29-Oct-2026

Omnicell, Inc. (OMCL)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us. And welcome to the Omnicell Third Quarter 2026 Financial Results Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to David Unger, VP of Investor Relations. David, please go ahead.

David Unger

Vice President, Investor Relations, Omnicell, Inc.

Good morning, and welcome to the Omnicell third quarter 2026 financial results conference call. My name is David Unger, Vice President of Investor Relations. On the call with me today are Randall Lipps, Chairman, Chief Executive Officer and Founder; Nnamdi Njoku, President and Chief Operating Officer; and Baird Radford, Executive Vice President and Chief Financial Officer.

Before we begin, I would like to remind you that today's call will include forward-looking statements within the meaning of federal securities laws, including statements regarding our financial outlook, business expectations and strategic priorities. These forward-looking statements are based on current expectations and assumptions as of today and are subject to risks and uncertainties that could cause actual results to differ materially. For additional information concerning these risks and uncertainties, please refer to our earnings press release issued this morning, our annual report on Form 10-K filed with the SEC on February 26, 2026, and our subsequent SEC filings. We disclaim any obligation to update any forward-looking statements except as required by law.

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During this call, we will also discuss certain non-GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in our third quarter 2026 earnings press release, available on the Investor Relations section of our website at ir.omnicell.com.

Turning to today's agenda, Randall will begin with an overview of our third quarter performance and strategic priorities. Nnamdi will then provide an update on our operational execution and key initiatives, followed by Baird, who will review our financial results and updated outlook. We will then open the call for questions.

With that, I will turn the call over to Randall. Randall?

Randall A. Lipps

Chairman, Chief Executive Officer & Founder, Omnicell, Inc.

Good morning, everyone, and thank you for joining us. In the third quarter 2026, we delivered another quarter of strong execution. Total revenue was $308 million, and non-GAAP EBITDA was $45 million, both above the high end of our previously shared guidance. These results reflect the execution-oriented approach we've taken throughout the year and reinforce our confidence in the strategy we're pursuing in autonomous medication management.

Medication management remains foundational to how health systems operate. We have seen that this is difficult for a hospital to achieve its clinical and operational objectives without getting medication management right, and that reality continues to underpin the long-term demand we see.

Before sharing additional perspectives on our business, I want to touch on our sixth annual Illuminate event, held on September 29, where we brought customers and prospects together to discuss our strategy for medication management.

The event reinforced the strategy we have been executing for some time, delivering intentionally integrated offerings, built to meet the enterprise needs of health systems so that data, workflows, and technology work together to help health systems reduce complexity and operate more efficiently. We were encouraged by the engagement we saw from customers and prospects at the event.

In the spirit of our automation journey, we are advancing OmniSphere as planned. OmniSphere, our cloud-native platform, is connecting to a set of our solutions, and we believe its value grows in combination with our broader automation offerings. Across the medication use journey, from inventory management and dispensing in acute care to specialty pharmacy and outpatient services, we believe this combination helps health systems improve inventory visibility, support safe and consistent processes, and reduce administrative burden.

Turning to our automated dispensing cabinets, these products remain deeply embedded in acute care hospital settings across the United States, creating a foundation of operating necessity within these institutions and enhancing nursing access and efficiency. As these systems naturally reach the end of their useful life, we are staying ahead of the cycle to help health systems protect their clinical, operational, and financial performance.

Stepping back to the broader environment, while health systems are not immune to the macro backdrop, we continue to see medication management treated by and large as a priority investment across our customer base. We continue to see customers focus on operational efficiency, reliability, and addressing staffing pressures, and we continue to see the capital purchasing environment for these kinds of strategic investments that are expected to be constructive.

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We also see a growing number of health systems actively planning their path toward cloud deployment as part of how they're evaluating this refresh cycle. Because our solutions appear to be increasingly viewed as strategic enterprise-wide offerings, purchasing decisions continue to evolve broader cross-functional evaluation and long planning cycles.

The pipeline continues to build across a variety of deal sizes, including those large in nature, and has grown since our prior call. This robust pipeline momentum is in part aided by our expanding leasing programs, where leveraging our balance sheet helps support attractive lifetime value economics for both our customers and our business.

Leasing has become a meaningful part of our go-to-market approach on competitive deals, and we continue to partner with our potential new customers to meet their financial objectives. We don't view leasing as the single factor that wins a competitive deal. It's one of several things that need to come together, but it removes an early barrier to the conversation and lets us compete on the things we believe matter most: reliability, service, and innovation.

In summary, we delivered a strong third quarter with results exceeding the high end of our previously provided guidance range, and we remain confident in our ability to execute against the opportunity ahead, both in the near term and over the long run.

