tariff rates;
- fluctuations in currency exchange rates and difficulties in repatriating funds from certain countries;
- additional investment, coordination and lead-time necessary to successfully interface our automation solutions with the existing information systems of our customers or potential customers outside of the United States; and
- political unrest, terrorism and the potential for other hostilities in areas in which we have facilities.

If we are unable to anticipate and address these risks properly, our business or operating results will be harmed.

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

The manufacture and sale of our current products are not regulated by the United States Food and Drug Administration (the "FDA"), or the Drug Enforcement Administration (the "DEA"). However, our current products, and any future products, may be regulated in the future by these or other federal agencies due to future legislative and regulatory initiatives or reforms. Direct regulation of our business and products by the FDA, DEA or other federal agencies could substantially increase the cost to produce our products and increase the time required to bring those products to market, reduce the demand for our products and reduce our revenues. In addition, healthcare providers and facilities that use our equipment and dispense controlled substances are subject to regulation by the DEA. The failure of these providers and facilities to comply with DEA requirements, including the Controlled Substances Act and its implementing regulations, could reduce demand for our products and harm our competitive position, results of operations and financial condition. Pharmacies are regulated by individual state boards of pharmacy that issue rules for pharmacy licensure in their respective jurisdictions. State boards of pharmacy do not license or approve our medication and supply dispensing systems; however, pharmacies using our equipment are subject to state board approval. The failure of such pharmacies to meet differing requirements from a significant number of state boards of pharmacy could decrease demand for our products and harm our competitive position, results of operations and financial condition. Similarly, hospitals must be accredited by The Joint Commission in order to be eligible for Medicaid and Medicare funds. The Joint Commission does not approve or accredit medication and supply dispensing systems; however, disapproval of our customers' medication and supply dispensing management methods and their failure to meet The Joint Commission requirements could decrease demand for our products and harm our competitive position, results of operations and financial condition.

While we have implemented a Privacy and Use of Information Policy and adhere to established privacy principles, use of customer information guidelines and related federal and state statutes, we cannot assure you that we will be in compliance with all federal and state healthcare information privacy and security laws that we are directly or indirectly subject to, including, without limitation, the Health Insurance Portability and Accountability Act of 1996, or HIPAA. Among other things, this legislation required the Secretary of Health and Human Services ("HHS") to adopt national standards governing the conduct of certain electronic health information transactions and protecting the privacy and security of personally identifiable health information maintained or transmitted by "covered entities," which include pharmacies and other healthcare providers with which we do business.

The standards adopted to date include, among others, the "Standards for Privacy of Individually Identifiable Health Information," which restrict the use and disclosure of personally identifiable health information by covered entities, and the "Security Standards," which require covered entities to implement administrative, physical and technical safeguards to protect the integrity and security of certain electronic health information. Under HIPAA, we are considered a "business associate" in relation to many of our customers that are covered entities, and as such, most of these customers have required that we enter into written agreements governing the way we handle and safeguard certain patient health information we may encounter in providing our products and services and may impose liability on us for failure to meet our contractual obligations. Further, pursuant to changes in HIPAA under the American Recovery and Reinvestment Act of 2009 ("ARRA"), we are now also covered under HIPAA similar to other covered entities and in some cases, subject to the same civil and criminal penalties as a covered entity. A number of states have also enacted privacy and security statutes and regulations that, in some cases, are more stringent than HIPAA and may also apply directly to us. If our past or present operations are found to violate any of these laws, we may be subject to fines, penalties and other sanctions.

During November 2012, an Omnicell electronic device containing medication dispensing cabinet log files from three health system customers was stolen from an Omnicell employee's locked vehicle. The files on this device contained certain protected patient health information related to medication dispensing transactions from our medication dispensing cabinets over a one to three-week period, downloaded by the employee while troubleshooting software for the hospitals. As a result of this unauthorized disclosure of personal health information, we may experience contractual indemnification obligations under business associate agreements with certain customers, reputational harm and a reduction in demand from our customers. To the extent that this disclosure is deemed to be a violation of

HIPAA, we may be subject to fines by the Department of Health and Human Services.

In addition, we cannot predict the potential impact of future HIPAA standards and other federal and state privacy and security laws that may be enacted at any time on our customers or on Omnicell. These laws could restrict the ability of our customers to obtain, use or disseminate patient information, which could reduce the demand for our products or force us to redesign our products in order to meet regulatory requirements.

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We may need additional financing in the future to meet our capital needs and such financing may not be available on favorable terms, if at all, and may be dilutive to existing stockholders.

We intend to continue to expend substantial funds for research and development activities, product development, sales and marketing activities and the potential acquisition and integration of complementary products and businesses. As a consequence, in the future we may need to seek additional financing to meet our working capital needs and to finance capital expenditures, as well as to fund operations or potential acquisitions. We may be unable to obtain any desired additional financing on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to fund our expansion, successfully develop or enhance products, respond to competitive pressures or take advantage of acquisition opportunities, any of which could negatively affect our business. If we raise additional funds through the issuance of equity securities, our stockholders will experience dilution of their ownership interest. If we raise additional funds by issuing debt, we may be subject to certain contractual restrictions on our operations.

If we are unable to recruit and retain skilled and motivated personnel, our competitive position, results of operations and financial condition could be harmed.

Our success is highly dependent upon the continuing contributions of our key management, sales, technical and engineering staff. We believe that our future success will depend upon our ability to attract, train and retain highly skilled and motivated personnel. As more of our products are installed in increasingly complex environments, greater technical expertise will be required. As our installed base of customers increases, we will also face additional demands on our customer service and support personnel, requiring additional resources to meet these demands. We may experience difficulty in recruiting qualified personnel. Competition for qualified technical, engineering, managerial, sales, marketing, financial reporting and other personnel can be intense and may not be successful in attracting and retaining qualified personnel. Competitors have in the past attempted, and may in the future attempt, to recruit our employees.

In addition, we have historically used stock options, restricted stock units and other forms of equity compensation as key components of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. The effect of managing share-based compensation expense may make it less favorable for us to grant stock options, restricted stock units or other forms of equity compensation, to employees in the future. In order to continue granting equity compensation at competitive levels, we must seek stockholder approval for any increases to the number of shares reserved for issuance under our equity incentive plans and we cannot assure you that we will receive such approvals. Any failure to receive approval for proposed increases could prevent us from granting equity compensation, at competitive levels and make it more difficult to attract, retain and motivate employees. Further, to the extent that we expand our business or product lines through the acquisition of other businesses, any failure to receive any such approvals could prevent us from securing employment commitments from such newly acquired employees. Failure to attract and retain key personnel could harm our competitive position, results of operations and financial condition.

In the past, we have experienced substantial fluctuations in customer demand, and we cannot be sure that we will be able to respond proactively to future changes in customer demand.

Our ability to adjust to fluctuations in our revenue while still achieving or sustaining profitability is dependent upon our ability to manage costs and control expenses. If macroeconomic and general market conditions improve and return to historical levels, our ability to grow revenue and profitability will also be dependent on our ability to continue to manage costs and control expenses. If our revenue increases rapidly, we may not be able to manage this growth effectively. Future growth is dependent on the continued demand for our products, the volume of installations we are able to complete, our ability to continue to meet our customers' needs and provide a quality installation experience and our flexibility in manpower allocations among customers to complete installations on a timely basis.

Regarding our expenses, our ability to control expense is dependent on our ability to continue to develop and leverage effective and efficient human and information technology systems, our ability to gain efficiencies in our workforce through the local and worldwide labor markets and our ability to grow our outsourced vendor supply model. Our expense growth rate may equal or exceed our revenue growth rate if we are unable to streamline our operations, or fail to reduce the costs or increase the margins of our products. In addition, we may not be able to reduce our expenses to keep pace with any reduction in our revenue, which could harm our results of operations and financial position.

Our failure to protect our intellectual property rights could negatively affect our ability to compete.

Our success depends in part on our ability to obtain patent protection for technology and processes and our ability to preserve our trademarks, copyrights and trade secrets. We have pursued patent protection in the United States and foreign

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jurisdictions for technology that we believe to be proprietary and for technology that offers us a potential competitive advantage for our products. We intend to continue to pursue such protection in the future. Our issued patents relate to various features of our medication and supply dispensing systems and our packaging systems. We cannot assure you that we will file any patent applications in the future, and that any of our patent applications will result in issued patents or that, if issued, such patents will provide significant protection for our technology and processes. Furthermore, we cannot assure you that others will not develop technologies that are similar or superior to our technology or that others will not design around the patents we own. All of our system software is copyrighted and subject to the protection of applicable copyright laws. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary, which could harm our competitive position.

Our quarterly operating results may fluctuate and may cause our stock price to decline.

Our quarterly operating results may vary in the future depending on many factors that include, but are not limited to, the following:

- our ability to successfully install our products on a timely basis and meet other contractual obligations necessary to recognize revenue;
- the size, product mix and timing of orders for our medication and supply dispensing systems, and our medication packaging systems, and their installation and integration;
- the overall demand for healthcare medication management and supply chain solutions;
- changes in pricing policies by us or our competitors;
- the number, timing and significance of product enhancements and new product announcements by us or our competitors;
- the timing and significance of any acquisition or business development transactions that we may consider or negotiate and the revenues, costs and earnings that may be associated with these transactions;
- the relative proportions of revenues we derive from products and services;
- fluctuations in the percentage of sales attributable to our international business;
- our customers' budget cycles;
- changes in our operating expenses and our ability to stabilize expenses;
- our ability to generate cash from our accounts receivable on a timely basis;
- the performance of our products;
- changes in our business strategy;
- macroeconomic and political conditions, including fluctuations in interest rates, tax increases and availability of credit markets; and
- volatility in our stock price and its effect on equity-based compensation expense.

Due to all of these factors, our quarterly revenues and operating results are difficult to predict and may fluctuate, which in turn may cause the market price of our stock to decline.

If we are unable to maintain our relationships with group purchasing organizations or other similar organizations, we may have difficulty selling our products and services to customers represented by these organizations.

A number of group purchasing organizations, including AmeriNet, Inc., Carolina Shared Services, LLC, Child Health Corporation of America, HealthTrust Purchasing Group, L.P., MedAssets, Inc. Supply Chain Systems, Novation, LLC, Premier Purchasing Partners, L.P. and Resources Optimization & Innovation, LLC have negotiated standard contracts for our products on behalf of their member healthcare organizations. Members of these group purchasing organizations may purchase under the terms of these contracts, which obligate us to pay the group purchasing organization a fee. We have also contracted with the United States General Services Administration, allowing the Department of Veteran Affairs, the Department of Defense and other Federal Government customers to purchase our products. These contracts enable us to more readily sell our products and services to customers represented by these organizations. Some of our contracts with these organizations are terminable at the convenience of either party. The loss of any of these relationships could impact the breadth of our customer base and could

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impair our ability to meet our revenue targets or increase our revenues. These organizations may not renew our contracts on similar terms, if at all, and they may choose to terminate our contracts before they expire, any of which could cause our revenues to decline.

If we are unable to maintain our relationships with major institutional pharmacies, we may experience a decline in the sales of blister cards and other consumables sold to these customers.

The institutional pharmacy market consists of significant national suppliers of medications to non-acute care facilities, smaller regional suppliers, and very small local suppliers. Although none of these customers comprised more than 10% of our revenues as of December 31, 2012, they may, in some periods, comprise between 5% and 10% of our revenues. If these larger national suppliers were to purchase consumable blister card components from alternative sources, or if alternatives to blister cards were used for medication control, our revenues would decline.

Our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could cause our stock price to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm attesting to the effectiveness of internal control. If we fail to maintain effective internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting.

If the market price of our common stock continues to be highly volatile, the investment value of our common stock may decline.

During the year ended December 31, 2012, our common stock traded between $12.33 and $17.94 per share. The market price for shares of our common stock has been and may continue to be highly volatile. In addition, our announcements or external events may have a significant impact on the market price of our common stock. These announcements or external events may include:

- changes in our operating results;
- developments in our relationships with corporate customers;
- changes in the ratings of our common stock by securities analysts;
- announcements by us or our competitors of technological innovations or new products;
- announcements by us or our competitors of acquisitions of businesses, products or technologies; or
- general economic and market conditions.

Furthermore, the stock market as a whole from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for technology companies. These broad market fluctuations may cause the market price of our common stock to decline irrespective of our performance. In addition, sales of substantial amounts of our common stock in the public market could lower the market price of our common stock.

We depend on a limited number of suppliers for our products and our business may suffer if we were required to change suppliers to obtain an adequate supply of components, equipment and raw materials on a timely basis.

Although we generally use parts and components for our products with a high degree of modularity, certain components are presently available only from a single source or limited sources. We rely on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages. We have generally been able to obtain adequate supplies of all components and raw materials in a timely manner from existing sources, or where necessary, from alternative sources of supply. We engage multiple single source third-party manufacturers to build several of our sub-assemblies. The risk associated with changing to alternative vendors, if necessary, for any of the numerous components used to manufacture our products could limit our ability to manufacture our products and harm our business. Our reliance on a few single source partners to build our hardware sub-assemblies and on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages, a reduction or interruption in supply from our partners or suppliers, or a significant increase in the price of one or more components could have an adverse impact on our business, operating results and financial condition. In certain circumstances, the failure of any of our suppliers or us to perform

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adequately could result in quality control issues affecting end users' acceptance of our products. These impacts could damage customer relationships and could harm our business.

Our U.S. government lease agreements are subject to annual budget funding cycles and mandated unilateral changes, which may affect our ability to enter into such leases or to recognize revenue and sell receivables based on these leases.

U.S. government customers that lease our equipment typically sign contracts with five-year payment terms that are subject to one-year government budget funding cycles. Further, the government has in certain circumstances mandated unilateral changes in its Federal Supply Services contract that could render our lease terms with the government less attractive. In our judgment and based on our history with these accounts, we believe these receivables are collectible. However, in the future, the failure of any of our U.S. government customers to receive their annual funding, or the government mandating changes to the Federal Supply Services contract could impair our ability to sell lease equipment to these customers or to sell our U.S. government receivables to third-party leasing companies. In addition, the ability to collect payments on unsold receivables could be impaired and may result in a write-down of our unsold receivables from U.S. government customers. As of December 31, 2012, the balance of our unsold leases to U.S. government customers was $12.9 million.

If we fail to manage our inventory properly, our revenue, gross margin and profitability could suffer.

Managing our inventory of components and finished products is a complex task. A number of factors, including, but not limited to, the need to maintain a significant inventory of certain components that are in short supply or that must be purchased in bulk to obtain favorable pricing, the general unpredictability of demand for specific products and customer requests for quick delivery schedules, may result in us maintaining large amounts of inventory. Other factors, including changes in market demand, customer requirements and technology, may cause our inventory to become obsolete. Any excess or obsolete inventory could result in inventory write-downs, which in turn could harm our business and results of operations.

If we are unable to successfully interface our automation solutions with the existing information systems of our customers, they may choose not to use our products and services.

For healthcare facilities to fully benefit from our automation solutions, our systems must interface with their existing information systems. This may require substantial cooperation, incremental investment and coordination on the part of our customers and may require coordination with third-party suppliers of the existing information systems. There is little uniformity in the systems currently used by our customers, which complicates the interfacing process. If these systems are not successfully interfaced, our customers could choose not to use or to reduce their use of our automation solutions, which would harm our business.

Additionally, our competitors may enter into agreements with providers of hospital information management systems that are designed to increase the interoperability of their respective products. To the extent our competitors are able to increase the interoperability of their products with those of the major hospital information systems providers, customers who utilize such information systems may choose not to use our products and services.

