Omnicell Second Quarter 2022 Financial Results
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Corporate Participants:
Kathleen Nemeth – SVP, Investor Relations
Randall Lipps – Chairman, President, Chief Executive Officer, and founder
Scott Seidelmann – EVP, Chief Commercial Officer
Peter Kuipers – EVP, Chief Financial Officer

Kathleen Nemeth:

Good afternoon and welcome to the Omnicell second quarter financial results conference call. On the call with me today are Randall Lipps, Omnicell Chairman, President, CEO, and Founder, Scott Seidelmann, Executive Vice President and Chief Commercial Officer, and Peter Kuipers, Executive Vice President and Chief Financial Officer.

This call will contain forward-looking statements, including statements related to financial projections or other statements regarding Omnicell's plans, objectives, expectations, targets, or outlook and statements relating to the impacts of the previously disclosed ransomware incident, that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied. For a more detailed description of the risks that impact these forward-looking statements, please refer to the information in our press release issued today, in the Omnicell annual report on Form 10-K filed with the SEC on February 25th, 2022, and in more recent reports filed with the SEC. Please be aware that you should not place undue reliance on any forward-looking statements made today. All forward-looking statements speak only as of the date hereof or the date specified on the call. Except as required by law, we do not assume any obligation to update or otherwise release publicly any revisions to our forward-looking statements.

Our results were released this afternoon and are posted in the "Investor Relations" section of our website at ir.omnicell.com. Additionally, we'd like to remind you that during this call we will discuss some non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most comparable GAAP financial measures are included in our financial results press release issued today. With respect to forward-looking non-GAAP measures (such as guidance and targets), we do not provide a reconciliation of forward-looking non-GAAP measures to the comparable GAAP measures on a forward-looking basis as these items are inherently uncertain and difficult to estimate and cannot be predicted without unreasonable effort.

In addition, we do expect to host an investor day on September 20, 2022. Additional details regarding this event will be provided at a later date and we hope to see many of you there.

With that I will turn the call over to Randy.

Randall Lipps:

Thank you, Kathleen. Good afternoon and thank you for joining us today.

We continued to see strength in our overall business in the second quarter, with good customer demand and excellent work by our team, including ongoing navigation of inflationary pressure and other macro-economic headwinds as well as our response to the ransomware incident that we disclosed in May.

Our health care system partners and retail customers continue to recognize the value Omnicell provides in modernizing and expanding medication management capabilities, and this is helping to drive our results. Omnicell's comprehensive medication management solutions continue to resonate strongly with our customers, and we believe that together we are transforming the pharmacy care delivery model. To further advance this model, we continue to work toward creating a single, cloud-based platform designed to enable SaaS and tech-enabled pharmacy operations. We remain committed to advancing our strategy to transform the pharmacy care delivery model and meeting the needs of our partners and customers.

For the second quarter 2022, we delivered total revenues of $331 million, non-GAAP EBITDA of $56 million and non-GAAP earnings of $0.84 per share. As Peter will discuss in more detail, we experienced some delays in implementations during the second quarter as a result of the ransomware incident, although we now expect these implementations to occur in the second half of this year. Without the impact of the ransomware incident, we believe we would have achieved, if not exceeded, the top end of our revenue guidance range in the second quarter. As we noted in our Form 8-K filed with the SEC this afternoon, there were no known disruptions to the operations of our customer's medication devices as a result of the ransomware incident, and there is no ongoing impact on our capability to provide Omnicell products and services. Security is a top priority for Omnicell, and we have taken a series of measures designed to safeguard the integrity of our systems. We have greatly appreciated the continued support of our customers and employees as we worked through the incident.

As we look at the broader macroeconomic landscape, we are monitoring acute care Cap-Ex and operating expense budgets carefully. Overall, we continue to see resiliency in demand for Omnicell's products and services due to what we believe is the mission-critical role they play in improving patient care.