Now, with that, I'll turn it over to Nnamdi. Nnamdi?

Nnamdi Njoku

President & Chief Operating Officer, Omnicell, Inc.

Thank you, Randall, and good morning, everyone. Since our last quarterly update, I've continued to be laser-focused on strengthening how we execute day-to-day, pushing for operational discipline across the business, while looking for ways to improve leverage in our P&L. That means staying closely aligned across functions, particularly between product strategy, development, and customer success, so we can continue to build on what has made this company innovative, while at the same time sharpening our focus and driving sustained growth.

I want to walk through a few foundational elements of our core business this quarter: what differentiates our offering in this refresh cycle, what we're hearing directly from customers, how the install base is evolving early in the cycle, and what we're seeing on competitive deals and the capital environment our customers are navigating.

Starting with what we believe differentiates us from our competition. This really reinforces the three things Randall mentioned earlier: reliability, service, and innovation. Titan XT is engineered to address customers' existing and evolving needs directly, a scalable, cyber-secure platform, medication availability, inventory optimization, fleet monitoring, and an intuitive user experience. OmniSphere is designed to add enterprise-wide visibility, actionable insights, and workflow efficiency capabilities on top of the hardware foundation.

Reliable hardware and OmniSphere are not separable in our view. The hardware is the critical infrastructure that was built to allow the software to do everything we intend it to do, and we believe the two have to be sold and evaluated together. That combination, together with the customer experience and support we look to provide across the full product lifecycle, is how we differentiate ourselves from our primary competitor.

Our customer validation to date suggests a subscription-based pricing model for OmniSphere is being viewed favorably, given the predictability it offers relative to other cost structures. We continue to believe this approach will unlock meaningful value over time for both our customers and our business as the platform scales. We

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continue to pressure-test pricing levels with customers, and we expect this to be a multi-year financial journey. We look forward to sharing more as we approach general availability.

Turning to what we're hearing directly from customers. The initial reaction to OmniSphere's enterprise visibility and workforce efficiency capabilities continues to gain traction in the sales cycle, and OmniSphere continues to be an integral part of our hardware conversation with customers evaluating Titan XT. We'd also note that we think about this refresh cycle less as a discretionary capital purchase and more as a productivity and efficiency investment.

The returns customers are expected to see are intended to show up in staff and workflow efficiencies as well as product reliability. And this isn't unique to Titan XT. It reflects how we've approached innovation across our broader medication management portfolio.

A couple of examples bring this to life, spanning both smaller community systems and large regional health systems and reflecting the breadth of our portfolio rather than any single product. One community health system serving a rural multi-state region has realized a roughly 70% time savings in their cabinet restock workflow. And one large multi-state regional health system has seen a 41% increase in pharmacist-led clinical interventions. The kind of outcomes that speak to the clinical value of getting medication management right, not just the operational efficiency.

In our specialty pharmacy services business, we contracted with a notable federally qualified health center this quarter, another important proof point of our continued focus on both health systems and other care settings like FQHCs, and one that has already generated a referenceable referral.

We're also closely monitoring the evolving 340B Drug Pricing Program environment. Baird will provide more detail in a moment on the modest impact we're seeing on our ARR as a result of these dynamics. The point I would share is that in times of policy and other uncertainties, our specialty pharmacy customers look to us to partner to help optimize their opportunities to serve their patients.

Underlying all this is something I call a cultural strength for Omnicell as much as a strategic one. The way our teams show up as true partners to our customers as we work to innovate to meet the evolving needs of customers. That kind of commitment is what's built the goodwill we have across our customer base over many years.

Next, on how the install base is evolving this early in the refresh cycle. We're just days away from the first shipment of Titan XT hardware, consistent with the second half 2026 timing we outlined at the start of the year, and we continue to target the first half of 2027 for general availability of OmniSphere. As that date approaches, we expect OmniSphere attach rates to build over the subsequent years as customers make their own progression away from on-premises, locally maintained servers towards a more scalable cloud-native environment.

We've also been intentional about designing flexibility into this refresh cycle with the objective to meet customers where they are on their journey. We recognize that not every customer is ready to move to the cloud at the same pace that they're ready to refresh their hardware. So, we've built a path that is designed to work across readiness levels. For example, a current XT customer whose hardware does not need to be refreshed can still get access to OmniSphere through an XTExtend console upgrade without needing to move to Titan XT first.

We also saw continued movement in the install base during the third quarter, including XT expansion wins from customers within our existing install base. Among them, a leading academic medical center in the Northeast and

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a few multi-state health systems. We also saw continued momentum within our government channel, including additional wins within the Veterans Affairs system.