Intellectual property claims against us could harm our competitive position, results of operations and financial condition.

We expect that developers of medication and supply dispensing systems and medication packaging systems, will be increasingly subject to infringement claims as the number of products and competitors in our industry grows and the functionality of products in different industry segments overlaps. In the future, third parties may claim that we have infringed upon their intellectual property rights with respect to current or future products. We do not carry special insurance that covers intellectual property infringement claims; however, such claims may be covered under our traditional insurance policies. These policies contain terms, conditions and exclusions that make recovery for intellectual property infringement claims difficult to guarantee. Any infringement claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management's attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on terms acceptable to us, or at all, which could harm our competitive position, results of operations and financial condition.

Our software products are complex and may contain defects, which could harm our reputation, results of operations and financial condition.

We market products that contain software and products that are software only. Although we perform extensive testing prior to releasing software products, these products may contain undetected errors or bugs when first released. These may not be discovered until the product has been used by customers in different application environments. Failure to discover product deficiencies or bugs could require design modifications to previously shipped products or cause unfavorable publicity or negatively impact system shipments, any of which could harm our business, financial condition and results of operations.

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Product liability claims against us could harm our competitive position, results of operations and financial condition.
Our products provide medication management and supply chain management solutions for the healthcare industry. Despite the presence of healthcare professionals as intermediaries between our products and patients, if our products fail to provide accurate and timely information or operate as designed, customers, patients or their family members could assert claims against us for product liability. Moreover, failure of health-care facility employees to use our products for their intended purposes could result in product liability claims against us. Litigation with respect to product liability claims, regardless of any outcome, could result in substantial cost to us, divert management's attention from operations and decrease market acceptance of our products. We possess a variety of insurance policies that include coverage for general commercial liability, technology errors and omissions liability and we attempt to mitigate these risks through contractual terms negotiated with our customers. However, these policies and protective contractual terms may not be adequate against product liability claims. A successful claim brought against us, or any claim or product recall that results in negative publicity about us, could harm our competitive position, results of operations and financial condition. Also, in the event that any of our products is defective, we may be required to recall or redesign those products.

We are dependent on technologies provided by third-party vendors, the loss of which could negatively and materially affect our ability to market, sell, or distribute our products.
Some of our products incorporate technologies owned by third parties that are licensed to us for use, modification, and distribution. If we lose access to third-party technologies, or we lose the ongoing rights to modify and distribute these technologies with our products, we will either have to devote resources to independently develop, maintain and support the technologies ourselves, pay increased license costs, or transition to another vendor. Any independent development, maintenance or support of these technologies by us or the transition to alternative technologies could be costly, time consuming and could delay our product releases and upgrade schedules. These factors could negatively and materially affect our ability to market, sell or distribute our products.

Complications in connection with our ongoing business information system upgrades, including those required to adopt new accounting standards and eventually adopt changes driven by converged accounting standards for revenues, leases and other topics, may impact our results of operations, financial condition and cash flows.
We continue to upgrade our enterprise-level business information system with new capabilities. Based upon the complexity of some of the upgrades, there is risk that we will not see the expected benefit from the implementation of these upgrades in accordance with their anticipated timeline and will incur costs in addition to those we have already planned for. In addition, in future years, we may need to begin efforts to comply with final converged accounting standards to be established by the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") for revenues, leases and other components of our financial reporting. These new standards could require us to modify our accounting policies, including our revenue recognition policy, which we modified in fiscal 2011. We further anticipate that integration of these and possibly other new standards may require a substantial amount of management's time and attention and require integration with our enterprise resource planning system. The implementation of the system and the adoption of future new standards, in isolation as well as together, could result in operating inefficiencies and financial reporting delays, and could impact our ability to record certain business transactions timely. All of these potential results could adversely impact our results of operations, financial condition and cash flows.

Outstanding employee stock options have the potential to dilute stockholder value and cause our stock price to decline.
We grant stock options to our employees as incentives to join Omnicell or as an on-going reward and retention vehicle. At December 31, 2012, we had options outstanding to purchase approximately 4.5 million shares of our common stock at exercise prices ranging from $2.70 to $29.16 per share, at a weighted-average exercise price of $14.06 per share. If some or all of these shares are sold into the public market over a short time period, the price of our common stock may decline, as the market may not be able to absorb those shares at the prevailing market prices. Such sales may also make it more difficult for us to sell equity securities in the future on terms that we deem acceptable.

Changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in the United States and other foreign jurisdictions. Our future effective tax rates could be affected by several factors, many of which are outside of our control, including; changes in the mix of earnings with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws, the timing of such changes, or their interpretation. We regularly assess the likelihood of adverse outcomes to determine the adequacy of our provision for taxes. We are also subject to examination of our income tax returns by the Internal Revenue Service and other tax

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authorities. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results.

Catastrophic events may disrupt our business and harm our operating results.

We rely on our network infrastructure, data centers, enterprise applications, and technology systems for the development, marketing, support and sales of our products, and for the internal operation of our business. These systems are susceptible to disruption or failure in the event of a major earthquake, fire, flood, cyber-attack, terrorist attack, telecommunications failure, or other catastrophic event. Many of these systems are housed or supported in or around our corporate headquarters located in Northern California, near major earthquake faults, and where a significant portion of our research and development activities and other critical business operations take place. Other critical systems, including our manufacturing facilities for our consumable medication packages, are housed in St. Petersburg, Florida in communities that have been subject to significant tropical storms. Disruptions to or the failure of any of these systems, and the resulting loss of critical data, which is not quickly recoverable by the effective execution of disaster recovery plans designed to reduce such disruption, could cause delays in our product development, prevent us from fulfilling our customers' orders, and could severely affect our ability to conduct normal business operations, the result of which would adversely affect our operating results.

Anti-takeover provisions in our charter documents and under Delaware law, and any stockholders' rights plan we may adopt in the future, make an acquisition of us, which may be beneficial to our stockholders, more difficult.

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our company more difficult, even if a change in control would be beneficial to the stockholders. Our anti-takeover provisions include provisions in our certificate of incorporation providing that stockholders' meetings may only be called by our Board of Directors and provisions in our bylaws providing that the stockholders may not take action by written consent and requiring that stockholders that desire to nominate any person for election to our Board of Directors or to make any proposal with respect to business to be conducted at a meeting of our stockholders be submitted in appropriate form to our Secretary within a specified period of time in advance of any such meeting. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, our Board of Directors approves the transaction. Our Board of Directors may use these provisions to prevent changes in the management and control of our company. Also, under applicable Delaware law, our board of directors may adopt additional anti-takeover measures in the future.

The stockholder rights plan adopted by our Board of Directors in February 2003 expired by its terms in February 2013. Our Board of Directors could adopt a similar plan in the future if it determines that such action is in the best interests of our stockholders. Such a plan may have the effect of discouraging, delaying or preventing a change in control of our company that may be beneficial to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located in leased facilities in Mountain View, California, and we believe that these facilities are sufficient for our current operational needs and that suitable additional space will be available on commercially reasonable terms to accommodate expansion of our operations, if necessary. In addition, we maintain leased office space in California, Florida, Illinois, Tennessee, Dubai, the United Kingdom, and China and we believe these facilities are adequate for our current operational requirements. The following is a list of our facilities and their primary functions.

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Site	Major Activity	Segment
Mountain View, California	Administration, marketing, and research and development	Acute Care
Milpitas, California	Manufacturing	Acute Care
St. Petersburg, Florida	Administration, marketing, research and development and manufacturing	Non-Acute Care
Waukegan, Illinois	Technical support and training	Acute Care
Nashville, Tennessee	Research and development and marketing	Acute Care
Dubai, United Arab Emirates	Sales, marketing and training	Acute Care
Leeds, United Kingdom	Sales and distribution center	Non-Acute Care
Hong Kong, China	Manufacturing support	Acute Care

In October 2011, we entered into a lease agreement for approximately 100,000 square feet of office space. Pursuant to the lease agreement, the landlord has constructed a single, three-story building of rentable space in Mountain View, California which we now lease and which serves as our headquarters. The term of the lease agreement, which commenced in November 2012, is for a period of 10 years, with a base lease commitment of approximately $40.0 million. We have two options to extend the term of the lease agreement at market rates. Each extension is for an additional 60 month term.

In March 2012, we entered into a lease agreement for approximately 46,000 square feet of manufacturing, distribution and office space located in Milpitas, California which commenced in October 2012. The term of the lease agreement is for a period of 60 months, with a base lease commitment of approximately $1.8 million and a single 60 month extension option.

In connection with the acquisition of MTS in 2012, we assumed responsibility for 132,500 square feet of manufacturing, warehousing and office space in St. Petersburg, Florida. The original twelve year lease agreement, which expires in September 2016 and at the time of the MTS acquisition, had a remaining base lease commitment of approximately $3.9 million. We have two options to extend the term of the lease agreement at market rates. Each extension is for an additional 60 month term.

In Leeds, United Kingdom, we lease an office and distribution center. The original ten year lease agreement expires in June 2021, with no extension options. The remaining base lease commitment at the time of the MTS acquisition, converted from British Pounds at the conversion rate then in effect, was approximately $1.2 million.

We also have smaller rented offices in Strongsville, Ohio, the People's Republic of China and Germany. For additional information regarding our obligations pursuant to operating leases, see Note 12, "Commitments" to the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 13, "Contingencies" to the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Our Common Stock

Our common stock is traded on The NASDAQ Global Select Market under the symbol "OMCL." The following table sets forth the high and low sales prices per share of our common stock for the periods indicated.

Fiscal Year Ended December 31, 2012	High	Low
Fourth Quarter	$16.13	$12.61
Third Quarter	$15.03	$12.33
Second Quarter	$15.51	$12.74
First Quarter	$17.94	$14.10

Fiscal Year Ended December 31, 2011	High	Low
Fourth Quarter	$17.45	$12.92
Third Quarter	$18.15	$13.00
Second Quarter	$15.97	$13.25
First Quarter	$15.95	$12.86

As of March 1, 2013 we had approximately 34,098,661shares of common stock outstanding held by approximately 144 stockholders of record.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently expect to retain any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Performance Graph

The following graph compares total stockholder returns for Omnicell's common stock for the past five years to two indices: The NASDAQ Composite Index and the NASDAQ Health Services index. The total return for Omnicell's common stock and for each index assumes the reinvestment of all dividends, although cash dividends have never been declared on Omnicell's common stock, and is based on the returns of the component companies weighted according to their capitalization as of the end of each annual period.

The NASDAQ Composite Index tracks the aggregate price performance of equity securities traded on The NASDAQ Stock Market. The NASDAQ Health Services Index tracks the aggregate price performance of health services equity securities. Omnicell's common stock is traded on The NASDAQ Global Select Market and is a component of both indices. The stock price performance shown on the graph is not necessarily indicative of future price performance. Historically, we used the S&P Composite 1500 Health Care Sector in the Total Return graph as our specific industry benchmark. For the transition year of 2010, we reported both that index as well as the NASDAQ Health Services index, which has replaced it effective 2011. The NASDAQ Health Services Index is a more appropriate industry-specific benchmark for us, as certain aspects of our executive compensation plans are based on this index.

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COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Omnicell, Inc., the NASDAQ Composite Index, and the NASDAQ Health Services Index (1)

*$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

	12/07	12/08	12/09	12/10	12/11	12/12
Omnicell, Inc.	100.00	45.34	43.41	53.66	61.34	55.22
NASDAQ Composite	100.00	59.03	82.25	97.32	98.63	110.78
NASDAQ Health Services	100.00	75.94	86.81	88.01	72.95	83.15

(1) This section is not deemed "soliciting material" or to be "filed" with the SEC 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 hereof and irrespective of any general incorporation language in any such filing.

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ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share amounts)				
Total revenues	$314,027	$245,535	$222,407	$213,457	$251,865
Gross Profit	$170,588	$135,784	$117,917	$105,221	$128,634
Income from operations(1)	$27,126	$16,222	$9,526	$669	$17,340
Net income	$16,178	$10,389	$4,892	$444	$12,724
Net income per share:					
Basic	$0.49	$0.31	$0.15	$0.01	$0.40
Diluted	$0.47	$0.30	$0.15	$0.01	$0.38
Shares used in per shares calculations:					
Basic	33,307	33,123	32,651	31,691	32,076
Diluted	34,213	34,103	33,513	32,063	33,108
Cash dividends declared per share	$—	$—	$—	$—	$—

	At December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Total assets	$441,819	$363,849	$343,224	$322,260	$308,542
Long-term obligations, net of current portion	$51,192	$20,305	$19,846	$21,405	$17,630
Total stockholders' equity	$307,550	$282,914	$265,214	$242,304	$233,557

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(1) Income from operations includes the following items:

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Share-based compensation expense	$9,214	$9,499	$9,015	$9,725	$11,165

The amounts shown above include the operating results from the acquisition of MTS Medication Technologies, Inc. from May 21, 2012 and Pandora Data Systems, Inc. ("Pandora") from September 29, 2010.

You should read the selected consolidated financial data above in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements, notes thereto and other financial information included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data above for the years ended December 31, 2012, 2011, and 2010 and the consolidated balance sheet data at December 31, 2012 and 2011 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data above for the years ended December 31, 2009 and 2008, and the consolidated balance sheet data at December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements, which are not included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of the results to be expected in the future.

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SUPPLEMENTARY CONSOLIDATED FINANCIAL DATA

	Quarters Ended March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
	(in thousands, except per share data) (unaudited)			
2012				
Total revenues	$64,143	$75,384	$84,331	$90,169
Gross profit	$35,749	$39,376	$46,087	$49,376
Income from operations	$3,635	$2,431	$11,226	$9,834
Net income	$2,351	$1,375	$6,920	$5,532
Net income per share:				
Basic(1)	$0.07	$0.04	$0.21	$0.17
Diluted(1)	$0.07	$0.04	$0.20	$0.16

	Quarters Ended March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
	(in thousands, except per share data) (unaudited)			
2011				
Total revenues	$57,160	$61,005	$64,439	$62,931
Gross profit	$31,650	$33,807	$34,448	$35,879
Income from operations	$1,029	$4,230	$4,794	$6,169
Net income	$670	$2,587	$2,994	$4,138
Net income per share:				
Basic(1)	$0.02	$0.08	$0.09	$0.13
Diluted(1)	$0.02	$0.08	$0.09	$0.12

(1) Quarterly net income per share figures may not total to annual net income per share, due to rounding and fluctuations in the number of options included or omitted from diluted calculations based on the stock price or option exercise prices and/or net losses recorded in quarterly periods.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal year and the associated quarters of those fiscal years.

Overview

We were incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. We are a leading provider of automated solutions for medication and supply management in healthcare. Our automation and analytics solutions are designed to enable healthcare facilities to acquire, manage, dispense and administer medications and medical-surgical supplies and are intended to enhance patient safety, reduce medication errors, reduce operating costs, improve workflow and increase operational efficiency. Approximately 2,700 hospitals utilize one or more of our products, of which more than 1,700 hospitals in the United States have installed our automated hardware/software solutions for controlling, dispensing, acquiring, verifying, tracking and analyzing medications and medical and surgical supplies. Approximately 6,000 institutional and retail pharmacies utilize our medication adherence packaging solutions.