Coming out of the COVID-19 pandemic, healthcare system personnel are facing higher levels of fatigue, at the same time healthcare systems are operating in an uncertain economic environment. COVID-19 played a big part in highlighting what we view as the need for more automation of, and investment by, hospitals in medication management as a way to optimize staff, increase efficiency and reduce labor gaps. Although we're hearing there are some signs of labor costs beginning to ease for our customers, the ability to source labor continues to be an challenge for many. We believe that Omnicell, with our unparalleled long-term customer relationships, is uniquely positioned to understand and address these pain points to help our customers mitigate ongoing labor challenges. Generally, demand for medication management infrastructure is resilient, especially in the areas that appear to drive value for our customers and help to mitigate challenges such as labor shortages. Specifically, we are experiencing strong demand for our newly launched IVX station, which provides a differentiated approach that is designed to enable IV compounding at scale, reduce errors associated with manual processes and reduce the high cost of outsourcing.

Omnicell has been through many different market cycles since our founding over 30 years ago. As a company, we have navigated each of those cycles and have evolved our business to ensure we continue to meet our customers' needs. I confidently believe that we are well positioned to navigate the current business cycle.

Omnicell has a longstanding, close relationships with our customers and our solutions are tightly integrated with their systems. We believe that our customers have come to realize that they not only want our products but also our services, they therefore appear more willing to partner with us. We also believe that we have learned to recognize early signs of shifts in the industry landscape and are better able to leverage our

relationships to have open conversations with our customers so that we can plan our solutions and our support within their frameworks.

Before I wrap up, I also want to highlight the continued enhancement of our corporate responsibility and ESG efforts. As part of our Omnicell Cares Program, this quarter we launched YourCause, our giving and volunteering platform that allows Omnicell to focus and increase our social impact. We also introduced paid Volunteer Time Off as well as Omnicell's Matching Program, which maximizes our employees' charitable impact on our communities. I am proud of Omnicell's ranking among the Topmost Transparent Companies in the World as a result of our 2021 Corporate Responsibility Report, and we are committed to the continuous improvement of our ESG program and efforts.

To conclude, we delivered solid results through the first half of this year. We appear to have commercial momentum, a healthy backlog and we are seeing good demand, which we believe supports us reaffirming our outlook for the full fiscal year. As we look ahead, we think Omnicell continues to be uniquely positioned to enable the digital transformation across the entire medication management continuum, which we expect will continue to drive profitable growth and long-term value creation.

With that, I will turn it over to Scott.

Scott Seidelmann:

Thank you, Randall.

Healthcare professionals have an incredibly difficult job. Fundamentally, they need to deliver good outcomes to patients at appropriate costs. And they must accomplish this with antiquated systems and poor processes, across a myriad of care settings including physician offices, retail pharmacies, emergency rooms, operating rooms, ICUs, skilled nursing facilities, retail settings, and the home. It is a well-known issue in healthcare that one of the biggest drivers of poor outcomes and high costs is the inability for providers to seamlessly manage a patient across these care settings.

And that is where Omnicell comes in. Medication management is one of the, if not the, most important, part of the overall care delivery model as medications impact patients in every setting of care. And today, there is no single medication management infrastructure that enables a care provider to manage the patient's medication management journey across care settings in order to improve outcomes and lower costs. We believe this is unacceptable. The demand and the technology exist to solve that problem. Omnicell is uniquely positioned to deliver a single, smart medication management infrastructure that enables the care provider to efficiently manage the patient's journey from the home to the retail pharmacy, to the emergency room, to the ICU, to the skilled nursing facility, and back to the home.

At Omnicell, our vision is to deliver technology enabled services, built on a single cloud platform, that improve outcomes, lower drug spend, increase labor efficiency, increase revenue, improve safety, and enable the pharmacist to better engage the patient directly at the point of care, in the central pharmacy, upon discharge, and in the retail pharmacy and at home.

In the second quarter, we continued to see strong adoption within our Advanced Services portfolio, which is made up of Central Pharmacy Dispense Service, IV Compounding Service, Omnicell One, 340B, Recept and EnlivenHealth. We believe this strong adoption is due to three main drivers. First, the reach, depth and expertise of our channel. Second, our strong long-term contractual partnerships and strategic engagement

with our customers. And third, the clinical and financial value of our differentiated intelligent infrastructure that automates manual processes and enables providers to focus on delivering care.