Turning to competitive deals specifically, we continue to see strong interest from customers evaluating next-generation platforms and remain encouraged by our competitive positioning in the market. Customer conversations since our initial product announcement last December have become noticeably richer over 2026.

Customers aren't just hearing about a roadmap anymore. They can demo our solutions, seeing the hardware and software interfacing in practice, and speak directly with reference customers already live on our cloud solution. That kind of transparency has made these conversations more productive in several of our competitive opportunities in our pipeline.

We're engaged at the executive level with active work streams spanning contracting, technical architecture, and deployment planning. We believe this is a sign that these evaluations are moving from early interest towards more advanced stages of the decision process.

Finally, on the capital environment our customers are navigating, financing flexibility appears to continue to matter a great deal because health systems have to work through their own capital decisions, and we continue to see that as one of the most important factors in how competitive evaluations play out.

As we move forward, our focus will remain on driving disciplined execution, accelerating innovation, and ensuring we deliver consistent high-quality performance across the organization. We also continue to take a disciplined view of our overall portfolio, concentrating our capital and management attention on the areas with the clearest path to durable, profitable growth as we work to deliver critically needed enterprise solutions for our customers.

With that, I'll turn it over to Baird.

Harlan Baird Radford

Chief Financial Officer & Executive Vice President, Omnicell, Inc.

Thank you, Nnamdi, and good morning, everyone. We delivered strong results for the third quarter of 2026. Total revenue for the quarter was $308 million, above the high end of our previously provided guidance range of $301 million to $307 million. Product revenue for the quarter was approximately $173 million, and service revenue was approximately $135 million, broadly consistent with the mix we've seen through the year.

From a profitability standpoint, non-GAAP EBITDA for the third quarter 2026 totaled $45 million, above the high end of our previously provided guidance range of $32 million to $37 million. This outperformance reflects the cost efficiency we've been building throughout the year, favorable customer mix on the product side, favorable gross margins across both our product and service lines, disciplined spending, and some expense timing that shifted into the fourth quarter.

Our incremental investments this year have been intentionally concentrated in growth and innovation initiatives, including those that are expected to be short- and long-term revenue-generating enablers. During the quarter, we've also continued to find efficiencies in other areas of our cost structure, including G&A and other business-supporting departments, and that's a dynamic you can see play out directly in this quarter's results. Non-GAAP earnings per share for the quarter was $0.58.

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Turning to the balance sheet, we ended the quarter with $315 million in cash and cash equivalents, and free cash flow for the quarter was $20 million. I want to spend a moment on the margin story this year because we think it's an important part of the broader narrative.

In 2025, we grew EBITDA at roughly half the rate of our revenue growth. Entering 2026, we made a concerted effort as a leadership team to reestablish emphasis on bottom line, while continuing to invest in the areas we believe matter most for the refresh cycle and our broader business over the next several years. Through the first three quarters of the year, we're seeing the benefit of that effort.

Our EBITDA is growing meaningfully faster than revenue this year, even as top line growth remains modest, which we note is a natural feature of where we are in the early stages of the refresh cycle. We see this as a clear sign of the operating leverage building in the business, and we expect that leverage to become even more visible as the cycle matures over the next few years.

We see this leverage as a product of three things working together. First, executive focus and alignment on which investments that we believe are truly critical to the refresh cycle's success, so we can ring-fence those investments critical to our long-term success. Second, identifying potential cost saving opportunities outside of innovation and go-to-market. And third, knowing where to double down and where the return on incremental investment is less compelling.

On OmniSphere specifically, we're still testing and validating pricing approaches with customers, so we won't walk through any specific numbers today. That said, we expect it to be economically important over time. As attach rates build and the platform scales, we expect OmniSphere to punch above its weight from an EBITDA contribution perspective, consistent with the operating leverage we'd expect from a cloud-native software layer once the flywheel of usage and experience gets going. We're encouraged by what we're hearing from customers so far, and we'll continue to share our perspectives as our validation of key proof points progress.

Before turning to guidance, I'd like to briefly connect our third quarter performance to the broader operating environment. As Randall and Nnamdi discussed, we continue to see an active pipeline for OmniSphere and Titan XT. We also continue to observe a measured decision-making process among customers, which may introduce variability in the timing of bookings on a quarter-to-quarter basis, consistent with the multi-quarter to multi-year capital approval cycles typical within our customer base. As a reminder, we continue to expect our full year 2026 bookings to be back-end weighted, consistent with the guidance range we provided last quarter.

Turning to our fourth quarter 2026 outlook, we expect total revenue in the range of $295 million to $301 million, non-GAAP EBITDA in the range of $30 million to $36 million, and non-GAAP earnings per share in the range of $0.41 to $0.49.