We sell our medication control systems together with related consumables and services, and medical and surgical supply control systems and generate the majority of our revenue in the United States. However, we expect our revenue from our international operations to increase in future periods as we continue to grow our international business. Our sales force is organized by geographic region in the United States and Canada, and for a portion of our products in the United Kingdom and Germany. We also sell through distributors in Asia, Australia, Europe, the Middle East and South America. We have not sold in the past, and have no future plans to sell our products either directly or indirectly to customers located in countries that are identified as state sponsors of terrorism by the U.S. Department of State, and are subject to economic sanctions and export controls.

In May 2012, we completed our acquisition of MedPak Holdings, Inc. ("MedPak"). MedPak is the parent company of MTS Medication Technologies, Inc. ("MTS"), a worldwide provider of medication adherence packaging systems. This acquisition aligns us with the long-term trends of the healthcare market to manage the health of patients across the continuum of care giving us the ability to serve both the acute and non-acute markets. Omnicell and MTS bring capabilities to each other that strengthen the product lines and expand the medication management coverage of both companies. Please refer to Note 2, "Business Acquisition" to the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information regarding the transaction.

In connection with this acquisition, we realigned our management reporting structure to identify those dispensing systems and other related business transactions that are sold into long-term care pharmacies and facilities. Accordingly, the operations of this portion of our activities are now being reflected as a part of the Non-Acute Care segment for the year ended December 31, 2012. Please refer to Note 17, "Segments" to the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information regarding the results for both the Acute Care and Non-Acute Care segments.

In the third quarter of 2012, we entered into an agreement with our distributor in the United Kingdom to purchase 15% of its outstanding equity for approximately $0.9 million in cash to accelerate the adoption of medication and supply automation in the United Kingdom. In connection with the investment, we have the right, under certain circumstances, to appoint a member to this company's board of directors as well as certain other voting rights. As a result of these and other factors, we are accounting for this investment using the equity method. Our proportionate equity share of the income of this distributor recognized in our financial statements for the year ended December 31, 2012 was immaterial.

We are working to develop relationships with major providers of hospital information management systems with the goal of enhancing the interoperability of our products with their systems. We believe that enhanced interoperability

will help reduce implementation costs, time, and maintenance for shared clients, while providing new clinical workflows designed to enhance efficiency and patient safety.

Our revenue increased by 27.9% to $314.0 million in the twelve month period ended December 31, 2012 from $245.5 million for the year ended December 31, 2011. Of the $68.5 million increase in revenues from 2011 to 2012, $61.8 million was attributable to an increase in product revenues for 2012 as compared with 2011, reflecting increased completed installations of

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our new automation products, increases in lease renewals from existing customers, and revenue derived from our acquisition of MTS, during the second quarter of 2012, which comprises the predominant portion of our Non-Acute Care segment. Service revenues increased by $6.7 million in 2012 as compared with 2011, primarily due to growth in the installed customer base.

For the year ended December 31, 2012, our Acute Care segment contributed $197.4 million and $62.8 million in product and service revenue, respectively. This compares to product and service revenue of $185.9 million and $59.7 million for the Acute Care segment in 2011. For the year ended December 31, 2012, the Non-Acute Care segment contributed $50.3 million and $3.6 million in product and service revenue, respectively. Non-Acute Care revenues were not significant for the year ended December 31, 2011 and, accordingly, have been included in the Acute Care segment for that period.

We believe that demand for our products in future periods will be based on:

- Our expectation that the overall market demand for healthcare services will increase as the population grows, life expectancies continue to increase, the quality of healthcare services increases and the availability of healthcare services increases;
- Our expectation that the environment of increased patient safety awareness, increased regulatory control and increased need for workflow efficiency through the adoption of technology in the healthcare industry will make our solutions a priority in the capital budgets of healthcare facilities;
- Our continued ability to differentiate ourselves through a strategy intended to provide the best customer experience in the healthcare industry; and
- Our delivery of industry-leading products with differentiated product features that are designed to appeal to nurses, pharmacists, supply chain managers, chief information officers and hospital management.

Our product backlog, consisting of orders accepted but not yet installed, increased $21 million, to $155 million at December 31, 2012 from $134 million as of December 31, 2011. This backlog is primarily attributable to our Acute Care segment. We expect to operate through 2013 with our backlog within our objective of the next six to nine months, but we believe there will be variation from time to time. We expect Non-Acute Care product backlog to be minimal.

Our key business strategies include:

- Further penetrating the existing market for our products through sustaining technological leadership in our products by:
  - Consistently innovating our product and service offerings; and
  - Maintaining our flexibility in customer product design and in the installation process.
- Increasing penetration of the international market by:
  - Bringing new products and technologies to market that are specific to international markets;
  - Building direct sales, distribution or other capabilities when and where it is appropriate;
- Partnering with companies that have sales, distribution, or other capabilities that we do not possess in non-U.S. geographies; and
- Increasing customer awareness of safety issues in the administration of medications.
- Expanding our product offering through acquisitions and partnerships.

Our healthcare customers expect a high degree of partnership involvement from their technology suppliers. We provide extensive installation planning and consulting as part of every product sale. Our customers' medication control systems are mission critical to their success and our customers require these systems to be functional at all times. To help assure the maximum availability of our systems, our customers typically purchase maintenance and support contracts in one, two or five year increments. Our long-term liabilities include long-term deferred service revenue of $19.9 million as of December 31, 2012, and $19.0 million as of December 31, 2011. Our deferred service revenue will be amortized to service revenue as the service contracts are executed.

In 2012, our overall cash flow decreased $129.4 million. This was primarily due to our acquisition of MTS for $156.3 million, and offset by a $16.2 million increase in net income, adjusted for non-cash expenses associated with depreciation and amortization of $13.3 million, and share-based compensation of $9.2 million and $8.9 million of

proceeds from the issuance of common stock under our employee stock purchase and stock option plans. Other factors during the year ended December 31,

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2012 impacting the change in cash were increases in accounts receivable of $9.3 million, deferred service revenues of $2.9 million, deferred gross profit of $6.6 million, prepaid expenses of $4.9 million and net investment in sales-type leases of $4.2 million. Additional uses of cash during the year ended December 31, 2012 included $20.6 million for the acquisition and development of productive long-lived assets and $12.4 million for stock repurchase activities.

In 2011, we generated positive overall cash flow of $16.1 million. This was primarily due to our $10.4 million of net income, adjusted for non-cash expenses associated with depreciation and amortization of $8.0 million, and share-based compensation of $9.5 million, and $6.8 million of proceeds from the issuance of common stock under our employee stock purchase and stock option plans. Additional factors were strong cash collections, reducing accounts receivable at year end by $5.9 million as compared to 2010 and increases of $3.6 million of deferred service revenue and $2.5 million of deferred gross profit. These increases to cash were offset by a $9.4 million increase in inventory, primarily related to the G4 launch, $13.1 million for the acquisition and development of productive long-lived assets and $12.6 million in stock repurchase activities.

For the year ended December 31, 2012, net cash provided by operations was $39.5 million, and our cash and cash equivalents as of December 31, 2012 was $62.3 million as compared to $199.9 million at December 31, 2011. We expect cash provided by operations to remain positive in 2013.

Our full-time headcount of 1,089 on December 31, 2012 increased by 316 from our full-time headcount on December 31, 2011, primarily due to the addition of 292 employees in connection with the acquisition of MTS.

We record compensation expense from our share-based awards, options and our employee stock purchase plan in accordance with Accounting Standards Codification, or ASC 718, Stock Compensation. Total share-based compensation expense for the year ended December 31, 2012 was $9.2 million, as compared to $9.5 million in 2011.

Gross profit from product revenues increased by $29.0 million and gross profit from service revenues increased by $5.8 million. Our gross profit increased 25.6% for the year ended December 31, 2012, as compared to the year ended December 31, 2011, with gross profit as a percentage of revenue decreasing by 1.0% to 54.3%. The increase in gross profits was attributable to our Non-Acute Care segment activities since the acquisition of MTS in the second quarter of 2012. The decrease in margins were primarily attributable to lower margins associated with our Non-Acute Care segment, primarily a reflection of lower margins on the MTS product lines.

We expect revenues to increase significantly in 2013 due to a full year of contribution from the acquired MTS entity. We do not anticipate any major fluctuations in our gross margins beyond normal fluctuations caused by changes in product mix. Revenues and gross margins may be adversely affected, however, as a result of unforeseen market price reductions and additional costs to expand our business.

Net income increased to $16.2 million in 2012 compared to $10.4 million in 2011 due to an increase in gross profit of $34.8 million, partially offset by a $23.9 million increase in operating expenses primarily due to an increase in selling, general and administrative expenses of $22.2 million and an increase in research and development activities of $1.7 million. These increases were primarily driven by the acquisition of MTS.

With the acquisition of MTS, we have organized our business into two operating business segments: Acute Care, which primarily includes products and services sold to hospital customers, and Non-Acute Care, which primarily includes products and services sold to customers outside of hospital settings.

The Acute Care segment is organized around the design, manufacturing, selling and servicing of medication and supply dispensing systems. The Non-Acute Care segment includes primarily the manufacturing and selling of consumable medication blister cards, packaging equipment and ancillary products and services, but also includes medication dispensing systems sold to non-acute care pharmacies and facilities. We report segment information based on the management approach. The management approach designates the internal reporting used by the Chief Operating Decision Maker (the "CODM"), for making decisions and assessing performance as the source of our operating segments. The CODM is our Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment, using information about its revenues, gross profit and income (loss) from operations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or

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,

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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 consolidated financial statements:

Revenue recognition. We earn revenues from sales of our medication control systems, together with related consumables and services, and medical/surgical supply control systems with related services, which are sold in our principal market, which is the healthcare industry. Revenues related to consumable products are reported net of discounts provided to our customers. Our customer arrangements typically include one or more of the following deliverables:

- Products—Software-enabled equipment that manages and regulates the storage and dispensing of pharmaceuticals, consumable blister cards and packaging equipment and other medical supplies.
- Software—Additional software applications that enable incremental functionality of our equipment.
- Installation—Installation of equipment as integrated systems at customers' sites.
- Post-installation technical support—Phone support, on-site service, parts and access to unspecified software upgrades and enhancements, if and when available.
- Professional services—Other customer services, such as training and consulting.

We recognize revenue when the earnings process is complete, based upon our evaluation of whether the following four criteria have been met:

- Persuasive evidence of an arrangement exists. We use signed customer contracts and signed customer purchase orders as evidence of an arrangement for leases and sales. For service engagements, we use a signed services agreement and a statement of work to evidence an arrangement.
- Delivery has occurred. Equipment and embedded software product delivery is deemed to occur upon successful installation and receipt of a signed and dated customer confirmation of installation letter, providing evidence that we have delivered what a customer ordered. In instances of a customer self-installation, product delivery is deemed to have occurred upon receipt of a signed and dated customer confirmation letter. If a sale does not require installation, we recognize revenue on delivery of products to the customer, including transfer of title and risk of loss, assuming all other revenue criteria are met. We recognize revenue from sales of products to distributors upon delivery, assuming all other revenue criteria are met since we do not allow for rights of return or refund. For the sale of consumable blister cards, we recognize revenue when title and risk of loss of the products shipped have transferred to the customer, which usually occurs upon shipment from our facilities. Assuming all other revenue criteria are met, we recognize revenue for support services ratably over the related support services contract period. We recognize revenue on training and professional services as they are performed.
- Fee is fixed or determinable. We assess whether a fee is fixed or determinable at the outset of the arrangement based on the payment terms associated with the transaction. We have established a history of collecting under the original contract without providing concessions on payments, products or services.
- Collection is probable. We assess the probability of collecting from each customer at the outset of the arrangement based on a number of factors, including the customer's payment history and its current creditworthiness. If, in our judgment, collection of a fee is not probable, we defer the revenue until the uncertainty is removed, which generally means revenue is recognized upon our receipt of cash payment assuming all other revenue criteria are met. Our historical experience has been that collection from our customers is generally probable.

In arrangements with multiple deliverables, assuming all other revenue criteria are met, we recognize revenue for individual delivered items if they have value to the customer on a standalone basis. Effective for new or modified arrangements entered into beginning on January 1, 2011, the date we adopted the revised revenue recognition guidance for arrangements with multiple deliverables on a prospective basis, we allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method. This method requires us to determine the selling price at which each deliverable could be sold if it were sold regularly on a standalone basis. When available, we use vendor-specific objective evidence ("VSOE") of fair value as the selling price. VSOE represents the price charged for a deliverable when it is sold separately, or for a deliverable not yet being sold separately, the price established by management with the relevant authority. We consider VSOE to exist when

approximately 80% or more of our standalone sales of an item are priced within a reasonably narrow pricing range (plus or minus 15% of the median rates). We have established VSOE of fair value for our post-installation technical support services and professional services. When VSOE of fair value is not available, third-party evidence ("TPE") of

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fair value for similar products and services is acceptable; however, our offerings and market strategy differ from those of our competitors, such that we cannot obtain sufficient comparable information about third parties' prices. If neither VSOE nor TPE are available, we use our best estimates of selling prices ("BESP"). We determine BESP considering factors such as market conditions, sales channels, internal costs and product margin objectives and pricing practices. We regularly review and update our VSOE and BESP information and obtain formal approval by appropriate levels of management.

The relative selling price method allocates total arrangement consideration proportionally to each deliverable (an "Element") on the basis of its estimated selling price. In addition, the amount recognized for any delivered Elements cannot exceed that which is not contingent upon delivery of any remaining Elements in the arrangement.

We also use the residual method of allocating the arrangement consideration in certain circumstances. We use the residual method to allocate total arrangement consideration between delivered and undelivered items for any arrangements entered into prior to January 1, 2011 and not subsequently materially-modified. The use of the residual method is required by software revenue recognition rules that applied to sales of most of our products and services until the adoption of the new revenue recognition guidance. We also use the residual method to allocate revenue between the software products that enable incremental equipment functionality, and thus are not deemed to deliver its essential functionality, and the related post-installation technical support, as these products and services continue to be accounted for under software revenue recognition rules. Under the residual method, the amount allocated to the undelivered elements equals VSOE of fair value of these elements. Any remaining amounts are attributed to the delivered items and are recognized when those items are delivered.

A portion of our sales are made through multi-year lease agreements. Under sales-type leases, we recognize revenue for our hardware and software products net of lease execution costs such as post-installation product maintenance and technical support, at the net present value of the lease payment stream once our installation obligations have been met. We optimize cash flows by selling a majority of our non-U.S. government leases to third-party leasing finance companies on a non-recourse basis. We have no obligation to the leasing company once the lease has been sold. Some of our sales-type leases, mostly those relating to U.S. government hospitals, are retained in-house. Interest income on these leases is recognized as a component of product revenue using the interest method.

Accounts receivable and notes receivable (net investment in sales type leases). We actively manage our accounts receivable to minimize credit risk. We typically sell our products to customers for which there is a history of successful collection. New customers are subject to a credit review process, which evaluates that customer's financial position and ability to pay. We continually monitor and evaluate the collectability of our trade receivables based on a combination of factors. We record specific allowances for doubtful accounts when we become aware of a specific customer's impaired ability to meet its financial obligation to us, such as in the case of bankruptcy filings or deterioration of financial position.

Uncollectible amounts are charged off against trade receivables and the allowance for doubtful accounts when we make a final determination that there is no reasonable expectation of recovery. Estimates are used in determining our allowances for all other customers based on factors such as current trends, the length of time the receivables are past due and historical collection experience. While we believe that our allowance for doubtful accounts receivable is adequate and that the judgment applied is appropriate, such estimated amounts could differ materially from what will actually be uncollectible in the future.