Turning to EnlivenHealth and our progress there. During the quarter, EnlivenHealth announced a major enhancement to its patient engagement offering with the launch of Personalized Communications. This breakthrough patient engagement solution leverages AI-driven, conversational technology that creates a human-like phone experience for patients. Which means that pharmacists can spend less time answering the phones and spend more time on direct patient care.

The acquisition of FDS Amplicare at the end of 2021 significantly expanded EnlivenHealth's national footprint with the addition of thousands of independent pharmacy customers located throughout the US. Medicare Match, one of FDS Amplicare's most innovative technology solutions, is now a cornerstone of EnlivenHealth's expanding suite of industry-leading pharmacy solutions. Medicare Match enables pharmacists to help their patients select the Medicare plan that best fits their healthcare needs and financial requirements, which ultimately helps the pharmacist to retain the patient as a customer.

Medicare Match is now a key capability available on the EnlivenHealth Platform, which includes four primary modules: patient engagement, clinical services, financial optimization, and pharmacy analytics. The breadth and depth of the EnlivenHealth platform enabled it in Q2 to win two leading regional pharmacy chains. These new wins demonstrate the value of Omnicell's acquisitions of FDS Amplicare and MarkeTouch during the past year. EnlivenHealth now offers the industry's most comprehensive platform of technology solutions designed to help pharmacies grow and thrive in this new era of digital-driven healthcare.

Turning next to 340B, which we acquired in late 2020. A key part of our vision and long-term strategy is the integration of 340B into our core Omnicell channel and portfolio of products and services. I am pleased to share we are making significant progress on this integration. 340B adds critical capabilities to our existing pharmacy inventory management solution. And when the 340b capabilities are fully integrated, we will be able to deliver a complete, perpetual inventory management solution to health systems that enables enterprise level ordering, purchasing and visibility across the continuum of care.

Now, I'd like to comment on some of our key customer highlights this quarter.

An existing IVCS customer on the east coast will upgrade its existing older generation of IV robots with our recently announced IVX Station sterile compounding robotic system. While this customer already had a successful IVCS program, it believes that it will significantly increase the value of its program by upgrading the robot, which is a great testament to the value of our new technology.

We continue to see customers convert to Omnicell as more organizations adopt the XT Automated Dispensing System. This quarter, a health system in the Midwest contracted for our Cloud-Hosted Omnicenter and the XT system across 20 locations to support safety and efficiency at the point of care.

And finally, recognizing the benefits of operating in the cloud, a leading health system in the Northwest has selected Cloud-Hosted Omnicenter to enhance inventory visibility and management. They also invested in the XT Series Automated Dispensing System, including Anesthesia Workstation, to streamline workflows in clinical care and surgical areas. This is also a competitive conversion and will be a great partner committed to transforming the pharmacy care delivery model.

The COVID-19 pandemic and the current macro-environment have increased demand for our smart medication management infrastructure as it directly impacts top priorities like labor efficiency and outpatient services. As a result, we feel confident about the demand for our services in both the short and long-term and believe that we are uniquely positioned to not only help healthcare providers weather their current challenges, but ultimately enable them to transform healthcare for the better.

I'll now turn it over to Peter. Peter?

Peter Kuipers:

Thank you, Scott.

We delivered sequential revenue and profit growth quarter over quarter, and we continue to see strength in the overall business. We are pleased to reaffirm our full year 2022 guidance for Product Bookings, Total Revenue, Non-GAAP EPS, and Non-GAAP EBITDA.

Without the impact of the ransomware incident, we believe we would have achieved, if not exceeded, the top end of our revenue guidance range in the second quarter.

Omnicell employees across the company put our customers first and worked tirelessly to restore our systems as quickly and safely as possible. Nevertheless, the IT systems outages did affect our ability to schedule customer implementations and collect receivables during the quarter.
I'm pleased with our team's diligent response to the ransomware incident during the quarter as well as the solid execution that all of our approximately 4,000 Omnicell team members continue to consistently deliver amidst a macroeconomic environment that remains dynamic.

