

OMNICELL, Inc
Form 10-Q
August 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended June 30, 2017

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

For the transition period from _____ to _____

Commission File No. 000-33043

OMNICELL, INC.

(Exact name of registrant as specified in its charter)

Delaware 94-3166458

(State or other jurisdiction of (IRS Employer
incorporation or organization) 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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
				(Do not check if a smaller reporting company)					

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transitions period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 27, 2017, there were 37,453,725 shares of the registrant's common stock, \$0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OMNICELL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2017	December 31, 2016
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$26,936	\$ 54,488
Accounts receivable, net of allowances of \$5,019 and \$4,796, respectively	151,010	150,303
Inventories	81,523	69,297
Prepaid expenses	26,001	28,646
Other current assets	10,511	12,674
Total current assets	295,981	315,408
Property and equipment, net	40,713	42,011
Long-term investment in sales-type leases, net	17,424	20,585
Goodwill	332,996	327,724
Intangible assets, net	180,206	190,283
Long-term deferred tax assets	5,627	4,041
Other long-term assets	36,954	35,051
Total assets	\$909,901	\$ 935,103
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$53,287	\$ 27,069
Accrued compensation	31,251	26,722
Accrued liabilities	30,894	31,195
Long-term debt, current portion, net	10,910	8,410
Deferred revenue, net	85,370	87,516
Total current liabilities	211,712	180,912
Long-term deferred revenue	16,332	17,051
Long-term deferred tax liabilities	38,950	51,592
Other long-term liabilities	9,879	8,210
Long-term debt, net	183,526	245,731
Total liabilities	460,399	503,496
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued	—	—
Common stock, \$0.001 par value, 100,000 shares authorized; 46,591 and 45,778 shares issued; 37,446 and 36,633 shares outstanding, respectively	46	46
Treasury stock at cost, 9,145 shares outstanding	(185,074)	(185,074)
Additional paid-in capital	549,958	525,758
Retained earnings	92,063	100,396
Accumulated other comprehensive loss	(7,491)	(9,519)
Total stockholders' equity	449,502	431,607
Total liabilities and stockholders' equity	\$909,901	\$ 935,103

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Revenues:				
Product	\$128,056	\$130,674	\$226,986	\$258,569
Services and other revenues	52,829	42,233	104,453	85,342
Total revenues	180,885	172,907	331,439	343,911
Cost of revenues:				
Cost of product revenues	81,738	76,306	145,326	148,224
Cost of services and other revenues	21,172	18,584	43,946	37,725
Total cost of revenues	102,910	94,890	189,272	185,949
Gross profit	77,975	78,017	142,167	157,962
Operating expenses:				
Research and development	16,911	13,794	33,714	27,632
Selling, general and administrative	63,468	64,341	128,093	128,596
Total operating expenses	80,379	78,135	161,807	156,228
Income (loss) from operations	(2,404)	(118)	(19,640)	1,734
Interest and other income (expense), net	196	(1,881)	(2,260)	(4,052)
Loss before provision for income taxes	(2,208)	(1,999)	(21,900)	(2,318)
Benefit from income taxes	(3,045)	(840)	(11,983)	(781)
Net income (loss)	\$837	\$(1,159)	\$(9,917)	\$(1,537)
Net income (loss) per share:				
Basic	\$0.02	\$(0.03)	\$(0.27)	\$(0.04)
Diluted	\$0.02	\$(0.03)	\$(0.27)	\$(0.04)
Weighted-average shares outstanding:				
Basic	37,250	35,987	37,046	35,864
Diluted	38,370	35,987	37,046	35,864

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Net income (loss)	\$837	\$(1,159)	\$(9,917)	\$(1,537)
Other comprehensive income (loss), net of reclassification adjustments:				
Unrealized gains (losses) on interest rate swap contracts	(153)	—	29	—
Foreign currency translation adjustments	1,076	(4,467)	1,999	(4,794)
Other comprehensive income (loss)	923	(4,467)	2,028	(4,794)
Comprehensive income (loss)	\$1,760	\$(5,626)	\$(7,889)	\$(6,331)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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OMNICELL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended June 30,	
	2017	2016
	(In thousands)	
Operating Activities		
Net loss	\$(9,917)	\$(1,537)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	25,942	29,197
Loss on disposal of fixed assets	79	1
Share-based compensation expense	11,056	9,386
Income tax benefits from employee stock plans	11	681
Deferred income taxes	(12,646)	(3,877)
Amortization of debt financing fees	795	795
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(770)	(7,775)
Inventories	(12,226)	(6,919)
Prepaid expenses	2,645	(4,852)
Other current assets	202	78
Investment in sales-type leases	5,482	(6,558)
Other long-term assets	(34)	1,019
Accounts payable	23,357	6,736
Accrued compensation	4,529	210
Accrued liabilities	2,165	(2,195)
Deferred revenue	(2,865)	4,895
Other long-term liabilities	1,119	(2,398)
Net cash provided by operating activities	38,924	16,887
Investing Activities		
Purchases of intangible assets, intellectual property and patents	(160)	(1,185)
Software development for external use	(6,748)	(6,681)
Purchases of property and equipment	(6,493)	(5,938)
Business acquisitions, net of cash acquired	(4,446)	(271,458)
Net cash used in investing activities	(17,847)	(285,262)
Financing Activities		
Proceeds from debt	10,000	247,051
Repayment of debt and revolving credit facility	(70,500)	(22,500)
Payment for contingent consideration	—	(3,000)
Proceeds from issuances under stock-based compensation plans	15,783	8,639
Employees' taxes paid related to restricted stock units	(2,638)	(1,563)
Net cash provided by (used in) financing activities	(47,355)	228,627
Effect of exchange rate changes on cash and cash equivalents	(1,274)	(1,440)
Net decrease in cash and cash equivalents	(27,552)	(41,188)
Cash and cash equivalents at beginning of period	54,488	82,217
Cash and cash equivalents at end of period	\$26,936	\$41,029
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	\$641	\$593
Effect of adoption of new accounting standard	\$1,582	\$—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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OMNICELL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Organization and Summary of Significant Accounting Policies

Business

OmniceLL, Inc. was incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. Our major products are automated medication, supply control systems and medication adherence solutions which are sold in our principal market, which is the healthcare industry. Our market is primarily located in the United States and Europe. "OmniceLL", "our", "us", "we" or the "Company" collectively refer to Omnicell, Inc. and its subsidiaries.

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Stateme