The retained in-house leases discussed above are considered financing receivables. Our credit policies and evaluation of credit risk and write-off policies are applied alike to trade receivables and the net-investment in sales-type leases. For both, an account is generally past due after thirty days. The financing receivables also have customer-specific reserves for accounts identified for specific impairment and a non-specific reserve applied to the remaining population, based on factors such as current trends, the length of time the receivables are past due and historical collection experience. The retained in-house leases are not stratified by portfolio or class. Financing receivables which are reserved are generally transferred to cash-basis accounting so that revenue is recognized only as cash is received. However, the cash basis accounts continue to accrue interest.

Valuation and impairment of goodwill, other intangible assets and other long lived assets. We account for goodwill and other intangible assets in accordance with ASC 350, Intangibles—Goodwill and Other. For the initial recognition

and measurement of Goodwill and Intangibles resulting from acquisitions, we use the guidance in ASC 805, Business Combinations.

Under ASC 350, Intangibles - Goodwill and Other, goodwill and intangible assets with an indefinite life are not subject to amortization. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Under the provisions of ASC 350-20, Goodwill and Other, the recorded goodwill is subject to annual impairment testing. In addition, the provisions of ASC 350-20, require that an entity assign its recorded goodwill to each of its reporting units and test each reporting unit's goodwill for impairment at least annually or earlier in circumstances whereby certain events might trigger a decrease in the carrying value of goodwill. We complete our annual goodwill impairment assessment as of the first day of our fourth quarter. In

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accordance with ASC 350-20, we have the option to assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill, or bypass the qualitative assessment and proceed directly to performing the goodwill impairment test. We have elected to perform a qualitative assessment to determine whether it more likely than not that the fair value of each reporting unit is less than its carrying amount.

For both our reporting units, the Acute Care and Non-Acute Care segments, we considered the following qualitative factors when assessing if goodwill had been impaired for the year ended December 31, 2012:

- Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates or other developments in equity and credit markets;
- Industry and market considerations such as a deterioration in the environment in which we operate, an increased competitive environment, a decline in market-dependent multiples or metrics (consider in both absolute terms and relative to peers), a change in the market for our products or services, or a regulatory or political development;
- Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy or litigation; and
- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

Upon completion of our qualitative assessment conducted in the fourth quarter of 2012, we concluded that it was more likely than not the fair values of both the Acute Care and Non-Acute Care segments exceeded their carrying values including the respective amounts of goodwill. In addition, we did not note any other indicators of goodwill impairment as of December 31, 2012.

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. We review long-lived assets and certain purchased intangibles for impairment whenever events or changes in circumstances indicate that we will not be able to recover the asset's carrying amount. Recoverability of an asset is measured by comparing its carrying amount to the expected future undiscounted cash flows expected to result from the use and eventual disposition of that asset, excluding future interest costs that would be recognized as an expense when incurred. Any impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value. Significant management judgment is required in:

- identifying a triggering event that arises from a change in circumstances;
- forecasting future operating results; and
- estimating the proceeds from the disposition of long-lived or intangible assets.

In future periods, material impairment charges could be necessary should different conditions prevail or different judgments be made.

Significant management judgment is also required for initial recognition and measurement of goodwill and other intangibles assets resulting from business combinations pursuant ASC 805, Business Combinations. Management must assess the extent to which identified other intangibles assets are properly includable (and with the appropriate fair value) or properly excludable, by applying the recognition criteria. This judgment affects not only the other intangible assets but the remainder calculation of goodwill. The assessment of useful life for each acquired intangible asset impacts future financial position and operating performance through amortization expense.

Inventory. Inventories are stated at the lower of cost (utilizing standard costs), applying the first-in, first-out method, or market. We routinely assess our on-hand inventory for timely identification and measurement of obsolete, slow-moving or otherwise impaired inventory. We write down inventory for estimated obsolescence, excess or unmarketable quantities equal to the difference between the cost of the inventory and its estimated market value based on assumptions about

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future demand and market conditions. If actual future demand or market conditions are less favorable than we projected, additional inventory write-downs may be required.

Valuation of share-based awards. We account for share-based compensation in accordance with ASC 718, Stock Compensation. We estimate the fair value of our employee stock awards at the date of grant using certain subjective assumptions, such as expected volatility, which is based on a combination of historical and market-based implied volatility, and the expected term of the awards, which is based on our historical experience of employee stock option exercises, including forfeitures. The valuation assumptions we use in estimating the fair value of employee share-based awards may change in future periods. We recognize the fair value of awards over their vesting period or requisite service period. In addition, we calculate our pool of excess tax benefits available within additional paid-in capital in accordance with the provisions of ASC 718.

Accounting for income taxes. We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with GAAP, the provision for income taxes is computed using the liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which those tax assets and liabilities are expected to be realized or settled. In the event that these tax rates change, we will incur a benefit or detriment with respect to our income tax expense in the period of change. If we were to determine that all or part of the net deferred tax assets are not realizable in the future, we will record a valuation allowance that would be charged to earnings in the period such determination is made.

In accordance with ASC 740, Income Taxes, we recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results.

Recently Adopted Accounting Standards

In May 2011, FASB issued ASU 2011-04, Fair Value Measurement, amending the fair value guidance in ASC 820, and thereby achieving substantially converged fair value measurement and disclosure requirements for GAAP and International Financial Reporting Standards ("IFRS"). The new guidance clarified some fair value measurement principles and expanded certain disclosure requirements. We adopted this guidance in the first quarter of 2012, without any impact to our financial position, operating results or cash flows.

In July 2012, FASB issued ASU 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment, which amends the guidance in ASC 350-30 on impairment testing of intangible assets with indefinite lives other than goodwill. This guidance gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that an indefinite-lived asset is impaired. An entity has the option to bypass the qualitative assessment and proceed directly to calculating the fair value of an intangible asset with an indefinite life. We adopted this guidance in the fourth quarter of 2012, earlier than required, without any significant impact on our financial position, operating results or cash flows, as this update does not change how we calculate impairment loss.

Recently Issued Accounting Standards

In February 2013, FASB issued 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI"), which aims to improve the reporting of reclassifications out of AOCI. This update requires an entity to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. For public entities, the amendments are

effective prospectively for reporting periods beginning after December 15, 2012. We intend to adopt this guidance in the first quarter of 2013. We do not anticipate this update will have any significant impact on our financial position, operating results or cash flows.

Results of Operations

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	Years Ended December 31,					
	2012	% of Revenue	2011	% of Revenue	2010	% of Revenue
	(in thousands, except percentages)					
Revenues:						
Product revenues	$247,654	78.9 %	$185,864	75.7 %	$171,100	76.9 %
Service and other revenues	66,373	21.1 %	59,671	24.3 %	51,307	23.1 %
Total revenues	314,027	100.0 %	245,535	100.0 %	222,407	100.0 %
Cost of revenues:						
Cost of product revenues	112,369	35.8 %	79,567	32.4 %	76,372	34.3 %
Cost of service and other revenues	31,070	9.9 %	30,184	12.3 %	28,079	12.6 %
Restructuring charges	—	— %	—	— %	39	— %
Total cost of revenues	143,439	45.7 %	109,751	44.7 %	104,490	47.0 %
Gross profit	170,588	54.3 %	135,784	55.3 %	117,917	53.0 %
Operating expenses:						
Research and development	23,726	7.6 %	22,042	9.0 %	21,007	9.4 %
Selling, general and administrative	119,736	38.1 %	97,520	39.7 %	86,227	38.8 %
Restructuring charges	—	— %	—	— %	1,157	0.5 %
Total operating expenses	143,462	45.7 %	119,562	48.7 %	108,391	48.7 %
Income from operations	27,126	8.6 %	16,222	6.6 %	9,526	4.3 %
Interest and other income (expense), net	(51)	— %	(133)	(0.1)%	431	0.2 %
Income before provision for income taxes	27,075	8.6 %	16,089	6.6 %	9,957	4.5 %
Provision for income taxes	10,897	3.5 %	5,700	2.3 %	5,065	2.3 %
Net income	$16,178	5.2 %	$10,389	4.2 %	$4,892	2.2 %

Product Revenues, Cost of Product Revenues and Gross Profit

The table below shows our product revenues, cost of product revenues and gross profit for the years ended December 31, 2012, 2011 and 2010 and the percentage change between those years:

	Years Ended December 31,			Percentage Change	
	2012	2011	2010	2011 to 2012	2010 to 2011
	(in thousands)				
Product revenues	$247,654	$185,864	$171,100	33.2 %	8.6 %
Cost of product revenues	112,369	79,567	76,372	41.2 %	4.2 %
Restructuring charges	—	—	—	n/a	n/a

Gross profit	$135,285	$106,297	$94,728	27.3	%	12.2	%

2012 compared to 2011

Product revenues increased $61.8 million, or 33.2%, in 2012 as compared to 2011. Our ability to grow revenue is dependent on our ability to continue to obtain orders from customers, the volume of installations we are able to complete, our

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ability to meet customer needs and provide a quality installation experience and our flexibility in manpower allocations among customers to complete installations on a timely basis. The timing of our Acute Care product revenues is primarily dependent on when our customers' schedules allow for installations. The overall increase in product revenues was driven by the increased installations of our new automation products, including customer product upgrades using our G4 platform and revenue derived from MTS subsequent to its acquisition by Omnicell during the second quarter of 2012.We anticipate that our revenues will continue to increase in 2013 as we fulfill our existing backlog of orders and as we experience higher customer product upgrades to the G4 platform in addition to having a full year of Non-Acute Care revenues from the acquisition of MTS.

Cost of product revenues increased by $32.8 million, or 41.2%, in 2012 as compared to 2011. This increase was primarily a result of Non-Acute Care product costs of $30.6 million, which included $1.7 million of acquisition-related charges primarily associated with the step-up to the estimated fair value of inventory acquired from MTS and consumed in the normal manufacturing cycle of our business. The increase in Acute Care product revenue and change in product mix resulted in an increase of $2.2 million in costs.

Gross profit on product revenue increased by $29.0 million, or 27.3%, in 2012 as compared to 2011 and gross profit as a percentage of product revenues decreased to 54.6% in 2012 as compared to 57.2% in 2011. The increase in gross profit on product revenue was primarily a result of the contribution from our Non-Acute Care segment described above, as well as increased gross profits in our Acute Care segment, which was driven primarily by product mix. The decrease in gross profit as a percentage of product revenue was due to the lower Non-Acute Care segment gross profit as a percent of revenue, which drove the overall gross profit as a percentage of revenue down. For 2013, we do not anticipate any significant fluctuations in our gross profit and gross profit as a percentage of revenue beyond normal fluctuations caused by changes in product mix and the impact of a full year of Non-Acute Care revenues from MTS.

2011 compared to 2010

Product revenues increased $14.8 million, or 8.6%, in 2011 as compared to 2010. The overall increase in product revenues was driven by a combination of increased installations of our new automation products, increases in lease renewals from existing customers and a full year of revenues derived from our acquisition of Pandora at the end of the third quarter of 2010.

Cost of product revenues increased by $3.2 million, or 4.2%, in 2011 as compared to 2010. The increase was primarily a function of revenue growth, partially offset by the favorable impact of overall product mix and generally lower material costs from our cost reduction efforts during the year. Additionally, during the year we incurred higher product costs related to the manufacturing cost of the new G4 cabinet console platform, released in May 2011. The early production units of the G4 cabinet console were at a higher product cost than our previous generation product. This was due to initial production line ramp up and longer production cycles to validate the manufacturability and quality of the new console. The majority of the higher production line cost was absorbed in the three month periods ended September 30, 2011 and December 31, 2011.

Gross profit on product revenue increased by $11.6 million, or 12.2%, in 2011 as compared to 2010 and gross profit as a percentage of product revenues increased to 57.2% in 2011 as compared to 55.4% in 2010. The increase was the result of the previously discussed increase in revenue by 8.6% over the prior year with lower than proportionate increases in related costs by 4.2% over the prior year primarily as a result of lower material costs due to product mix and from our cost reduction efforts.

The Non-Acute Care segment information was immaterial in the periods ended December 31, 2011 and 2010 and, accordingly, has not been discussed separately.

Service and Other Revenues, Cost of Service and Other Revenues and Gross Profit

Service and other revenues include revenues from service and maintenance contracts and rentals of automation systems. The table below shows our service and other revenues, cost of service and other revenues and gross profit for the years ended December 31, 2012, 2011 and 2010 and the percentage change between those years:

	Years Ended December 31,			Percentage Change	
	2012	2011	2010	2011 to 2012	2010 to 2011
	(in thousands)				

Service and other revenues	$66,373	$59,671	$51,307	11.2	%	16.3	%
Cost of service and other revenues	31,070	30,184	28,079	2.9	%	7.5	%
Restructuring charges	—	—	39	—		(100.0	)%
Gross profit	$35,303	$29,487	$23,189	19.7	%	27.2	%

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2012 compared to 2011

Service and other revenues increased by $6.7 million, or 11.2%, in 2012 as compared to 2011. The increase in service and other revenues was primarily the result of an expansion in our installed base of automation systems and a resulting increase in the number of support service contracts and, in addition, a $1.9 million increase attributable to the Non-Acute segment.

Cost of service and other revenues increased by $0.9 million, or 2.9%, in 2012 as compared to 2011. These increases were primarily a result of the aforementioned addition of our Non-Acute Care segment of $1.2 million, offset by a $0.3 million decrease in the Acute Care segment service costs due to lower costs incurred related to advance replacement of material covered under maintenance contracts.

Gross profit on service and other revenues increased by $5.8 million, or 19.7%, in 2012 as compared to 2011. This increase was due to increased revenues from an expanded installed base attributable to our Acute Care segment with nominal growth in service costs as a result of service cost reduction efforts throughout 2012.

We expect our service and other revenues and the associated gross profit to continue to increase in 2013 with the continued expansion of our installed base of automation systems and service and maintenance contracts.

2011 compared to 2010

Service and other revenues increased by $8.4 million, or 16.3%, in 2011 as compared to 2010. The increase in service and other revenues was primarily the result of an expansion in our installed base of automation systems and a resulting increase in the number of support service contracts.

Cost of service and other revenues increased by $2.1 million, or 7.5%, in 2011 as compared to 2010. The increase was primarily due to an increase in spending related to salaries and benefits associated with higher headcount and spare parts expense in support of the expanded service base.

Gross profit on service and other revenues increased by $6.3 million, or 27.2%, in 2011 as compared to 2010. This increase was due to increased revenues from an expanded installed base without proportional growth in service cost.

The Non-Acute Care segment information was immaterial in the periods ended December 31, 2011 and 2010 and, accordingly, has not been discussed separately.

Operating Expenses

The table below shows our operating expenses for the years ended December 31, 2012, 2011 and 2010 and the percentage change between those years:

	Years Ended December 31,			Percentage Change	
	2012	2011	2010	2012 to 2011	2010 to 2011
	(in thousands)				
Research and development	$23,726	$22,042	$21,007	7.6 %	4.9 %
Selling, general and administrative	119,736	97,520	86,227	22.8 %	13.1 %
Restructuring charges	—	—	1,157	— %	(100.0)%
Total operating expenses	$143,462	$119,562	$108,391	20.0 %	10.3 %

2012 compared to 2011

Research and development. Research and development expenses increased by $1.7 million, or 7.6%, in the years ended December 31, 2012 as compared to 2011. Research and development expenses represented 7.6% and 9.0% of total revenues in 2012 and 2011, respectively. The overall increase in research and development expenses reflects an increase of $1.8 million attributable to the Non-Acute Care segment since the acquisition of MTS in the second quarter of 2012, partially offset by an overall decrease of $0.1 million attributable to the Acute Care segment.