Turning now to a review of our results…

Our second quarter 2022 GAAP revenues were a record $331 million and non-GAAP revenues were also record $332 million. Our non-GAAP revenues increased $12 million or 4% over the prior quarter and were up 22% over the second quarter of 2021.

The year-over-year revenue increase reflects continued strong demand for Omnicell's mission critical medication management solutions as well as the contribution of revenue from recent acquisitions. As I noted a moment ago, total revenue in the quarter was slightly below our guidance range primarily due to timing of expected customer implementations which were delayed as a result of the ransomware incident. However, we expect these implementations to occur in the second half of 2022 and, as a result, we are reaffirming our previously announced total revenue outlook for the year.

On an organic basis, our second quarter 2022 GAAP and non-GAAP revenues increased 14% year-over-year. The acquisitions of FDS Amplicare, ReCept and MarkeTouch are performing well, and we expect these recent acquisitions to support our long-term growth objectives.

Non-GAAP gross margin for the second quarter of 2022 was 49.5%, an increase of 60bps from the prior quarter primarily as a result of scale from higher revenue including strong sequential service revenue growth. Included in the second quarter gross margin is the impact of approximately $8 million of inflationary costs, representing an increase of $3 million over the prior quarter.

Our second quarter 2022 earnings per share in accordance with GAAP were $0.20 per share compared to $0.17 per share in the first quarter of 2022 and $0.43 per share in the second quarter of 2021. As a reminder, second quarter 2021 GAAP EPS and Non-GAAP EPS included a stock excess tax benefit of $0.10 per share compared to a benefit of $0.02 per share in second quarter 2022. A full reconciliation of our GAAP to non-GAAP results is included in our second quarter 2022 financial results press release and is posted in the IR section of our website.

Our second quarter 2022 non-GAAP earnings per share were $0.84, within our guidance range, despite the ransomware incident; this compares to $0.83 per share in the previous quarter and $0.97 per share in the same period last year. We delivered non-GAAP EBITDA of $56 million in the second quarter 2022; compared to non-GAAP EBITDA of $50 million in the previous quarter and $61 million in the same quarter last year. The year-over-year decline in non-GAAP EBITDA was primarily driven by the impact from inflationary costs and investments in value creating growth and innovation initiatives.

The ransomware incident, and the timing in which it occurred affected our balance sheet and cash flow.

The delay in customer implementations due to the ransomware incident led to slightly higher inventory balances and also resulted in invoicing occurring later in the quarter; thus, impacting collections.

At the end of the second quarter of 2022, our cash balance was $245 million, down from $265 million as of March 31, 2022. Free cash flow during the second quarter of 2022 was $22 million use of cash. We expect free cash flow levels to trend positively as we progress through the year.

In terms of accounts receivable, days sales outstanding for the second quarter of 2022 were 86 days. The days sales outstanding reflects an increase of 2 days over last quarter, primarily from the timing of invoicing within the quarter as a result of the ransomware incident.

Inventories as of June 30, 2022, were $150 million, an increase of $13 million from the prior quarter and an increase of $49 million from the second quarter in 2021. It is important to note that the inventories as of June 30, 2022, include approximately $21 million of advanced purchases and receipts of semiconductors that we believe will help reasonably secure supply for future customer implementation timelines. We continue to execute very well on our global supply chain process improvements and inventory management initiatives.

Now moving on to our full year and third quarter 2022 guidance. We are pleased to reaffirm our full year 2022 guidance for Product Bookings, Total Revenue, Non-GAAP EPS, and Non-GAAP EBITDA, reflecting commercial momentum, a healthy backlog, our expectation for continued strong revenue growth in the second half of the year, and prudent cost management.

Given the ongoing uncertainty in the macroeconomic environment, we are carefully managing expenses while continuing to invest in our long-term growth initiatives.

We are confident that we have secured the necessary supply for semiconductor and critical components through 2022 and through the first half of 2023 in order to deliver our mission-critical systems and connected devices to our healthcare partners.