We are raising our full year 2026 non-GAAP EBITDA and non-GAAP earnings per share guidance, narrowing our total revenue, product revenue, service revenue, and year-end ARR ranges, and reiterating the remainder of the full year 2026 guidance.

Product bookings in the range of $425 million to $560 million. Total revenue in the range of $1.225 billion to $1.231 billion. Product revenue in the range of $684 million to $687 million. Service revenue in the range of $541 million to $544 million. Year-end 2026 ARR in the range of $660 million to $670 million. Non-GAAP EBITDA in the range of $187 million to $193 million. Non-GAAP earnings per share in the range of $2.48 to $2.56.

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The narrower total revenue range reflects our increased visibility into the business with one quarter remaining in the year, rather than any change in the underlying demand picture. And the increase to our full year EBITDA guidance reflects the cost efficiency and favorable customer mix we saw play out in the third quarter, which we expect to continue into the fourth quarter.

The narrower product and service revenue ranges reflect the same increased visibility into the fourth quarter. Our year-end ARR guidance range is also tighter, with the low end unchanged and the high end adjusted slightly as we gain additional visibility into timing of the growth opportunities within our consumables business, which we mentioned in the prior quarter call.

As we noted last quarter, the bottom end of our product bookings range reflects uncertainty around the timing of purchasing decisions rather than a deterioration in demand, and we continue to see a pipeline that is meaningfully larger than in recent years. Based on our review exiting the third quarter, the pipeline increased modestly in size and its maturity improved in line with our expectations relative to where we stood exiting the second quarter.

As we've noted previously, the XT install base today is younger than our G Series install base was at the comparable point in the last refresh cycle, which may create near-term pacing considerations for bookings. That said, we continue to estimate the total replacement cycle opportunity in excess of $2.5 billion, and we remain confident that pacing, not opportunity size, is the right way to think about this dynamic.

As Nnamdi mentioned, I want to address the 340B Drug Pricing Program environment directly. We continue to monitor policy developments closely. And based on current information, we anticipate a modest impact on our 2026 ARR, primarily influenced by acute customer dynamics rather than broader systemic or market-based factors.

We also continue to navigate the memory chip supply and cost environment we discussed last quarter. Of the approximately $6 million in incremental second half memory cost we previously outlined, roughly half fell within the third quarter, with the remainder expected in the fourth quarter.

Remember, the 2026 full year non-GAAP EBITDA and non-GAAP EPS guidance reflects the one-time tariff refund benefit that favorably impacted the second quarter. We continue to monitor these dynamics closely and remain confident in our ability to manage our cost structure and execute against our profitability objectives.

To wrap up, we're proud of what the team delivered this quarter. While customers continue to take a measured approach to decisions, we have greater confidence than ever in our ability to convert this pipeline into bookings and revenue over time. Customer engagement continues to grow, the opportunity in front of us keeps building, and both Titan XT and OmniSphere continue to move in the right direction.

With that, operator, we are ready to open the call for questions.

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QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Stan Berenshteyn with Wells Fargo. Stan, your line is open. Please go ahead.

Stan Berenshteyn
Analyst, Wells Fargo Securities LLC

Q

Hi. Good morning. Thanks for taking my question. I guess I'd like to maybe just follow up on the bookings guidance. You reiterated guidance. Can you just walk us through how do you think about the rest of the year? What gets you to the high end or low end of the bookings guidance for the year? Is it a handful of contracts? Is it very dispersed? Like how should we think about that?

And maybe related, to the extent that, let's say, you get to the bottom end of the bookings guidance for this year, is it fair to assume that $135 million of bookings guidance range that you don't hit this year, that it falls into 2027, or is the timing of that uncertain? Thanks.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Stan, good morning. It's Nnamdi here. Thanks for the question. I'll provide the backdrop of what we're seeing out there, particularly around our customer engagement and sales process, and then I'll have Baird get to the guide question specifically. So, going back to when we announced Titan XT and OmniSphere back in December, as we've talked about, we've been engaging customers and building pipeline. The context here is there's this really, I'd say, a two-track conversation going on. When you think about our XT install base and the fact that we're in year 10, we started the conversation with that install base, and we're continuing to build the pipeline for the customers that are on XT, and we're seeing good traction there.

The second track is really around the competitive opportunity. And that conversation, as we reference, is maturing really nicely with a really good pipeline of activity going on there. Some of the themes that we're seeing there that we've highlighted around reliability of hardware, the solution architecture that provides the visibility on workflow efficiency. Randy referenced the financing flexibility. That's also resonating as part of that conversation.