We expect research and development expenses to increase in 2013 as we continue to invest in new products and services, but stay relatively flat as a percentage of revenues. The amount of research and development expense can fluctuate based on the amount of prototype expenses for hardware and or the amount of capitalized software development costs in any given quarter.

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Selling, general and administrative. Selling, general and administrative expenses increased by $22.2 million, or 22.8%, in 2012 as compared to 2011. Selling, general and administrative expenses represented 38.1% and 39.7% of total revenues in 2012 and 2011, respectively.

This increase was primarily due to the addition of Non-Acute Care selling, general and administrative expenses of $13.2 million since the acquisition of MTS in the second quarter of 2012. Increases in Acute Care segment selling, general and administrative expenses were primarily due to a $7.5 million increase in costs associated with compensation and related benefits, $2.3 million in transaction and integration expenses related to the acquisition of MTS, $1.6 million in facility expenses due the relocation to our new buildings late in 2012 and an increase of $1.2 million in bad debt expense primarily related to a $0.6 million recovery in 2011 as compared to a $0.6 million expense in 2012, partially offset by a $1.4 million decrease in third party consulting expenses and a $1.0 million decrease in legal expenses primarily related to the settlement of litigation in 2011.

We anticipate selling, general and administrative expenses as a percent of revenues to stabilize and decrease throughout 2013, but this estimate could be impacted by ongoing business development activities and external, macro-economic factors.

2011 compared to 2010

Research and development. Research and development expenses increased by $1.0 million, or 4.9%, in 2011 as compared to 2010. Research and development expenses represented 9.0% and 9.4% of total revenues in 2011 and 2010, respectively. The increase was due primarily to a $3.1 million increase in compensation costs and $1.0 million in other increases, partially offset by decreases of $0.6 million in tools and $0.4 million in outside services. Additional offset was provided by the capitalization of software development costs, increasing to $4.2 million in 2011 as compared to $2.2 million in 2010 due to the higher level of post-feasibility beta testing that preceded several new product introductions in the second quarter of 2011.

Selling, general and administrative. Selling, general and administrative expenses increased by $11.3 million, or 13.1%, in 2011 as compared to 2010. Selling, general and administrative expenses represented 39.7% and 38.8% of total revenues in 2011 and 2010, respectively.

This increase was primarily due to a $5.0 million increase in compensation costs related to increased sales and marketing staffing, a $1.0 million increase for the settlement of litigation with Medacist Solutions Group LLC, as described in our Annual Report on Form 10-K for the year ended December 31, 2011, and a $2.9 million increase in freight, travel, promotional expenses and other costs. Reduced outside service and other spending of $0.6 million partially offset these increases. Additionally, 2010 expenses were reduced by the $2.4 million benefit from the settlement of a litigation claim with Flo Healthcare LLC in the third quarter of 2010 for less than the amount previously accrued, as described in our Annual Report on Form 10-K for the year ended December 31, 2010, and $0.9 million resulting from the favorable timing effect on expenses due to a reduction in accrued vacation.

The Non-Acute Care segment information was immaterial in the periods ended December 31, 2011 and 2010 and, accordingly, has not been discussed separately.

Interest Income and Other Expense

The table below shows our interest income and other expense for the years ended December 31, 2012, 2011 and 2010 and the percentage change between those years:

	Years Ended December 31,			Percentage Change	
	2012	2011	2010	2011 to 2012	2010 to 2011
	(in thousands)				
Interest income	$77	$266	$424	(71.1)%	(37.3)%
Interest expense	(29)	(62)	(4)	(53.2)%	n/a
Other income (expense)	(99)	(337)	11	(70.6)%	n/a

2012 compared to 2011

Cash, cash equivalents and short-term investments decreased by $137.6 million during 2012, primarily due to our acquisition of MTS. This and the continued reduction in interest rates resulted in a 71.1% decline in interest income earned compared to 2011.

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Other income (expense), decreased in 2012, primarily due to unfavorable effects of exchange rate in 2011 between Indian rupees and U.S. dollars as compared to an immaterial impact in 2012.

We expect interest income to remain at approximately 2012 levels during 2013.

2011 compared to 2010

Although cash, cash equivalents and short-term investments increased by $16.1 million during 2011, continued reduction in interest rates resulted in a 37.3% decline in interest income earned. The weighted average interest rate of 0.07% in the fourth quarter 2011 compares with 0.18% in the fourth quarter 2010.

Interest expense was greater in 2011 than 2010, primarily due to installment interest payments on a disputed county property tax issue. Other income, negligible in 2010, reversed to a $0.3 million other expense, primarily for effects of exchange rate changes between Indian rupees and U.S. dollars.

Income Taxes

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Provision for income taxes	$10,897	$5,700	$5,065

We recorded a provision for income taxes of approximately $10.9 million and an effective tax rate of 40.25% for the year ended December 31, 2012 compared to $5.7 million and an effective tax rate of 35.4% for the year ended December 31, 2011. The 2012 annual tax rate differed from the statutory tax rate of 35%, primarily due to the unfavorable impact of state income taxes, non-deductible equity charges under ASC 740-718, and other non-deductible expenditures, including non-deductible acquisition costs, all of which were partially offset by the domestic production activities deduction. The increase in the annual effective tax rate as compared to 2011 was primarily due to the expiration of the federal research and development credit after 2011 and non-deductible acquisition costs and equity charges, partially offset by an increase in the domestic production activity deduction.

Our 2012 tax provision did not include the benefit of the 2012 federal R&D tax credit. The federal R&D tax credit expired as of December 31, 2011. In January 2013, it was retroactively extended through the end of 2013. The tax benefit of the 2012 federal R&D tax credit will be recognized as a discrete item in the first quarter of 2013 when the reenactment occurred. We expect this amount to be in the range of $0.6 million to $0.8 million.

We recorded a provision for income taxes of approximately $5.7 million and an effective tax rate of 35.4% for the year ended December 31, 2011 compared to $5.1 million and an effective tax rate of 50.8% for the year ended December 31, 2010. The decrease in the effective tax rate was primarily a result of the one-time tax adjustment in 2010 for the tax effect of undistributed earnings associated with the closure of our offices in India. The decrease is also attributable to the domestic production activities deduction, which we could not claim in 2010 due to our net operating loss utilization, and to a one-time adjustment to reserves for R&D tax credits that was recorded in 2010.

Refer to Note 14, "Income Taxes" to the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for discussion of factors affecting the ability to realize the deferred tax assets.

Liquidity and Capital Resources

Cash Flows

The table below shows our cash flows for the years ended December 31, 2012, 2011 and 2010:

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	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Net cash provided by operating activities	$39,484	$31,243	$20,598
Net cash used in investing activities	(168,711)	(13,066)	(23,057)
Net cash (used in) provided by financing activities	(232)	(1,840)	8,863
Effect of exchange rate changes on cash and cash equivalents	10	(210)	1
Net increase (decrease) in cash and cash equivalents	$(129,449)	$16,127	$6,405

2012 compared to 2011

Net cash provided by operating activities. Net cash provided by operating activities increased by $8.2 million in 2012 to $39.5 million from $31.2 million in 2011. The major drivers increasing operating cash flow were $5.8 million higher net income and a reduction of inventory of $12.0 million, as well as increases in accrued compensation of $4.7 million, deferred gross profit of $4.1 million and accounts payable of $4.0 million, between 2012 and 2011. Partially offsetting these increases in sources of operating cash flows were a net increase of $6.4 million in prepaid expenses and the increase of $5.2 million in sales type leases.

Net cash used in investing activities. Net cash used in investing activities increased by $155.6 million in 2012 to $168.7 million from $13.1 million in 2011. This increase was primarily driven by $158.3 million of cash paid to complete the 2012 acquisition of MTS in the second quarter of 2012.

Net cash used in financing activities. Net cash used in financing activities decreased by $1.6 million in 2012 to $0.2 million net cash used compared to net cash used by financing activities of $1.8 million in 2011. Stock repurchases decreased by $0.2 million to $12.4 million in 2012 from $12.6 million in 2011. In 2012 cash generated from shares issued under stock option and employee stock purchase plans increased by $2.2 million to $8.9 million from $6.8 million in 2011, offset by a decrease of $0.7 million in excess tax benefits from employee stock plans to $3.2 million in 2012 from $3.9 million in 2011.

2011 compared to 2010

Net cash provided by operating activities. Net cash provided by operating activities increased by $10.6 million in 2011 to $31.2 million from $20.6 million in 2010. The major drivers increasing operating cash flow were higher net income of $5.5 million higher net income and $7.2 million greater cash from accounts receivable. Other sources of cash were balance sheet changes in prepaid expenses recorded as current assets, deferred gross profit, accrued liabilities and deferred service revenues, increasing $4.6 million, $4.5 million, $1.8 million and $1.2 million, respectively, in operating cash flows in 2011 compared to 2010. Partially offsetting these increases in sources of operating cash flows were the $9.5 million net increase in inventory to support our G4 product launch and the net reduction of $5.1 million in accounts payable.

Net cash used in investing activities. Net cash used in investing activities decreased by $10.0 million in 2011 to $13.1 million from $23.1 million in 2010. This decrease was driven by the 2010 acquisition of Pandora for $5.7 million, net of cash acquired, and by the purchases of $8.1 million of California revenue anticipation notes in both 2010 and 2011, of which the notes purchased in 2010 matured in 2011. These decreases were partially offset by the $3.8 million increase in capital expenditures for software development and property and equipment.

Net cash (used in) provided by financing activities. Net cash (used in) provided by financing activities decreased by $10.0 million in 2011 to $1.8 million net cash used compared to net cash provided by financing activities of $8.9 million in 2010. This was driven by the $12.6 million use of cash for stock repurchases and $0.2 million from shares issued under stock option and employee stock purchase plans, partially offset by an increase of $2.1 million in excess tax benefits from employee stock plans.

Liquidity

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 acquisition and acquisition assessment activities. Additionally, as described in Note 15, "Stockholders' Equity" to the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, on December 31, 2012, we had $50.0 million of remaining authorized funds to repurchase shares of our common stock under stock repurchase programs, which may, in the future, result in

additional use of cash. We had cash and cash equivalents of $62.3 million at December 31, 2012 as compared to $191.8 million at December 31, 2011. As of December 31, 2012, we had no short-term investments, compared to $8.1 million in 2011. Based on our current business plan

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and revenue backlog, we believe that our existing cash, cash equivalents and our anticipated cash flows from operations as well as cash generated from the exercise of employee stock options and purchases under our employee stock purchase plan will be sufficient to meet our cash needs for working capital, capital expenditures, acquisitions, and other contractual obligations for at least the next twelve months. For periods beyond the next twelve months, we also anticipate that our net operating cash flows plus existing balances of cash, and cash equivalents will suffice to fund the continued growth of our business.

Off-Balance Sheet Arrangements

As of December 31, 2012, we had no off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) of the Securities Exchange Act of 1934, as amended, and the instructions thereto.

Contractual Obligations

As of December 31, 2012, we had $52.6 million in contractual commitments to third parties for non-cancelable operating leases, commitments to contract manufacturers and suppliers and other purchase commitments. See Note 12, "Commitments," to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further information with respect to these commitments.

The following table summarizes our contractual obligations at December 31, 2012 (in thousands):

	Total	Less than one year	One to three years	Three to five years	More than five years
Operating leases(1)(2)	$45,587	$5,601	$10,555	$9,127	$20,304
Commitments to contract manufacturers and suppliers(3)	7,058	7,058	—	—	—
Total(4)	$52,645	$12,659	$10,555	$9,127	$20,304

(1) Commitments under operating leases relate primarily to leasehold property and office equipment. Rent expense was $5.7 million, $3.3 million and $3.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(2) In October 2011, we entered into a lease agreement for approximately 100,000 square feet of office space. Pursuant to the lease agreement, the landlord has constructed a single, three-story building of rentable space in Mountain View, California which we now lease and which serves as our headquarters. The term of the lease agreement, which commenced in November 2012, is for a period of 10 years, with a base lease commitment of approximately $40.0 million. We have two options to extend the term of the lease agreement at market rates. Each extension is for an additional 60 month term.

(3) 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.

(4) At December 31, 2012, we have recorded $3.3 million for uncertain tax positions under long term liabilities, in accordance with U.S. GAAP, summarized under the section entitled "Critical Accounting Policies and Estimates" of this Annual Report on Form 10-K. As these liabilities do not reflect actual tax assessments, the timing and amount of payments we might be required to make will depend upon a number of factors. Accordingly, as the timing and amount of payment cannot be estimated, the $3.3 million of uncertain tax position liabilities has not been included in the contractual obligations table above.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are only exposed to market risk from changes in interest rates to the extent our interest income might decrease. As of December 31, 2012, we had $62.3 million of cash and cash equivalents. We invest our cash in cash investments with original or remaining maturities of three months or less and whose principal is not subject to market rate fluctuations. Accordingly, interest rate declines would adversely affect our interest income but would not affect the carrying value of our cash investments. The weighted interest rate for the fourth quarter of 2012 was less than 1.0%. Management considers this interest rate exposure immaterial.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth beginning at page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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, or the Exchange Act) as of the end of the period covered by this Annual Report. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K 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, as of December 31, 2012, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

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 U.S. generally accepted accounting principles. 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.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012 using the criteria for effective internal control over financial reporting as described in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organization of the Treadway Commission. We have excluded from our evaluation the internal control over financial reporting of MTS Medication Technologies, Inc., which is included in the December 31, 2012 consolidated financial statements and constituted $37.4 million and $25.0 million of total and net assets, respectively, as of December 31, 2012, and $47.2 million and $3.1 million of revenue and operating income, respectively, for the year then ended. Based on this assessment, management concluded that, as of December 31, 2012, our internal control over financial reporting was effective.

Our independent registered public accounting firm, Ernst & Young LLP, has issued its attestation report on our internal control over financial reporting. Their report follows this Item 9A in this Annual Report on Form 10-K.

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) during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Attestation Report of the Registered Public Accounting Firm

The report required by this item is set forth below:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Omnicell, Inc.

We have audited Omnicell, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Omnicell, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of MTS Medication Technologies, Inc., which is included in the 2012 consolidated financial statements of Omnicell, Inc. and constituted $37.4 million and $25.0 million of total and net assets, respectively, as of December 31, 2012, and $47.2 million and $3.1 million of revenue and operating income, respectively, for the year then ended. Our audit of internal control over financial reporting of Omnicell, Inc. also did not include an evaluation of the internal control over financial reporting of MTS Medication Technologies, Inc.

In our opinion, Omnicell Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Omnicell, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 of Omnicell Inc., and our report dated March 8, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California

March 8, 2013

ITEM 9B. OTHER INFORMATION

None.

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PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because the registrant will file with the U.S. Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A in connection with the solicitation of proxies for the Company's Annual Meeting of Stockholders expected to be held in May 2013 (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information included therein is incorporated herein by reference

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors and executive officers may be found under the heading "Executive Officers of the Registrant" in Part I, Item 1 of this Annual Report on Form 10-K, and in the section entitled "Election of Directors" appearing in the Proxy Statement. Such information is incorporated herein by reference.

The information required by this Item with respect to our audit committee and audit committee financial expert may be found in the section entitled "Information Regarding the Board of Directors and Corporation Governance—Audit Committee" appearing in the Proxy Statement. Such information is incorporated herein by reference.

The information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 may be found in the sections entitled "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in the Proxy Statement. Such information is incorporated herein by reference.