Our global supply chain and procurement teams are continuing to do a great job addressing these challenges and minimizing disruptions to our customers.

Importantly, we are also pleased with the pricing actions taken in 2021. While we are beginning to see benefits from these pricing actions, the positive impact to profitability we believe will be realized upon implementation of these bookings as we approach the end of this year and more significantly as we move into 2023.

Demand for Advanced Services is strong. We are very pleased with the interest in our Advanced Services portfolio from the top 300 US health systems. Consistent with our previous guidance, our full year 2022 product bookings are expected to range between $1.370 billion and $1.430 billion.

Also consistent with previous guidance we expect full year 2022 GAAP and non-GAAP revenues to be between $1.385 billion and $1.410 billion.

We now expect GAAP and non-GAAP product revenues to range between $980 million and $995 million. We expect GAAP and non-GAAP service revenues to be between $405 million and $415 million. The impacted mix of revenues reflects the strength in our product backlog and the refinement of service revenue estimates, including the timing of manufacturer actions on our 340B solutions revenue. We now expect Advanced Services revenue as a percentage of total revenue to be approximately 13% to 14% in 2022.

And now a few comments on 340B. Prior to the recent manufacturer actions, we had been expecting full year 340B revenue of approximately $50 million. We now expect 340B revenue for 2022 to range between $30 million to$35 million.

We continue to expect total year 2022 non-GAAP EBITDA to be between $243 million and $255 million, reflecting strength in our business model and our commitment to prudent expense management and operational excellence initiatives. We are also reaffirming our non-GAAP EPS guidance and continue to expect total year 2022 non-GAAP EPS to be between $3.85 per share and $4.05 per share.

As we noted in previous quarters, we are experiencing the impact of inflationary headwinds. This continues to be primarily due to semiconductor and other components costs, and to a lesser extent, freight, steel and other raw material costs. While we have seen some favorability in semis, freight costs, and steel pricing, the overall supply chain environment continues to be challenging. Therefore, we are maintaining our expectation for total inflationary costs of approximately $30 million to $35 million in 2022.

For full year 2022, we are assuming an effective blended tax rate of approximately 9% in our non-GAAP EPS guidance.

For the third quarter of 2022, we are providing the following guidance. We expect total third quarter 2022 GAAP and non-GAAP revenues to be between $360 million and $366 million with GAAP and non-GAAP product revenues to be between $261 million and $264 million, and GAAP and non-GAAP service revenues to be between $99 million and $102 million. We expect third quarter 2022 non-GAAP EBITDA to be between $60 million and $64 million and lastly, we expect third quarter 2022 non-GAAP earnings per share to be between $0.93 per share and $1.00 per share.

We continue to see momentum in the commercial business and believe our comprehensive medication management solutions including Advanced Services resonate strongly within our health system partners and retail customers.

In summary, we are pleased with our results for the second quarter of 2022 and believe we are executing well in what continues to be a challenging and dynamic environment. We remain confident in our long-term outlook as we continue to take steps to address inflationary headwinds and supply chain disruptions in the market. We are committed to delivering durable value for all of our stakeholders and look forward to updating you on our progress in the coming quarters.

With that, we would like to open the call for your questions.

Operator:
Our first question comes from Joy Zeng, from SVB Securities. Please go ahead. Your line is open.

Joy Zhang:
Hi, guys. Thanks so much for taking my question.

Randall Lipps:
Hi, Joy.

Joy Zhang:
Hi. I just wanted to go back to your remarks on the 340B business. I understand that you're taking down the guidance. Just any outlook on where the industry is going? Any improvement there in the out years? Or is it something that it's expected to be impacted in the out years as well?

Scott Seidelmann:
This is Scott Seidelmann. Thanks, Joy. I think it's a bit too early to tell exactly how it's going to play out over the near term. I think longer term, the 340B program is here to stay, and I think that covered entities will continue to be able to utilize the contract pharmacies and the demand for a TPA will continue. I just think we've got to get through this period as the program works out the specifics around all of this, and that's really an issue between the government and the manufacturers.