But a big part of the discussion is really getting into the implementation process and how that change will occur in those accounts. So, that tells us that we're getting to a level of depth in that conversation that really indicates that we're getting to a decision timing on a good number of those opportunities. So, that's a lot of what's happening as we engage customers. So, that depth of conversation is maturing, and we're liking what we're seeing there.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. Stan, to extend on Nnamdi's comments, I'll share that although the factors of pipeline size and the advancement of the pipeline maturity fuel our optimism for the long-term opportunity in front of us, we continue to remind investors that product booking opportunities in our 2026 guidance are back end of year weighted. And that this back end of year weighting timing – weighting combined with the timing variability of a number of medium and large size deals makes calling product bookings number that will close before December 31 a bit hard to project within a narrow range this early in the product refresh cycle. Those near-term risks and opportunities have not

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changed since our second quarter earnings call. And as a reminder for investors, the low end of our 2026 product bookings guidance remains $425 million, and we reconfirm that range that we shared last quarter.

Because the question comes up quite a bit, I want to share a little bit of additional context about a few of the inherent considerations in our booking guidance. Stan, first, I think the binary nature of competitive deals comes to play here. As we've seen in the past, we anticipate winning some and losing some. There are a good number of large and medium size, and even small deals in that pipeline. And so, the binary nature comes into play. We also see a competitive environment for market share gains. This has not changed. They have always been a fight and they continue to be a fight.

I think the second thing I'd flag for investors is timing, and this comes into play for both competitive deals that we end up winning, as well as the refresh of our install bases. From a sales perspective, we push. However, it's also important to provide that even with the best of our efforts, health systems will make purchase and contracting decisions based on their timelines and needs, not ours. So, there are definitely timing variabilities that come into play there. As Nnamdi and Randall have shared, we continue to believe in Titan XT and OmniSphere offering, and we're committed to this multi-year refresh journey.

Operator: Your next question is from the line of Jessica Tassan with Piper Sandler. Jessica, your line is now open.

Jessica E. Tassan
Analyst, Piper Sandler & Co.

Q

Hi, guys. Thanks very much for taking the question, and appreciate all of the color on bookings. So, I just wanted to follow up on that. Baird, can you maybe talk about, or whoever is prepared for this question, can you maybe describe the anticipated mix of leased versus purchased cabinets in the 2026 bookings guide? And then maybe since leases are material for kind of the first time in Omnicell's history, can you remind us how the economics of a leased versus purchased cabinet might differ in year one or the implementation year from a revenue and gross margin perspective? Thank you.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. Thanks for the question, Jess. The leasing portfolio largely is a dynamic that allows us to stay in competitive deals. As we highlighted in our prepared remarks, it's not the deciding factor, but it's an element that, when offered, we're finding is allowing us to turn the conversation from could you possibly do it to now let's talk about your clinical capabilities and how you think about serving us as a customer. So, the leasing program for us, we believe is something that opens the conversation to where we really want the dialogue focused, and that's on clinical outcomes and workforce efficiencies within the customer set.

In terms of the pace of leasing, we anticipate this to be slow, probably a little steady. It might be lumpy at times, depending upon which competitive customers we end up winning and their desire for either a capital structure or a lease structure. So, pacing will evolve over time. But our estimates are that somewhere in the neighborhood of 30-ish percent of the marketplace currently is actively involved in leasing transactions, and the majority of those lease transactions are customers of our primary competitor. So, that pacing, we think, will be muted.

From an economics perspective, the structure of the lease is set up, without being too wonky, as a sales lease, so revenue is treated upfront similar to a capital sale. However, baked into that is the reality of the lease payments coming in over time. So, you'll see a slight erosion of the margin – gross margin at the time of

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implementation and initial revenue recognition, but you'll see interest amounts come in over the lease period, which flow through our product revenue line, which will show a greater margin structure over the lease life. So, couple dynamics embedded there, but thanks for the question.

Operator: Your next question is from the line of Allen Lutz with Bank of America. Allen your line is open.

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Good morning, and thanks for taking the question. Baird, one for you. How were bookings in 3Q relative to your expectations? And then, as we think about that $135 million product revenue bookings range for the fourth quarter, can you talk about how much of that is Titan XT? And maybe from a higher level perspective, how the scope of the pipeline in terms of products has shifted over the past couple of quarters? Thank you.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Maybe we'll start with the last part, if that's okay.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Yeah.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

And we'll talk about what the customer dynamic around our product offering will be or has evolved to.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Yeah. So, just to context that, in our prepared remarks, Allen, we referenced that we're days away from the shipment of Titan XT. So, the implication here is the revenue to date has not been Titan XT. We're just in the early part of starting to ship. So, we will have a modest amount of revenue in this year, based on that dynamic from a revenue standpoint. So, it's been primarily XT at this point.