Our written Code of Conduct applies to all of our directors and employees, including executive officers, including without limitation our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Conduct is available on our website at www.omnicell.com under the hyperlink titled "Corporate Governance." Changes to or waivers of the Code of Conduct will be disclosed on the same website. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver of, any provision of the Code of Conduct by disclosing such information on the same website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item with respect to director and executive officer compensation is incorporated by reference to the section of our Proxy Statement under the section entitled "Executive Compensation—Compensation Discussion and Analysis."

The information required by this Item with respect to Compensation Committee interlocks and insider participation is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Information Regarding the Board of Directors and Corporate Governance—Compensation Committee Interlocks and Insider Participation."

The information required by this Item with respect to our Compensation Committee's review and discussion of the Compensation Discussion and Analysis included in the Proxy Statement is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Executive Compensation—Compensation Discussion and Analysis—Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Security Ownership of Certain Beneficial Owners and Management."

The information required by this Item with respect to securities authorized for issuance under our equity compensation plans is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

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The information required by this Item with respect to related party transactions is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Certain Relationships and Related Transactions." The information required by this Item with respect to director independence is incorporated herein by reference to the information from the Proxy Statement under the section entitled "Information Regarding the Board of Directors and Corporate Governance—Independence of the Board of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the section from the Proxy Statement under the section entitled "Ratification of Selection of Independent Registered Public Accounting Firm—Principal Accountant Fees and Services."

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)The following documents are included as part of this Annual Report on Form 10-K:

(1)All financial statements.

Index to Financial Statements:

The foregoing additional financial statement schedule should be considered in conjunction with our consolidated financial statements. All other schedules have been omitted because the required information is either not applicable or not sufficiently material to require submission of the schedule.

(2)Exhibits required by Item 601 of Regulation S-K.

The information required by this item is set forth on the exhibit index which follows the signature page of this report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Omnicell, Inc.

We have audited the accompanying consolidated balance sheets of Omnicell, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the index at 15(a)(1). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Omnicell, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Omnicell, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
March 8, 2013

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OMNICELL, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$62,313	$191,762
Short-term investments	—	8,107
Accounts receivable, net of allowances of $722 and $443 at December 31, 2012 and December 31, 2011, respectively	55,116	38,661
Inventories	26,903	18,107
Prepaid expenses	15,392	10,495
Deferred tax assets	11,860	10,352
Other current assets	9,172	6,107
Total current assets	180,756	283,591
Property and equipment, net	34,107	17,306
Non-current net investment in sales-type leases	13,228	8,785
Goodwill	111,407	28,543
Other intangible assets	85,550	4,231
Non-current deferred tax assets	993	11,677
Other assets	15,778	9,716
Total assets	$441,819	$363,849
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$18,255	$11,000
Accrued compensation	11,613	7,328
Accrued liabilities	11,988	8,901
Deferred service revenue	20,449	19,191
Deferred gross profit	20,772	14,210
Total current liabilities	83,077	60,630
Non-current deferred service revenue	19,892	18,966
Non-current deferred tax liabilities	26,491	—
Other long-term liabilities	4,809	1,339
Total liabilities	134,269	80,935
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; none issued	—	—
Common Stock, $0.001 par value; 100,000,000 shares authorized; 39,493,469 and 33,541,493 shares issued and outstanding, respectively, at December 31, 2012 and 38,235,745 and 33,181,937 shares issued and outstanding, respectively, at December 31 2011	39	38
Treasury stock, at cost, outstanding: 5,951,976 and 5,053,808 shares at December 31, 2012 and 2011, respectively	(90,000)	(77,637)
Additional paid-in capital	382,844	362,154
Retained earnings (accumulated deficit)	14,536	(1,642)
Accumulated other comprehensive income	131	1

Total stockholders' equity	307,550	282,914
Total liabilities and stockholders' equity	$441,819	$363,849

See Notes to Consolidated Financial Statements

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OMNICELL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended December 31		
	2012	2011	2010
Revenues:			
Product revenues	$247,654	$185,864	$171,100
Services and other revenues	66,373	59,671	51,307
Total revenues	314,027	245,535	222,407
Cost of revenues:			
Cost of product revenues	112,369	79,567	76,372
Cost of services and other revenues	31,070	30,184	28,079
Restructuring charges	—	—	39
Total cost of revenues	143,439	109,751	104,490
Gross profit	170,588	135,784	117,917
Operating expenses:			
Research and development	23,726	22,042	21,007
Selling, general and administrative	119,736	97,520	86,227
Restructuring and asset impairment charges	—	—	1,157
Total operating expenses	143,462	119,562	108,391
Income from operations	27,126	16,222	9,526
Interest and other income (expense), net	(51)	(133)	431
Income before provision for income taxes	27,075	16,089	9,957
Provision for income taxes	10,897	5,700	5,065
Net income	$16,178	$10,389	$4,892
Net income per share-basic	$0.49	$0.31	$0.15
Net income per share-diluted	$0.47	$0.30	$0.15
Weighted average shares outstanding:			
Basic	33,307	33,123	32,651
Diluted	34,213	34,103	33,513

See Notes to Consolidated Financial Statements

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OMNICELL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended December 31,		
	2012	2011	2010
Net income	$16,178	$10,389	$4,892
Other comprehensive income, net of tax and reclassification adjustments:			
Unrealized gains on securities:			
Unrealized holding (losses) gains arising during the period	(1)	1	—
Changes in fair value of foreign currency forward hedges	65	—	—
Foreign currency translation adjustment	66	—	—
Other comprehensive income	130	1	—
Comprehensive income	$16,308	$10,390	$4,892

See Notes to Consolidated Financial Statements

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OMNICELL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common		Treasury					
	Shares	Stock Amount	Shares	Stock Amount	Additional Paid In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2009	36,072,776	$ 36	(4,095,306)	$(65,064)	$324,255	$ (16,923)	$ —	$242,304
Net income	—	—	—	—	—	4,892	—	4,892
Share-based compensation	—	—	—	—	9,015	—	—	9,015
Common stock issued under stock option and stock award plans	624,916	1	(25,817)	—	3,637	—	—	3,638
Issuance of stock under employee stock purchase plan	451,014	—	—	—	3,364	—	—	3,364
Income tax benefits realized from employee stock plans	—	—	—	—	2,001	—	—	2,001
Balance at December 31, 2010	37,148,706	37	(4,121,123)	(65,064)	342,272	(12,031)	—	265,214
Net income	—	—	—	—	—	10,389	—	10,389
Other comprehensive income	—	—	—	—	—	—	1	1
Share repurchases	—	—	(889,511)	(12,573)	—	—	—	(12,573)
Share-based compensation	—	—	—	—	9,499	—	—	9,499
Common stock issued under stock option and stock award plans	641,074	1	(43,174)	—	2,736	—	—	2,737
Issuance of stock under employee stock purchase plan	445,965	—	—	—	4,050	—	—	4,050
Income tax benefits realized from employee stock plans	—	—	—	—	3,597	—	—	3,597
Balance at December 31, 2011	38,235,745	38	(5,053,808)	(77,637)	362,154	(1,642)	1	282,914
Net income	—	—	—	—	—	16,178	—	16,178
Other comprehensive income	—	—	—	—	—	—	130	130

Share repurchases	—	—	(898,168)	(12,363)	—	—	—	(12,363)
Share-based compensation	—	—	—	—	9,214	—	—	9,214
Common stock issued under stock option and stock award plans	879,875	1	—	—	4,547	—	—	4,548
Issuance of stock under employee stock purchase plan	377,849	—	—	—	4,402	—	—	4,402
Income tax benefits realized from employee stock plans	—	—	—	—	2,527	—	—	2,527
Balance at December 31, 2012	39,493,469	$ 39	(5,951,976)	$(90,000)	$382,844	$ 14,536	$ 131	$307,550

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See Notes to Consolidated Financial Statements

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OMNICELL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	$16,178	$10,389	$4,892
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,325	7,983	8,619
Loss on disposal of fixed assets	66	—	191
Gain on legal settlement	—	—	(2,439)
Provision for (recovery of) receivable allowance	582	(155)	(575)
Gain on sale of note receivable	—	(473)	(684)
Share-based compensation expense	9,214	9,499	9,015
Income tax benefits from employee stock plans	2,527	3,597	2,001
Excess tax benefits from employee stock plans	(3,182)	(3,946)	(1,861)
Provision for excess and obsolete inventories	394	1,112	640
Foreign currency remeasurement loss	—	210	(1)
Deferred income taxes	2,718	589	2,403
Changes in operating assets and liabilities:			
Accounts receivable, net	(9,311)	5,863	(1,317)
Inventories	2,536	(9,434)	77
Prepaid expenses	(4,897)	1,464	(3,179)
Other current assets	(1,114)	(594)	209
Net investment in sales-type leases	(4,154)	1,036	1,412
Other assets	(3,831)	339	519
Accounts payable	1,751	(2,242)	2,859
Accrued compensation	4,285	(403)	(529)
Accrued liabilities	674	(342)	(2,131)
Deferred service revenue	2,914	3,596	2,367
Deferred gross profit	6,562	2,491	(1,970)
Other long-term liabilities	2,247	664	80
Net cash provided by operating activities	39,484	31,243	20,598
Cash flows from investing activities:			
Purchases of short-term investments	—	(8,097)	(8,059)
Maturities of short-term investments	8,122	8,143	—
Acquisition of intangible assets and intellectual property	(373)	(235)	(198)
Software development for external use	(5,028)	(4,192)	(2,207)
Purchases of property and equipment	(15,201)	(8,685)	(6,890)
Proceeds from disposal of equipment	81	—	—
Business acquisition, net of cash acquired	(156,312)	—	(5,703)
Net cash used in investing activities	(168,711)	(13,066)	(23,057)
Cash flows from financing activities:			
Proceeds from issuance of common stock under employee stock purchase and stock option plans	8,949	6,787	7,002
Stock repurchases	(12,363)	(12,573)	—
Excess tax benefits from employee stock plans	3,182	3,946	1,861

Net cash provided from (used in) financing activities	(232)	(1,840)	8,863
Effect of exchange rate changes on cash and cash equivalents	10	(210)	1
Net (decrease) increase in cash and cash equivalents	(129,449)	16,127	6,405
Cash and cash equivalents at beginning of period	191,762	175,635	169,230

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Cash and cash equivalents at end of period	$62,313	$191,762	$175,635
Supplemental disclosure of cash flow information:			
Cash paid for interest	$28	$62	$4
Cash paid for taxes	6,676	253	1,513
Supplemental disclosures of non-cash operating activity			
Accrual of indemnification asset/acquired legal contingency (Note 2)	$—	$—	$200
Satisfaction of acquired legal contingency with indemnification asset (Note 2)	$—	$(1,200)	$—

See Notes to Consolidated Financial Statements

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OMNICELL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1.Organization and Summary of Significant Accounting Policies

Description of the Company. Omnicell, Inc. ("Omnicell," "our," "us," "we," or the "Company") was incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. Our major products are automated medication and supply control systems which are sold in our principal market, which is the healthcare industry. Our market is primarily located in the United States.

On May 21, 2012, we completed our acquisition of MedPak Holdings, Inc. ("MedPak"). MedPak is the parent company of MTS Medication Technologies, Inc. ("MTS"), a worldwide provider of medication adherence packaging systems. This acquisition aligns us with the long-term trends of the healthcare market to manage the health of patients across the continuum of care. We can now serve both the acute care and non-acute markets. Omnicell and MTS bring capabilities to each other that strengthen the product lines and expand the medication management coverage of both companies. Please refer to Note 2, "Business Acquisition" for more information regarding the transaction.

In 2010, we completed an acquisition of Pandora Data Systems ("Pandora"). The consolidated financial statements include the results of operations from this business combination from September 29, 2010, the date of acquisition. Additional disclosure related to the acquisition is provided in Note 2, "Business Acquisition."

Principles of consolidation. The consolidated financial statements include the accounts of our wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Reclassifications. A reclassification has been made to the prior year consolidated balance sheet to conform to the current period presentation. We reclassified customer net receivable credit balances from accounts receivable to accrued liabilities. This reclassification was immaterial to the consolidated financial statements.

Use of estimates. The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed 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. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, share-based compensation, inventory valuation, valuation of goodwill and purchased intangibles, valuation of long-lived assets and accounting for income taxes.

Cash and cash equivalents. We classify investments as cash equivalents if their original or remaining contractual maturity is three months or less at the date of purchase. Cash equivalents are stated at cost, which approximates fair value. Our cash and cash equivalents are maintained in demand deposit accounts with financial institutions of high credit quality and are invested in institutional money market funds, short-term bank time deposits and similar short duration instruments with fixed maturities from overnight to three months. We continuously monitor the creditworthiness of the financial institutions and institutional money market funds in which we invest our surplus funds. We have not experienced any credit losses from our cash investments.

We classify investments as short-term investments if their original or remaining maturities at purchase are greater than three months and their remaining maturities are one year or less.

Fair value of financial instruments. We value our financial assets and liabilities on a recurring basis using the fair value hierarchy established in Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures.

ASC 820 describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 inputs, which include quoted prices in active markets for identical assets or liabilities;

Level 2 inputs, which include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability;

and

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Level 3 inputs, which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

At December 31, 2012 and December 31, 2011, our financial assets utilizing Level 1 inputs included cash equivalents. For these items, quoted market prices are readily available and fair value approximates carrying value. At December 31, 2011 we had a short term investment in California revenue anticipation notes the valuation inputs of which are classified as Level 2. We do not currently have any material financial instruments utilizing Level 3 inputs.

Classification of marketable securities. Marketable securities for which we have the intent and ability to hold to maturity are classified as held-to-maturity, with carrying value at amortized cost, including accrued interest. We do not hold securities for purposes of trading. However, securities held as investments for the indefinite future, pending future spending requirements are classified as available-for-sale, with carrying value at fair value and any unrealized gain or loss recorded to other comprehensive income until realized. We held $38.9 million of money market mutual funds as available-for-sale cash equivalents as of December 31, 2012. As of December 31, 2011, we held $177.3 million of money market mutual funds as available-for-sale cash equivalents and $8.1 million of non-U.S. Government securities as an available-for-sale short-term investments.

Revenue recognition. We earn revenues from sales of our medication control systems together with related consumables and services, and medical/surgical supply control systems with related services, which are sold in our principal market, which is the healthcare industry. Revenues related to consumable products are reported net of discounts provided to our customers. Our customer arrangements typically include one or more of the following deliverables:

- Products—Software-enabled equipment that manages and regulates the storage and dispensing of pharmaceuticals, consumable blister cards and packaging equipment and other medical supplies.
- Software—Additional software applications that enable incremental functionality of our equipment.
- Installation—Installation of equipment as integrated systems at customers' sites.
- Post-installation technical support—Phone support, on-site service, parts and access to unspecified software upgrades and enhancements, if and when available.
- Professional services—Other customer services such as training and consulting.