Joy Zhang:
Got it. That's very helpful. And you mentioned that your EBITDA ramp (inaudible) is going to be more 4Q-concentrated. Can you just give us more detail on whether all of that ramp is coming from just the pricing increases? Or are you also seeing some sort of cost controls as well to drive that?

Peter Kuipers:
Thank you for the question, Joy. This is Peter. Nice to meet you. So, if you look at our quarterly profiles, we've given the third quarter guidance and then of course imply those of the fourth quarter guidance. Our model scales really well. So, if you look at implied EBITDA for the fourth quarter you can see the scaling there as well and the additional gross margin EBITDA falling through, if you will.

So, the majority is scaling. As we said in the prepared remarks, we are seeing the pricing actions flowing through in the pipeline and in bookings and then, consequently, in the backlog. Bookings coming into backlog are at higher prices, if you will, higher margins than the current composition. And then we expect that to flow through to revenue as we install and implement these bookings. And we see some of that in the second half. But the majority of the profitability increases from the first half to the second half are driven by scale and falling leverage.

Joy Zhang:
That's very helpful. And the second (inaudible), one last question. Maybe overall, as you're thinking about the services component of your business, I guess, how do you approach it? Is it – do you see it mainly as a way to help with customers' purchasing decisions of your large connected devices? Or is it an avenue of growth in and of itself?

Scott Seidelmann:
Sorry, Joy. You're talking specifically about our Advanced Services business?

Joy Zhang:
Exactly.

Scott Seidelmann:
Absolutely very much an avenue for growth. Significant expansion of our TAM. But more importantly, it's not really about making it easier for the customers to buy. The reality is we're delivering it as a service because we believe that by combining technology with expertise and analytics that we can drive an outcome. And in this particular case and in this environment, that outcome is primarily focused on improving labor efficiency as well as safety and quality. And so, Advanced Services are resonating particularly well in this environment with customers and driving a lot of the growth for us for the long term.

Joy Zhang:
Makes a lot of sense. Thank you so much for taking my questions.

Operator:
Our next question comes from Stan Berenshteyn, from Wells Fargo. Please go ahead. Your line is open.

Stan Berenshteyn:
Hi. Thank you for taking my questions. I guess looking at guidance, you reiterated full-year guidance, and you said product implementations are slipping into the back half of the year. I'm curious there, is that slippage really driven just by the (inaudible) ransomware? Or is that a client decision that pushed back to the back half of the year? And then, I guess, associated with that, what's your visibility into not having any further slippage as we look into the back half of 2022?

Peter Kuipers:
Hey, Stan. This is Peter. Yes, the majority – the vast, vast majority – of the delay in customer implementation timelines is because of the ransomware incident. That said, we have very high visibility in the timelines for implementations. Also, because we have a very healthy and large backlog that we install from. And we're also ramping up, of course, our teams in customer experience and in the implementation teams to support that revenue growth as we scale in the second half of this year and into next year.

Randall Lipps:
And just adding to that, I think to your question, Stan, we don't really see any slippage in the scheduling. It's pretty locked in. And if there was something to happen at a particular account, there's another account we could slot back in generally. So, feel very confident about going forward from this point to the end of the year.

Stan Berenshteyn:
Got it. And then also on the bookings guidance, so obviously you reiterated that number. But as we think about what comprises the bookings number, has there been any change in the mix of what's comprising long-term bookings versus next-12-month bookings? Or have those expectations remained pretty much unchanged from where you had them at the start of the year?

Peter Kuipers:
That's a great question. So, overall, of course, in our long-term framework that we're committed to and executing on, the longer-term portion, because of the transformation of the business to more Advanced Services, the longer-term part of bookings and also implied backlog will increase. Like we said in our prepared remarks, we see particular strength in Advanced Services.

Randall Lipps:
And for us, that's really the proof that we are going through this digital transformation, that people are booking. Most all of our products, with the exception of the Automated Dispensing Systems, are Advanced Services. So, this is the future of the business. And it's really important that people aren't just deploying the automated systems, but they're getting into these more advanced systems and services that really require us to partner together, as Scott said, to drive an outcome. And so, we want to see that happen, and it is happening in our bookings and in our backlog.