As we go into 2027 and as those shipments start to ramp up, and customers make the determination which product will be implemented as part of the scheduling process in 2027, we'll start to see more and more Titan XT over time. But as we sit here today, we're just in the early part of starting that shipment.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. And to add on to Nnamdi's comments, we had highlighted for investors that the bookings for 2026 were planned to be back-end loaded. So, coming out of Q3, I didn't see anything that would change the variable nature and the outcomes anticipated. So as we sit here providing guidance today, we find ourselves still in the back-end-weighted environment. We are having discussions with customers across the spectrum. So, we're talking to competitor customers about Titan XT. We are talking about those customers in the 9- and 10-year cohort of the XT install base about the cycle of upgrade into Titan XT plus OmniSphere.

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And we're also in the middle of a host of conversations, as you would expect with those customers with younger install bases that are looking to make those natural expansion investments to add more cabinets, whether it's for increasing the density of the footprint to serve their patient population, or it's to address acquisitions or hospital improvement or expansion activities within their health system. So, those are the types of things we're seeing, and we reiterated the guidance and are pointing folks to the variable nature and the early stage of this Titan XT cycle makes it hard to narrow the range at this time.

Operator: Your next question comes from the line of Tollef Kohrman with Craig-Hallum. Tollef, your line is open. Please go ahead.

Tollef Kohrman
Analyst, Craig-Hallum Capital Group LLC

Q

Good morning. Thank you for taking the questions. For OmniSphere, what subscription length are customers most receptive to?

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Thanks for the question, Tollef. I will say we're still testing out the approach we're going to take here. As we've called out, that subscription-based model is what's resonating. A big part of why customers are sort of responding to that is the conversation around total cost of ownership. That model provides them that visibility.

The other thing too, as we pointed out in prior remarks, health systems are getting larger and more complex, and they're acquiring and reshaping their portfolio and their footprint. So, that subscription-based approach really gives customers the ability to titrate up and down, depending on the volume of assets that they have connected to OmniSphere.

With regards to the question on duration, I mean, we'll provide more as we get to GA here, but every customer has internal dynamics around what they're trying to solve for, particularly around financial flexibility. So, the duration might sort of shift based on the decision-making there, based on their P&L. But at this point in time, we're continuing to just pressure test different durations, different pricing levels, and we look forward to sharing more as we get to GA.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah, the only thing I would add to that is that duration, I would anticipate, will evolve over time. Those varied customer needs that Nnamdi highlighted are real. And what that'll allow the customers to do is make the trade-off between locking in prices with reasonable annual increases for longer windows or creating financial flexibility with shorter windows. And we would expect, given the dynamics within our customer base, that we will have customers that will fall on both ends of those. And our goal is to provide an outstanding service to them and continue to earn the right to demonstrate the value we believe OmniSphere, as an enterprise solution, provides.

Operator: Your next question is from the line of David Larsen with BTIG. David, your line is now open.

David Larsen
Analyst, BTIG LLC

Q

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Hi. I think I heard in the prepared remarks that the idea is to basically sell OmniSphere and Titan together. Are the OmniSphere sort of projected sales or revenue included in that $2.5 billion or not? And if not, any sense for how much incremental revenue could come from OmniSphere, over what timeframe?

And by the way, I think hosting makes all the sense in the world. The largest EMR vendors started hosting their solutions over time. It turned into a great revenue stream. You can update the data much more quickly and rapidly overnight. So, my view is it makes all the sense in the world. Just any [ph] dollars (00:42:40) around OmniSphere that you can share would be helpful. Thank you.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Thanks for the question, David. I'll take the first part of it, just to ground on how we're thinking about the sales process and the package, essentially. So, the point we were making in the prepared remarks is, as we have conversations with customers, it's really about the total enterprise solution, which is inclusive of the hardware and all the benefits that we've talked about around reliability, and then, of course, the software, which is OmniSphere. And on the OmniSphere side, you have the cloud-native platform, which will host the data, and we've talked a bit about that. And then you have the workflow pieces and the applications that will be built on top of that.

So, when you sort of take a step back, as we go into the conversations about this enterprise solution, we're really talking to customers about the entire package. But we also understand that there are customers that are going to take some time to move to the cloud. And if you think about those XT customers that are either at the point of not being able to refresh or not looking to refresh their hardware, we do have the option there of going through an XTExtend console upgrade that will give them that cloud capability. And then that will sort of trigger another sort of revenue stream as it relates to tapping into that cloud-native platform.