We recognize revenue when the earnings process is complete, based upon our evaluation of whether the following four criteria have been met:

- Persuasive evidence of an arrangement exists. We use signed customer contracts and signed customer purchase orders as evidence of an arrangement for leases and sales. For service engagements, we use a signed services agreement and a statement of work to evidence an arrangement.
- Delivery has occurred. Equipment and software product delivery is deemed to occur upon successful installation and receipt of a signed and dated customer confirmation of installation letter, providing evidence that we have delivered what a customer ordered. In instances of a customer self-installed installation, product delivery is deemed to have occurred upon receipt of a signed and dated customer confirmation letter. If a sale does not require installation, we recognize revenue on delivery of products to the customer, including transfer of title and risk of loss, assuming all other revenue criteria are met. We recognize revenue from sales of products to distributors upon delivery assuming all other revenue criteria are met since we do not allow for rights of return or refund. For the sale of consumable blister cards, we recognize revenue when title and risk of loss of the products shipped have transferred to the customer, which usually occurs upon shipment from our facilities. Assuming all other revenue criteria are met, we recognize revenue for support services ratably over the related support services contract period. We recognize revenue on training and professional services as they are performed.
- Fee is fixed or determinable. We assess whether a fee is fixed or determinable at the outset of the arrangement based on the payment terms associated with the transaction. We have established a history of collecting under the original contract without providing concessions on payments, products or services.
- Collection is probable. We assess the probability of collecting from each customer at the outset of the arrangement based on a number of factors, including the customer's payment history and its current creditworthiness. If, in our

judgment, collection of a fee is not probable, we defer the revenue until the uncertainty is removed, which generally means revenue is recognized upon our receipt of cash payment assuming all other

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revenue criteria are met. Our historical experience has been that collection from our customers is generally probable. In arrangements with multiple deliverables, assuming all other revenue criteria are met, we recognize revenue for individual delivered items if they have value to the customer on a standalone basis. Effective for new or modified arrangements entered into beginning on January 1, 2011, the date we adopted the revised revenue recognition guidance for arrangements with multiple deliverables on a prospective basis, we allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method. This method requires us to determine the selling price at which each deliverable could be sold if it were sold regularly on a standalone basis. When available, we use vendor-specific objective evidence ("VSOE") of fair value as the selling price. VSOE represents the price charged for a deliverable when it is sold separately or for a deliverable not yet being sold separately, the price established by management with the relevant authority. We consider VSOE to exist when approximately 80% or more of our standalone sales of an item are priced within a reasonably narrow pricing range (plus or minus 15% of the median rates). We have established VSOE of fair value for our post-installation technical support services and professional services. When VSOE of fair value is not available, third-party evidence ("TPE") of fair value for similar products and services is acceptable; however, our offerings and market strategy differ from those of our competitors, such that we cannot obtain sufficient comparable information about third parties' prices. If neither VSOE nor TPE are available, we use our best estimates of selling prices ("BESP"). We determine BESP considering factors such as market conditions, sales channels, internal costs and product margin objectives and pricing practices. We regularly review and update our VSOE, TPE and BESP information and obtain formal approval by appropriate levels of management.

The relative selling price method allocates total arrangement consideration proportionally to each deliverable on the basis of its estimated selling price. In addition, the amount recognized for any delivered items cannot exceed that which is not contingent upon delivery of any remaining items in the arrangement.

We also use the residual method of allocating the arrangement consideration in certain circumstances. We use the residual method to allocate total arrangement consideration between delivered and undelivered items for any arrangements entered into prior to January 1, 2011 and not subsequently materially-modified. The use of the residual method is required by software revenue recognition rules that applied to sales of most of our products and services until the adoption of the new revenue recognition guidance. We also use the residual method to allocate revenue between the software products that enable incremental equipment functionality and thus are not deemed to deliver its essential functionality, and the related post-installation technical support, as these products and services continue to be accounted for under software revenue recognition rules. Under the residual method, the amount allocated to the undelivered elements equals VSOE of fair value of these elements. Any remaining amounts are attributed to the delivered items and are recognized when those items are delivered.

A portion of our sales are made through multi-year lease agreements. Under sales-type leases, we recognize revenue for our hardware and software products net of lease execution costs such as post-installation product maintenance and technical support, at the net present value of the lease payment stream once our installation obligations have been met. We optimize cash flows by selling a majority of our non-U.S. government leases to third-party leasing finance companies on a non-recourse basis. We have no obligation to the leasing company once the lease has been sold. Some of our sales-type leases, mostly those relating to U.S. government hospitals, are retained in-house. Interest income in these leases is recognized in product revenue using the effective interest method.

Accounts receivable and notes receivable (net investment in sales type leases). We actively manage our accounts receivable to minimize credit risk. We typically sell to customers for which there is a history of successful collection. New customers are subject to a credit review process, which evaluates that customer's financial position and ability to pay. We continually monitor and evaluate the collectability of our trade receivables based on a combination of factors. We record specific allowances for doubtful accounts when we become aware of a specific customer's impaired ability to meet its financial obligation to us, such as in the case of bankruptcy filings or deterioration of financial position. Uncollectible amounts are charged off against trade receivables and the allowance for doubtful accounts when we make a final determination that there is no reasonable expectation of recovery. Estimates are used in determining our allowances for all other customers based on factors such as current trends, the length of time the receivables are past due and historical collection experience. While we believe that our allowance for doubtful accounts receivable is

adequate and that the judgment applied is appropriate, such estimated amounts could differ materially from what will actually be uncollectible in the future.

The retained in-house leases discussed above are considered financing receivables. Our credit policies and evaluation of credit risk and write-off policies are applied alike to trade receivables and the net-investment in sales-type leases. For both, an account is generally past due after thirty days. The financing receivables also have customer-specific reserves for accounts identified for specific impairment and a non-specific reserve applied to the remaining population, based on factors such as current trends, the length of time the receivables are past due and historical collection experience. The retained in-house leases

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are not stratified by portfolio or class. Financing receivables which are reserved are generally transferred to cash-basis accounting so that revenue is recognized only as cash is received. However, the cash basis accounts continue to accrue interest.

Sales of accounts receivable. We record the sale of our accounts receivables as "true sales" in accordance with accounting guidance for transfers and servicing of financial assets. During the years ended 2012, 2011 and 2010, we transferred non-recourse accounts receivable totaling $60.9 million, $46.9 million and $51.4 million, respectively, which approximated fair value, to leasing companies on a non-recourse basis. At December 31, 2012 and 2011, accounts receivable included approximately $0.7 million and $0.2 million, respectively, due from third-party leasing companies for transferred non-recourse accounts receivable.

Concentration in revenues and in accounts receivable. There were no customers accounting for 10% or more of revenues for the years ended December 30, 2012, 2011 or 2010. At December 31, 2012 and 2011, no single customer accounted for more than 10% of our accounts receivable balance.

Geographic risk. For the years ended December 31, 2012, 2011 and 2010, 7.5%, 2.0%, and 2.6%, respectively, of our product revenue was from foreign countries.

Commissions. Sales commissions generally are earned by our sales team upon order receipt, but are recognized in expense at the time of revenue recognition. Before they are recognized as expense they are recorded as prepaid commissions, which are a component of prepaid expenses.

Dependence on suppliers. We have a supply agreement with one primary supplier for construction and supply of several sub-assemblies and inventory management of sub-assemblies used in our hardware products. There are no minimum purchase requirements. The contract with our supplier may be terminated by either the supplier or by us without cause and at any time upon delivery of two months' notice. Purchases from this supplier for the years ended December 31, 2012, 2011 and 2010 were approximately $23.8 million, $21.1 million and $19.1 million, respectively.

Inventory. Inventories are stated at the lower of cost (utilizing standard costs, applying the first-in, first-out method) or market. Cost elements included in inventory are direct labor and materials plus applied overhead. We routinely assess on-hand inventory for timely identification and measurement of obsolete, slow-moving or otherwise impaired inventory. We write down our inventory for estimated obsolescence, excess or unmarketable quantities equal to the difference between the cost of the inventory and its estimated market value based on assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than we projected, additional inventory write-downs may be required.

Property and equipment. Property and equipment less accumulated depreciation are stated at historical cost. Our expenditures for property and equipment are for computer equipment and software used in the administration of our business, and for leasehold improvements to our leased facilities. We also develop molds and dies used in long-term manufacturing arrangements with suppliers, and for production automation equipment used in the manufacturing of consumable blister card components. Depreciation and amortization of property and equipment are provided over their estimated useful lives, using the straight-line method, as follows:

Computer equipment and related software	3 - 5 years
Leasehold and building improvements	Shorter of the lease term or the estimated useful life
Furniture and fixtures	5 years
Equipment	3 - 5 years

We capitalize costs related to computer software developed or obtained for internal use in accordance with ASC 350-40, Internal-Use Software. Software obtained for internal use has generally been enterprise-level business and finance software that we customize to meet our specific operational needs. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which is generally five years. Costs recognized in the preliminary project phase and the post-implementation phase are expensed as incurred. At December 31, 2012 and December 31, 2011, we had $5.4 million and $7.4 million of costs related to application development of enterprise-level software included in property and equipment, respectively.

Software development costs. We capitalize software development costs in accordance with ASC 985-20, Costs of Software to Be Sold, Leased, or Marketed, under which certain software development costs incurred subsequent to the establishment of technological feasibility may be capitalized and amortized over the estimated lives of the related

products. We establish feasibility when we complete a working model and amortize development costs over the estimated lives of the related products ranging from three to five years. During 2012 and 2011, we capitalized software development costs of $5.0 million and $4.2 million, respectively, which are included in other assets. For the years ended December 31, 2012, 2011 and 2010, we

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charged to cost of revenues $2.3 million, $1.6 million and $0.9 million, respectively, for amortization of capitalized software development costs. All development costs prior to the completion of a working model are recognized as research and development expense.

Valuation and impairment of goodwill, other intangible assets and other long lived assets. We account for goodwill and other intangible assets in accordance with ASC 350, Intangibles—Goodwill and Other. For the initial recognition and measurement of Goodwill and Intangibles resulting from acquisitions, we use the guidance in ASC 805, Business Combinations.

Under ASC 350, Intangibles - Goodwill and Other, goodwill and intangible assets with an indefinite life are not subject to amortization. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Under the provisions of ASC 350-20, Goodwill and Other, the recorded goodwill is subject to annual impairment testing. In addition, the provisions of ASC 350-20, require that an entity assign its recorded goodwill to each of its reporting units and test each reporting unit's goodwill for impairment at least annually or earlier in circumstances whereby certain events might trigger a decrease in the carrying value of goodwill. We complete our annual goodwill impairment assessment as of the first day of our fourth quarter. In accordance with ASC 350-20, we have the option to assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill, or bypass the qualitative assessment and proceed directly to performing the goodwill impairment test. We have elected to perform a qualitative assessment to determine whether it more likely than not that the fair value of each reporting unit is less than its carrying amount.

For both the Acute Care and Non-Acute Care segments, we considered the following qualitative factors when assessing if goodwill had been impaired for the year ended December 31, 2012:

- Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates or other developments in equity and credit markets;
- Industry and market considerations such as a deterioration in the environment in which we operate, an increased competitive environment, a decline in market-dependent multiples or metrics (consider in both absolute terms and relative to peers), a change in the market for our products or services, or a regulatory or political development;
- Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy or litigation; and
- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

Upon completion of our qualitative assessment conducted in the fourth quarter of 2012, management concluded that it was more likely than not the fair values of both the Acute and Non-Acute reporting units exceeded their carrying values including the respective amounts of goodwill. In addition, management did not note any other indicators of goodwill impairment as of December 31, 2012.

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. We review long-lived assets and certain purchased intangibles for impairment whenever events or changes in circumstances indicate that we will not be able to recover the asset's carrying amount. Recoverability of an asset is measured by comparing its carrying amount to the expected future undiscounted cash flows expected to result from the use and eventual disposition of that asset, excluding future interest costs that would be recognized as an expense when incurred. Any impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value. Significant management judgment is required in:

- identifying a triggering event that arises from a change in circumstances;
- forecasting future operating results; and

- estimating the proceeds from the disposition of long-lived or intangible assets.

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Significant management judgment is also required for initial recognition and measurement of goodwill and other intangibles assets resulting from business combinations in accordance with ASC 805. Management must assess the extent to which identified other intangibles assets are properly includable (and with the appropriate fair value) or properly excludable, by applying the recognition criteria. This judgment affects not only the other intangible assets but the remainder calculation of goodwill. The assessment of useful life for each acquired intangible impacts future financial position and operating performance through amortization expense.

Deferred service revenue and deferred gross profit. Deferred service revenue and deferred gross profit arise when customers are billed for products and/or services in advance of revenue recognition. Our deferred gross profit, classified as a current liability, consists primarily of unearned revenue on sale of equipment for which installation has not been completed, net of deferred cost of sales for such equipment, and the unearned revenue for software licenses. Our deferred service revenue, separated into current and long-term liabilities, consists of the unearned portion of service contracts for which revenue is recognized over their duration.

Valuation of share-based awards. We account for share-based compensation plans in accordance to the provisions of ASC 718, Stock Compensation. We estimate the fair value of our employee stock awards at the date of grant using certain subjective assumptions, such as expected volatility, which is based on a combination of historical and market-based implied volatility, and the expected term of the awards which is based on our historical experience of employee stock option exercises including forfeitures. Our valuation assumptions used in estimating the fair value of share-based awards may change in future periods. We recognize the fair value of awards over their vesting period or requisite service period. In addition, we calculate our pool of excess tax benefits available within additional paid-in capital in accordance with the provisions of ASC 718.

Accounting for income taxes. We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with GAAP, the provision for income taxes is computed using the liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which those tax assets and liabilities are expected to be realized or settled. In the event that these tax rates change, we will record a benefit or detriment to our income tax expense in the period of change. If we were to determine that all or part of the net deferred tax assets are not realizable in the future, we will record a valuation allowance that would be charged to earnings in the period such determination is made.

In accordance with ASC 740, Income Taxes, we recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results.

Please refer to Note 14, "Income Taxes" for further information.

Shipping costs. Outbound freight billed to customers is recorded as product revenue. The related shipping and handling costs are expensed as part of selling, general and administrative expense. Such shipping and handling expenses totaled $4.1 million, $2.7 million and $2.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Advertising. Advertising costs are expensed as incurred and amounted to $0.5 million, $0.9 million and $1.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Operating leases. We lease our buildings under operating leases accounted for in accordance with ASC 840, Leases.

Sales taxes. Sales taxes collected from customers and remitted to governmental authorities are not included in our revenue.

Foreign currency translation. We translate the assets and liabilities of our non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these

translations are recorded as foreign currency translation adjustments and included in accumulated other comprehensive income in stockholders' equity.

Currency forward contracts. From time to time we enter into foreign currency forward contracts to protect our business from the risk that exchange rates may affect the eventual cash flows resulting from intercompany transactions between

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Omnicell and our foreign subsidiaries. These transactions primarily arise as a result of products manufactured in the U.S. and sold to foreign subsidiaries in U.S. dollars rather than the subsidiaries' functional currencies. These forward contracts are considered to be financial derivative instruments and are recorded at fair value in the balance sheet. Changes in fair values of these financial derivative instruments are either recognized in other comprehensive income (a component of stockholders' equity) or net income depending on whether the derivative has been designated and qualifies as a hedging instrument. As of December 31, 2012, we had no foreign currency forward contracts which qualify for hedge accounting.

Total comprehensive income. The largest components of total comprehensive income for the year ended December 31, 2012 were foreign currency translation adjustments and changes in fair value of foreign currency forward hedges. The only difference included in total comprehensive income for the year ended December 31, 2011 was the tax-effected unrealized gain on available-for-sale securities for the holding period September 22, 2011 to December 31, 2011, which was immaterial. There was no difference due to other comprehensive income for the year ended December 31, 2010.

Segment information. Prior to the acquisition of MTS, we managed our business on the basis of a single operating segment, and a single reporting unit within that segment per ASC 280, Segment Reporting. Beginning with the acquisition of MTS, which was completed in May 2012, we have organized our business into two operating business segments: Acute Care, which primarily includes products and services sold to hospital customers and Non-Acute Care, which primarily includes products and services sold to customers outside of the hospital settings.