Stan Berenshteyn:
Got it. And just to crystallize, is that increasing at a faster rate than where you anticipated at the start of the year? Or is that pretty much in line with your expectations?

Randall Lipps:
I think it's in line with our expectations, maybe slightly better.

Stan Berenshteyn:
Okay. Thank you.

Operator:
Our next question comes from Jessica Tassan, from Piper Sandler. Please go ahead. Your line is open.

Jessica Tassan:
Hi. Thank you so much for taking my questions. So, I wanted to just kind of understand a little better the 2Q products revenue mix. So, just our understanding was that the ransomware attack was kind of confined to the 340B Link software. And then it was our understanding that there was kind of very little overlap between Omnicell sole-sourced hardware customers and the 340B Link-covered entity base. So, just curious if you could just explain, like, exactly how the attack was responsible.

Randall Lipps:
Just to be clear, there was no impact to our customer systems, but it was a lot of impact to Omnicell's internal systems, which are driving manufacturing, being able to deliver quotes, being able to collect from accounts payable, being able to issue invoices. So, that was the entire company. That was not just focused on 340B. So, it had quite an impact on our ability to schedule and install equipment as we had planned at the beginning of the quarter prior to the ransom attack.

But now, as we've stated in the K, and now that we have worked through those issues and have our systems and all the capabilities up and running. But we wanted to be really clear that we did not have any impact to our customers' systems. These were only internal operating systems that were impacted by the ransomware attack.

Jessica Tassan:
Got it. That's helpful. So, I guess – and I apologize if this was disclosed somewhere – can you just help us understand kind of how long between when the attack was identified and then complete resolution, assuming – and I imagine it's completely resolved at this point.

Peter Kuipers:
So, we filed two – this is Peter, Jess – we filed two 8-Ks regarding the ransomware incident. So, you can see in the first one, in May, that we quickly responded, as you would expect. We initiated of course our business continuity plans and worked on restoring our internal systems.

Maybe just to help quantify the impact, in the prepared remarks we talk about that excluding if we would not have had the ransomware incident, that we would have been on the very top end, or slightly exceeding the top end, of revenue guidance. So, if you look at our guidance that we issued in the April call, we ended $5 million below the low end of the guidance and $11 million below the high end for the guidance. So, that gives you a benchmark of kind of the impact on revenue.

Jessica Tassan:
Got it. That's helpful. And when you make that – just two quick things. When you make that reference, I assume that that's referring to products revenue. And then, just more broadly, my question would just be, like, at the hospital level, can you give us a sense of how large the ADC budget is relative to the rest of the pharmacy hardware budget? So, for example, if you're spending, like, $10 million on an ADC fleet, what would the sum of the rest of your pharmacy hardware purchasing look like? And that's it for me. Thanks.

Peter Kuipers:
Jess, this is Pete. I'll answer the first part of the question. So, the majority, it's entirely product revenue, the ransomware incident impact, if you will.

As far as customer budgets, it really depends on what health system, where the health system is in their path to the autonomous pharmacy and automating and depending on what automation they currently have in their facility. So, it kind of depends. As you know, the vast, vast majority of our longtime sole-source customer partners in the top 300 U.S. health systems have a co-developed plan that we have developed with them, with investments in automation every single year. But it really depends by customer.

Scott Seidelmann:
And I'd just add that pharmacy automation, but ADCs in particular, has been consistently a top-three priority overall capital spend for health systems, number two behind imaging.

Randall Lipps:
But a lot of our other offerings, like CPDS and IBVS, are very labor saving intensive. So, they particularly have features that health systems need help with right now, which is, "I can't get experienced pharmacy techs to do my compounding. I can do it with a robot." So, those kinds of things set us up well for non-system purchases, other types of purchases.

Jessica Tassan:
Got it. Thank you so much.

Operator:
Question comes from Matt Hewitt, from Craig-Hallum. Please go ahead. Your line is open.

Lucas Baranowski:
This is Lucas on for Matt. My first question is, in recent quarters you've been training your sales force on how to sell ReCept. Do you feel like most reps are comfortable with that offering now? And what is the pipeline for it looking like?