So, just wanted to give the context. For customers that are making the decision to come onto the enterprise solution today, it is a combined conversation that we're having with them.

Randall A. Lipps
Chairman, Chief Executive Officer & Founder, Omnicell, Inc.

A

Yeah. But just to reiterate, obviously, today, they pay for their compute power, they pay for their servers, they pay for their in-house IT support and so forth. All of that goes away. So, they lose a cost, but they're moving that cost from their own inside, in-house program to ours on the outside. So, that's an incremental increase, for sure, but it's a cost savings to them.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

And to round out your question, David, Randall said it nicely, is these are incremental value services that we are providing. Those will be things that we believe warrant the right for additional monetization. Our original in excess of $2.5 billion opportunity for Titan XT was hardware-only. And to remind investors, it was on our install base only. So, it was not meant to capture market share gains, nor the incremental monetization of OmniSphere.

In terms of the size of that OmniSphere market, we're not going to share that today. We will provide it at a point in the future. But what we do believe and what we think is important for investors to recognize is that the monetization of OmniSphere comes with largely alignment with the Titan XT hardware. And so, as that refresh cycle and that sales cycle goes on the hardware side, the connection of the complementary cloud solution will start to, we believe, grow with increasing rates of attachment and therefore monetization.

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So, as an investor, you should think about a multi-year journey of monetization of OmniSphere, and you should also think about the reality that with a multi-year journey of monetization comes a multi-year journey of scale to get to those SaaS cloud-like margins that we would anticipate being at several years into this refresh.

Operator: Your next question is from the line of Scott Schoenhaus with KeyBanc Capital Markets. Scott, your line is open.

Scott Schoenhaus
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi, team. Thanks for taking my question. Just wanted to drill in specifically on this fourth quarter product revenue guidance and full year revision. Looks like it's slightly down here, $10 million at the midpoint, from last quarter. What's driving that? Is that strictly just implementation schedules? Is it implementation schedules from a large customer, many customers, or these competitive conversions?

And then, it sounds like you guys are advancing and enlarging the pipeline on the competitive conversion side, which is great to hear. But how should we think about implementation schedules on these conversions versus your legacy customers? Thank you so much.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Thanks, Scott. There's a lot tied up, and that's a good set of questions. Let me try to unpack those, and Nnamdi, if you want to jump in at any point. The Q4 guide, I think it's important to first step back that the Q4 guide implies a full year guidance that is still within the original range that we provided at the beginning of the year, albeit at the lower end of that guidance range. I think it's important that the message of us landing within that full year guide is picked up by investors.

Now, we do see a sequential quarter-over-quarter decline, as you highlighted, Scott. That is not from a unique or an individual set. So, by that, I mean it's not a singular customer, it's not a dynamic of the competitive environment. It's more a function of where we are with two months remaining in the year, and the visibility that we have on scheduling allows us to call the ball a little bit more tightly on this window. And so, we use that as a moment to narrow the range.

Now, as we correlate this to the booking environment, I think there is an element in here. It's not the lion's share, but there's an element associated with the backend weighting of the bookings that we're seeing in 2026 results in lower than what we had historically seen of in-year conversions of bookings into revenue. So, those types of bookings that would enable a quicker turn to an implementation and the recognition of revenue. So, there is a dynamic going on there.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.

A

Maybe just, Scott, the only two things that I'll add to Baird's comments regarding Q4, just to provide additional color on the scheduling process. Back to the point that I made around the initial shipment of Titan XT. A year ago, we did give some customers who were going to be implementing in the back half here the option of which product to implement. And of course, with that engagement of those customers and that scheduling process, we had to sort of time it with when the hardware was going to be available. So, that's the other dynamic that kind of plays into Q4 here.

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And as it relates to the comment around those competitive deals that we've been referencing, I mean, those are really going to be implementations to the extent that we close them around this period. We've referenced that those are 9 to 12 months to get to conversion to revenue. So, those are really going to be revenues that we'd be talking about in the best – around the back half of next year, potentially.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.
A

Yeah. And the part I would share on that is, as we start to talk about tens of millions of dollars of deals, whether they're in the upper medium or the large size deals, it's common to see in those environments where we're bringing a new system online or a new customer health system online, that they tend to think about the roll-outs in waves. And so, our install base can quickly turn in the 9 to 12 months, as Nnamdi alluded to. But for the competitor customers that get larger in size, growing in confidence and delivering with success is a key motivation of ours. And so, you might see some small – some of those bigger deals come out in waves over a couple different quarters. So, hopefully, helpful on the implementation [ph] in sights (00:51:05).