The Acute Care segment is organized around the design, manufacturing, selling and servicing of medication and supply dispensing systems. The Non-Acute Care segment includes primarily the manufacturing and selling of consumable medication blister cards, packaging equipment and ancillary products and services, but also includes medication dispensing systems sold to non-acute care pharmacies and facilities. We report segment information based on the management approach. The management approach designates the internal reporting used by the Chief Operating Decision Maker (the "CODM") for making decisions and assessing performance as the source of our operating segments. The CODM is our Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment, using information about its revenues, gross profit and income (loss) from operations.

Substantially all of our long-lived assets are located in the United States. For the year ended December 31, 2012, all of our total revenues and gross profits were generated by both our Acute Care and Non-Acute Care segments and no one customer accounted for greater than 10% of our revenues. For the years ended December 31, 2011 and 2010, all of our total revenues and gross profits were generated by the Acute Care segment and no one customer accounted for greater than 10% of our revenues.

Recently Adopted Accounting Standards

In May 2011, FASB issued ASU 2011-04, Fair Value Measurement, amending the fair value guidance in ASC 820, and thereby achieving substantially converged fair value measurement and disclosure requirements for GAAP and IFRS. The new guidance clarified some fair value measurement principles and expanded certain disclosure requirements. We adopted this guidance in the first quarter of 2012, without any impact to our financial position, operating results or cash flows.

In July 2012, FASB issued ASU 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment, which amends the guidance in ASC 350-30 on impairment testing of intangible assets with indefinite lives other than goodwill. This guidance gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that an indefinite-lived asset is impaired. An entity has the option to bypass the qualitative assessment and proceed directly to calculating the fair value of an intangible asset with an indefinite life. We adopted this guidance in the fourth quarter of 2012, earlier than required, without any significant impact on our financial position, operating results or cash flows, as this update does not change how we calculate impairment loss.

Recently Issued Accounting Standards

In February 2013, FASB issued 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI), which aims to improve the reporting of reclassifications

out of AOCI. This update requires an entity to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. We intend to adopt this guidance in the first quarter of 2013. We do not anticipate this update will have any significant impact on our financial position, operating results or cash flows.

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Note 2. Business Acquisition

MTS Medication Technologies, Inc.

On May 21, 2012, we completed our acquisition of MedPak Holdings, Inc. ("MedPak") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") under which Mercury Acquisition Corp, a newly formed Omnicell subsidiary, was merged with and into MedPak, with MedPak surviving the merger as a wholly-owned subsidiary of Omnicell. MedPak is the parent company of MTS Medication Technologies, Inc. ("MTS").

The MTS acquisition primarily was to align Omnicell with the long term trends of the healthcare market to manage the health of patients across the continuum of care. We can now better serve both the acute care and non-acute care markets. Omnicell and MTS bring capabilities to each other that strengthen the product lines and expand the medication management coverage of both companies.

We are accounting for the transaction under the acquisition method of accounting in accordance with the provisions of FASB ASC Topic 805, Business Combinations. Under the acquisition method, the estimated fair value of the consideration transferred to purchase the acquired company is allocated to the assets acquired and the liabilities assumed based on their fair values. We have made significant estimates and assumptions in determining the allocation of the acquisition consideration.

Pursuant to the terms of the Merger Agreement, we paid approximately $158.3 million in cash after adjustments provided for in the Merger Agreement, of which approximately $13.5 million was placed in an escrow fund, which will be distributed to MedPak's stockholders (subject to claims that we may make against the escrow fund for indemnification and other claims following the closing). The revised acquisition consideration of $158.3 million is comprised entirely of cash at closing.

At date of acquisition, we also recorded a $1.8 million liability based on expected additional working capital adjustments. In October 2012, a portion of the escrow fund set aside for the working capital adjustment was disbursed, with Omnicell receiving $0.3 million and MedPak's former stockholders receiving the remainder. As of December 31, 2012, the working capital adjustment was reversed, with a resulting reduction in goodwill of $1.8 million and a corresponding reduction in accrued liabilities. Accounts receivable acquired were recorded at their estimated fair value, comprised of total contractual obligations due of $7.6 million, of which $0.2 million was not expected to be collected. Based on an acquisition date valuation, the preliminary estimated fair values of acquired inventory and property and equipment exceeded their historical carrying values. We recorded a preliminary step-up to the estimated fair value of acquired inventory in the amount of $1.6 million, which resulted in subsequent related charges of $1.6 million to cost of product revenues.

In the fourth quarter of 2012, subsequent to the initial acquisition price allocation, we revised our preliminary determination of the fair value of fixed assets and intangible assets acquired from MTS, resulting in a decrease in the carrying value of acquired fixed assets of $1.3 million, and increase in the carrying value of intangibles of $0.4 million and a net increase in recorded goodwill of $0.9 million.

The total consideration and the allocation of the consideration to the individual net assets is considered preliminary as there are remaining uncertainties to be resolved, including the completion of an analysis of potential contingent payroll tax withholding obligations.

The total revised acquisition price was approximately $158.3 million and the preliminary allocation is comprised of the following (in thousands):

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	Fair value acquired
Cash including restricted cash	$2,000
Accounts receivable	7,403
Inventory	11,726
Deferred tax assets and other current assets	2,894
Total current assets	24,023
Property and equipment	9,807
Intangible assets	83,900
Goodwill	82,864
Other non-current assets	244
Total assets	200,838
Current liabilities	(7,917)
Non-current deferred tax liabilities	(33,386)
Other non-current liabilities	(1,223)
Net assets acquired	$158,312
Cash consideration, fair value	$158,312

Identifiable intangible assets. Acquired technology relates to MTS' products across all of its product lines that have reached technological feasibility, primarily the OnDemand technology. Trade name is primarily related to the MTS and OnDemand brand names. Customer relationships represent existing contracted relationships with pharmacies, institutional care facilities and others. Acquired technology, customer relationships, and trade names will be amortized on a straight-line basis over their estimated useful lives, which range from 12 to 30 years.

The estimated fair values of the acquired technology, trade names and customer relationships were primarily determined using either the relief-from-royalty or excess earnings methods. The interest rates utilized to discount net cash flows to their present values were determined after consideration of the overall enterprise rate of return and the relative risk and importance of the assets to the generation of future cash flows.

For income tax purposes, the historical tax bases of the acquired assets and assumed liabilities, along with the tax attributes of the MTS companies, will carry over. Because the transaction was a cash-for-stock transaction, there is no tax basis in the newly acquired intangible assets. Accordingly, the acquisition accounting includes the establishment of net deferred tax liabilities of $33.4 million, resulting from book tax basis differences related to the intangible assets acquired, as well as to the step up in the value of fixed assets and inventory to their estimated fair values at the time of acquisition.

Goodwill. Approximately $82.9 million has been allocated to goodwill. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets on the acquisition date. In accordance with ASC Topic 350, Intangibles - Goodwill and Other, goodwill will not be amortized, but instead will be tested for impairment at least annually or more frequently if certain indicators are present. We believe the MTS acquisition enhances our offerings and diversifies our revenue mix, providing a more robust product and service solution to our current customers while expanding Omnicell's international presence. We consider these factors as supporting the amount of goodwill recorded.

Details of acquired intangibles are as follows (in thousands, except for years):

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	Fair value acquired	Useful Life (years)	First year amortization expense
Trade name	$6,800	12	$567
Customer relationships	50,500	28 to 30	1,707
Acquired technology	26,600	20	1,330
Intangibles acquired	$83,900		$3,604
Weighted average life of intangibles		25.14	

For the year ended December 31, 2012, we incurred approximately $3.2 million in acquisition-related costs in connection with the MTS acquisition. These costs are included primarily in selling, general and administrative expenses on our Consolidated Statement of Operations.

During the year ended December 31, 2012, the acquired MTS operations (consolidated since the May 21, 2012 acquisition date) generated revenue of approximately $47.2 million and net income of $2.9 million.

The following represents unaudited pro forma revenue and net income as if MTS had been included in our consolidated results from January 1, 2011 (in thousands):

	Year Ended December 31,	
	2012	2011
Revenues	$342,770	$320,771
Net income	$19,030	$14,842

The pro forma unaudited condensed consolidated operating results presented above were calculated after applying Omnicell's accounting policies and by adding together the historical operating statements of MTS and Omnicell, with certain adjustments, assuming an acquisition date of January 1, 2011. Based on the estimated fair values and useful lives determined from the allocation of total MTS acquisition consideration, MTS historical depreciation and amortization expense was replaced with acquisition-accounting depreciation and amortization expense. Also reflected is the interest expense elimination effect of MTS on its debt (since it would have been paid off at acquisition) and the elimination of certain management fees to an affiliated party, offset in part by interest income foregone by Omnicell, by no longer having the acquisition consideration available as interest-bearing cash, cash equivalents and short-term investments.

The pro forma operating results do not include actual direct acquisition-related expenses incurred by MTS and Omnicell as such amounts are considered nonrecurring. The total of all adjustments were tax effected using an estimated federal and state effective income tax rate.

The pro forma operating results do not include any assumption of operating synergies for the combined companies. These pro forma results are provided as required disclosures and should not be considered as a forecast for any future period, nor as representing what the actual operating results would have been if the acquisition, in fact, had occurred on January 1, 2011.

Pandora Data Systems, Inc.

On September 29, 2010, we completed the acquisition of all of the outstanding capital stock of Pandora Data Systems, Inc. ("Pandora"), a provider of analytical software for medication diversion detection and regulatory compliance, for $6.0 million in cash.

In connection with the acquisition, we recorded $3.6 million of goodwill, equal to the excess of the fair value of the purchase consideration over the fair values of the net tangible and intangible assets acquired, which is tax deductible over a fifteen-year period. The following table summarizes the fair value acquisition accounting for Pandora on the September 29, 2010 purchase date (in thousands):

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	Fair value acquired
Cash	$297
Accounts receivable	416
Indemnification asset	1,000
Intangibles	2,420
Goodwill	3,561
Deferred tax asset	108
Total assets	7,802
Accrued compensation/other	(292)
Deferred service revenue	(510)
Litigation contingency	(1,000)
Total liabilities	(1,802)
Net assets acquired	$6,000
Cash consideration, fair value	$6,000

The $0.4 million fair value of accounts receivable consists of gross contractual commitments from customers less the amount not expected to be collected. The $0.5 million of deferred service revenue represents the fair value, using estimated discounted cash flows, of acquired remaining performance obligations under service contracts.

Additionally, an acquired legal contingency related to a contractual dispute between Pandora and a third party resulted in a liability accrual of $1.0 million, measured under ASC 450, Contingencies, guidance. An indemnification asset of $1.0 million was also recorded, since the former shareholders of Pandora had agreed to indemnify Omnicell against losses related to the litigation and a portion of the purchase price was placed in escrow to secure the indemnification obligations of the former Pandora shareholders.

This lawsuit was settled on February 17, 2011 for $1.2 million, the settlement amount of which was paid entirely from the selling shareholders' escrow account. As this is considered a new development, rather than evidence of conditions existing at the September 29, 2010 acquisition date, the disclosure of this dispute in the original purchase price allocation was not adjusted. However, as a recognized subsequent event, on our balance sheet as of December 31, 2010 we recorded the updated $1.2 million values for the acquired legal contingency and the indemnification asset. Furthermore, during the three months ended March 31, 2011, the $1.2 million asset and $1.2 million liability were reversed after settlement from the seller's escrow account. There was no impact on net income for either 2010 or 2011.

Operating results of Pandora have been combined with our operating results from the date of acquisition. Pro forma combined operating results for Omnicell and Pandora for the year ended December 31, 2010 has been omitted since the results of operations of Pandora were not material.

Note 3. Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted average number of shares outstanding during the period, less shares subject to repurchase. Diluted net income per share is computed by dividing net income for the period by the weighted average number of shares, less shares subject to repurchase, plus, if dilutive, potential common stock outstanding during the period. Potential common stock includes the effect of outstanding dilutive stock options, restricted stock awards and restricted stock units computed using the treasury stock method. Since their impact is anti-dilutive, the total number of shares excluded from the calculations of diluted net income per share for the years ended December 31, 2012, 2011 and 2010 were 2,149,044 shares, 1,833,574 shares and 2,005,642 shares, respectively.

The calculation of basic and diluted net income per share is as follows (in thousands, except per share amounts):

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	Years Ended December 31		
	2012	2011	2010
Basic:			
Net income	$16,178	$10,389	$4,892
Weighted average shares outstanding — basic	33,307	33,123	32,651
Net income per share — basic	$0.49	$0.31	$0.15
Diluted:			
Net income	$16,178	$10,389	$4,892
Weighted average shares outstanding — basic	33,307	33,123	32,651
Add: Dilutive effect of employee stock plans	906	980	862
Weighted average shares outstanding — diluted	34,213	34,103	33,513
Net income per share — diluted	$0.47	$0.30	$0.15

Note 4. Cash and Cash Equivalents, Short-term Investments and Fair Value of Financial Instruments

Cash and cash equivalents and short-term investments consist of the following significant investment asset classes, with disclosure of amortized cost, gross unrealized gains and losses, and fair value as of December 31, 2012 and December 31, 2011 (in thousands):

	December 31, 2012						
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash / Cash Equivalents	Short-term Investments	Security Classification
Cash	$23,422	$—	$—	$23,422	$23,422	$—	N/A
Money market funds	38,892	—	1	38,891	38,891	—	Available for sale
Total cash, cash equivalents and short-term investments	$62,314	$—	$1	$62,313	$62,313	$—	

	December 31, 2011						
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash / Cash Equivalents	Short-term Investments	Security Classification
Cash	$14,452	$—	$—	$14,452	$14,452	$—	N/A
Money market funds	177,310	—	—	177,310	177,310	—	Available for sale
Non-U.S. government securities	8,106	1	—	8,107	—	8,107	Available for sale
Total cash, cash equivalents and short-term investments	$199,868	$1	$—	$199,869	$191,762	$8,107	

The money market fund is a daily-traded cash equivalent with a price of $1.00, making it a Level 1 asset class, and its carrying cost closely approximates fair value. As demand deposit (cash) balances vary with the timing of collections and payments, the money market fund can cover any surplus or deficit, and thus is considered Available-for-sale.

The short term investments purchased in September 2011 were comprised of California revenue anticipation notes, which matured in June 2012. As this is the initial investment in a broader portfolio strategy for yield management, these are considered Available-for-sale. The notes were considered a Level 2 asset class, because their pricing is drawn from multiple market-related inputs, but in general not from same-day, same-security trades.

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The following table displays the financial assets measured at fair value, on a recurring basis, with money market funds recorded within cash and cash equivalents and non-U.S Government securities in short-term investments (in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
At December 31, 2012				
Money market funds	$38,891	$—	—	$38,891
Total	$38,891	$—	—	$38,891
At December 31, 2011				
Money market funds	$177,310	—	—	$177,310
Non U.S. Government securities	—	$8,107	—	8,107
Total	$177,310	$8,107	—	$185,417

Current assets and current liabilities are recorded at amortized cost, which approximates fair value due to the short-term maturities implied.

Note 5. Inventories

Inventories consist of the following (in thousands):

	December 31, 2012	December 31, 2011
Raw materials	$9,994	$7,666
Work in process	385	14
Finished goods	16,524	10,427
Total	$26,903	$18,107

Note 6. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31, 2012	December 31, 2011
Equipment	$32,528	$25,101
Furniture and fixtures	5,126	1,811
Leasehold improvements	6,992	3,692
Purchased software	19,870	20,641
Capital in process	2,693	2,283
	67,209	53,528
Accumulated depreciation and amortization		