Scott Seidelmann:
Actually, we're relatively early on in that process. ReCept had a dedicated sales force. Obviously, the broader sales force is aware of the ReCept offering, but we're in kind of early stages of, more broadly, training and integrating the quota and commission plans, etc, etc.

That being said, I think going into the acquisition of ReCept, which was certainly the thesis, but post that, we're seeing really strong demand for those services. And some of that is macro industry trends. But I think it's resonating with our customer base that this is part of the Omnicell platform and makes a lot of sense. So, we're really bullish and excited about the pipeline.

Lucas Baranowski:
Thanks. And then you've also been starting to market the FDS Amplicare and MarkeTouch offerings together to retail pharmacy customers. Have you seen any early instances of customers buying both of those products together?

Scott Seidelmann:
I think in the script what we outlined was that two large regional chains recently subscribed to Enliven. And as part of those new customer ads, they subscribed to multiple modules of the Enliven platform, which now consists of clinical, financial, two other modules, but is really the most comprehensive platform in the pharmacy space now. So, bottom line is it's resonating.

Lucas Baranowski:
Okay. That was all I had. Thank you very much.

Kathleen Nemeth:
Thank you.

Operator:
Our next question comes from Dev Weerasuriya, from Berenberg Capital Markets. Please go ahead. Your line is open.

Dev Weerasuriya:
Hi, there. Thanks for taking my question.

Kathleen Nemeth:
Hey, Dev.

Dev Weerasuriya:
Peter, I just wanted to clarify the H2...Hi. Can you hear me?

Peter Kuipers:
Yes, Dev, we can hear you.

Kathleen Nemeth:
Go ahead.

Dev Weerasuriya:
Okay. Great. Doing well, thanks. I just wanted to clarify the guidance for H2. Just reconsidering your comments around kind of the $11 million impact on product revenue, it seems like the H2 guidance now includes $11 million of kind of implementations that were supposed to be done in Q2 here. Just want to clarify that. And I have one follow-up.

Peter Kuipers:
Yes, that's correct. Yes.

Dev Weerasuriya:
Okay. Thanks. I want to revisit kind of the long-term sole-source agreements. From Q3 '20 to Q3 '21, you guys added about eight of them. I was expecting to see a couple of kind of drip through the first part of this year. I guess, should we expect some sort of cadence on that? Any reason why it may have kind of stagnated over the last three quarters? Just any color around the dynamics there would be helpful. Thanks.

Randall Lipps:
I think we're getting competitive wins. They're not all in the top 150-plus category. And I think that will continue. And there's a lot of morphing that's still going on in the top 300 of mergers and acquisitions. And so, it's actually sometimes hard to identify which ones are in the top 300 because they sometimes merge together. But I would say, no, that from a competitive standpoint the business is strong and that it's just kind of lumpy the way they come. I wouldn't read anything negatively into it.

Dev Weerasuriya:
Sure. And then, I guess that's not to also read into the fact that you may be focusing more on kind of the down market? That's (inaudible), right?

Randall Lipps:
No, I wouldn't say that. I wouldn't say that. I think we have – our go-to-market plans are segmented by market. And certainly, we're still going after the bigger groups out there, and we'll continue to have success.

Dev Weerasuriya:
Great. Thank you.

Randall Lipps:
You bet.

Kathleen Nemeth:
Thanks, Dev.

Operator:
We have no further questions in queue. I'd like to turn the call back over to Randall Lipps for closing remarks.

Randall Lipps:
Well, I just want to really especially reach out and thank the Omnicell team, the Omnicell customers who have walked through this difficult ransomware with us, and we've come out at the other end of this. And I think in the end it's made us a better company and better partners with our customers, and it's bonded all of us together to always do the right thing, to win and make it work and be successful in transforming the pharmacy delivery model.

And we also hope to see as many of you September 20, at our Investor Day. Look forward to seeing you there.

Till next time. Thank you. Cheers.

Kathleen Nemeth:
Thanks, everyone.

Peter Kuipers:
Thank you.

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