Operator: Your next question is from the line of Gene Mannmier – my apologies, Gene Mannheimer with Freedom Capital Markets. Gene, your line is open. Please go ahead.

Gene Mannheimer
Analyst, Freedom Capital Markets
Q

Well, thanks very much. Good morning, and congrats on the good quarter. Just going back to the discussion around leases, do the lease conversations tend to be concentrated more to smaller health systems or not necessarily? And my follow-up would be, do you expect your competitive win rates to be dramatically different than what you used to see from historical patterns, say, relative to the XT refresh cycle 8, 9, 10 years ago, where you did very, very well at that? Thank you.

Nnamdi Njoku
President & Chief Operating Officer, Omnicell, Inc.
A

Thanks, Gene, for the question. And maybe I'll start with the latter first. We've had a history of market share gains over time. And there's a couple of dynamics as we sit here today that are at play, and we've referenced this, that the fact that we have two new systems in the marketplace, we know that our systems are on average younger than our competitor systems. So, there is more activity right now on the competitive side because of the average age being higher of those systems.

Now, how that sort of plays out into market share gains over time, we'll have to see. But we are confident about the conversations that we're having with regards to how it's resonating with those customers. But there are other dynamics that lead to those decision points happening and falling our way.

And then, a big part of the discussion, too, is about the change that will have to happen within these health systems and how you prioritize that with other activities that are going on there. So, all these factors make it a bit harder to call with regards to what that share take is over time. But we are confident that we'll continue to put our best foot forward and make a case for the value proposition of our solution and get our fair share over time.

Operator: Your next question is from the line of Bill Sutherland with StoneX. Bill, your line is open. Please go ahead.

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William Sutherland
Analyst, StoneX

Q

Thank you and good morning. Wanted just to go back to fourth quarter, maybe follow on Scott's comment about the quarter, and wondering about the sequential margin change from 3Q to 4Q. And Baird, if you just give us a little bit more color on what's going on there and what that may or may not say about go forward expectations on margin. Thank you.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. Thanks for the question, Bill. In looking at non-GAAP gross margins, Q2 to Q3, there is a bit to unpack there that I want to make sure investors understand. First, the Q2 gross margin reflects almost a $15 million one-time benefit from tariff refunds. So, that definitely needs to be reflected. In the third quarter, I think there are two dynamics at play that I would highlight. First, we saw a favorable mix in both products and customer sizing, Q2 to Q3, as it relates to our product gross margins. That provided a bit of favorability once adjusting Q2 for the tariff benefit.

And then the other part of it that acts as a bit of a headwind force is the memory cost. In my prepared remarks, I had highlighted that the second half of this year, we anticipate having roughly a $6 million margin hit as a result of increased memory and related component costs. We anticipate that continuing for the foreseeable future.

So, as you think about margins into the fourth quarter, I would just highlight for folks, one, make sure if you are thinking about year-to-date margins as a starting point, you're removing the tariff benefit because it is meaningful. Two, if you're thinking about memory costs, anticipate the foreseeable future. And then three, from a product and customer mix perspective, there are a couple anchor points. There's our Q3 and Q1 of this year and then there is the Q4 of last year.

And I think in looking at those dynamics, you can see what a mix high end in Q3 looks like versus a Q4 last year low end looks like before adjusting for memory costs. So, apologize for the word salad of that one, but there are a lot of moving parts there that are worth keeping in mind.

With that, we will turn it over to Randall for some closing comments.

Randall A. Lipps
Chairman, Chief Executive Officer & Founder, Omnicell, Inc.

Well, thanks, Baird. As I – really reflect, as I and the team have been out engaging the marketplace, and even as recently as the last couple of weeks, you see a lot of excitement with the marketplace where we're in. You understand the many pain points people have. People are really looking at the downshift in some of the government payments and trying to get ready for that, while addressing the pain points they have with nursing and pharmacy are very, very high on their list.

So, as we approach with Titan and OmniSphere and really imagining a whole different way of doing medication management in these institutions that really offloads the nursing and the pharmacist, it really resonates with all of them. And we've been out talking and demonstrating our product here for just the last 12 months, but every single month, our pipeline is growing both with the competitive marketplace and our own internal marketplace.

And I know there is a lot of convolution items going on here in fourth quarter, but I would just say, from my perspective, we're so excited about where we are, the product we've taken so long to develop, and realizing that,

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just in a few days, coming right out of our factory is our first Titan XT to hit the runway. So, we're so proud of the engineering team, the folks who put it together. People have worked for many years to get to this point, and it's all exciting. And just can't thank everyone enough on the team for doing such a great job.

So, more to report next quarter, but really happy you're with us. Thanks for listening today.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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