Omnicell Third Quarter 2024 Financial Results
October 30, 2024 – 8:30am ET

Kathleen Nemeth:

Good morning and welcome to the Omnicell third quarter 2024 financial results conference call. On the call with me today are Randall Lipps, Omnicell Chairman, President, CEO, and Founder, and Nchacha Etta, Executive Vice President and Chief Financial Officer.

This call will contain forward-looking statements, including statements related to financial projections or performance or other statements regarding Omnicell's plans, strategy, objectives, goals, expectations, planned investments, expense management initiatives, the new chief operating officer appointment, products, services or solutions, our ability to deliver more consistent performance and drive long-term success, or market or company outlook 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 28, 2024, and in other 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 morning and are posted in the "Investor Relations" section of our website at ir.omnicell.com.

Additionally, we would 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 releases posted on our Investor Relations website. With respect to forward-looking non-GAAP measures 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.

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

Randall Lipps:

Thank you, Kathleen.

Good morning and thank you all for joining us to discuss our financial results for the third quarter of 2024 and our updated outlook for the remainder of the year.

Omnicell delivered another solid quarter. We remain focused on consistent execution, driving our business to generate more recurring and predictable revenues, investing in and delivering outcomes-centric innovation, and empowering our people to support our customers not only where they are today, but where

they will be in future. We firmly believe that transforming the pharmacy care delivery model will result in positive customer experiences and improved patient outcomes.

Now, before I get into the industry trends we are seeing and our third quarter financials, I would like to formally welcome Nnamdi Njoku to Omnicell. During the quarter, we announced the appointment of Nnamdi to the newly created role of Chief Operating Officer. As I have shared with you over the last several quarters, we are working diligently to strengthen the company's financial performance and operational excellence, while taking a customer-first approach to our strategy and business transformation. As we scale our business, we believe that having Nnamdi in this role to lead and drive our operational change management initiatives and the evolution of our culture of care will be vital in delivering enhanced stakeholder returns. Whether it be supporting our objective to deliver consistent GAAP profitability or helping shift our company further towards a service and solutions-based model, we believe a clear commitment to operational excellence will be essential to our long-term success.

I know I speak for everyone here at Omnicell in welcoming Nnamdi to our team.

Now, let's turn to a review of the macroeconomic landscape. We are pleased to note that we see signs of continued stabilization in our end markets. Coupled with improving provider fundamentals, these market conditions are generally favorable for creating increased demand for capital projects and system modernization through automation, software and analytics.

We are continuing to invest in next-generation upgrades and outcomes-based solutions for our XT fleet of automated medication dispensing systems as well as making investments in Specialty Pharmacy Services. We remain excited as we move forward on our multi-year journey here at Omnicell and we believe our refreshed product portfolio, including XT Amplify, is resonating well with customers and is addressing our customers' focus on the future of healthcare, whether in an acute or outpatient setting.

Now, turning to our quarterly financials. We are pleased to revise our full year outlook for 2024, as part of which we are raising our profitability guidance ranges as our global team continues to take what we believe are deliberate and disciplined actions on expense management while embracing our objective to streamline our internal processes and systems. And while it is early, this appears to be bearing fruit in terms of improved forecasting and business planning.

Turning to our third quarter results. We delivered solid results that were generally in-line with or exceeded the upper end of our guidance ranges, which we believe reflects strong demand for Omnicell's products and services, and sound execution by our global team.

Our third quarter 2024 total revenue was $282 million, representing a sequential increase of $6 million over the prior quarter and a decrease of $16 million over third quarter 2023. Third quarter 2024 earnings per share in accordance with GAAP were a profit of $0.19 per share compared to a profit of $0.08 per share in the prior quarter and a profit of $0.12 per share in the third quarter 2023.

Our third quarter 2024 non-GAAP earnings per share were $0.56 compared with $0.51 per share in the prior quarter and $0.62 per share in the same period last year.

Third quarter 2024 non-GAAP EBITDA was $39 million, a decrease of $1 million compared to the previous quarter, and a decrease of $2 million when compared to the same period last year.

Nchacha will provide more details of the drivers for this quarter's performance as well as further details regarding our outlook for the remainder of the year.

I'll now highlight a few of the key customer wins in the third quarter. I'm pleased with the team's achievements this quarter. We are successfully positioning our full portfolio of solutions to address our customers medication management needs across the care continuum. We are also seeing continued momentum from our XTAmplify program, and we are seeing some positive signs that this is resonating with the market. We are embracing an agile and innovative approach to foster more flexible and responsive engagement, which we believe will result in better customer experiences.

Our multi-year XTAmplify innovation program that we announced earlier this year appears to be gaining market momentum with several new customers choosing these offerings in an effort to maximize value across their health systems. A Minnesota-based non-profit health system selected Omnicell as its long-term partner to standardize medication management across 12 hospital campuses by upgrading their fleet of Point of Care solutions. Through XT and XTExtend, which is an integral part of our XTAmplify innovation program, they seek to enhance the clinician experience, as well as safety, and security.

You may have seen in some of the reporting on the recent weather events that a production shutdown due to the hurricanes has resulted in instances of IV fluid shortages, shining a light on the need for health systems to have greater control of their IV supply chain and strategies to mitigate the potential impact of shortages.

A non-profit health system in Ohio signed a 5-year IV Compounding Service agreement in an effort to help optimize IV compounding accuracy, safety, and importantly, supply chain control. The health system also upgraded their existing Point of Care solutions across nine hospitals as it looks to enhance safety and security, benefitting from the innovations delivered through our XTAmplify program.

While automated dispensing cabinets are the standard of care on nursing floors, adoption of automation in the operating room setting has often lagged. A leading academic medical center in Boston chose to extend its partnership with Omnicell, expanding its automation footprint to all operating rooms across the system with our Anesthesia Workstation. This is in addition to the XT automated dispensing cabinet upgrades and XTAmplify products they purchased. Our Anesthesia Workstation, with an integrated label printer, is intended to help this medical center enhance patient safety and medication security in perioperative settings.

Advanced Services delivered another quarter of solid performance. One highlight is a large health system in the Southeast that selected Omnicell's Central Pharmacy Dispensing Service in an effort to enable improved medication dispensing operations. Adopting the XR2 robot within its central pharmacy as a standard of care should help to streamline medication storing, picking, and dispensing. It is also intended to optimize inventory management, which should drive enhanced clinical and operational outcomes.

Omnicell Specialty Pharmacy Services continues to help enable customers to enhance their in-house specialty pharmacy programs to serve more patients, optimize care, and improve performance. In the third quarter, we opened two new Specialty Pharmacies for health system customers.

Our EnlivenHealth brand, part of our Advanced Services portfolio, continues to deliver SaaS solutions designed to help retail pharmacies and health systems optimize patient care and drive improved performance.

Several of our health system customers, including large health systems in Georgia and Michigan, have selected EnlivenHealth's patient engagement and clinical solutions as they seek to enhance medication management outcomes across the continuum of care. We believe these health systems are recognizing the need for comprehensive solutions that extend beyond the four walls of the hospital and are choosing Omnicell to support a better patient experience everywhere patients receive care.

In summary, Omnicell delivered a strong third quarter. The team is stepping up and taking actions that are intended to improve our financial performance and operational excellence and deliver consistent results. I am very proud of our team's enthusiasm and focus on outcomes-centric innovation, customer success, and our purpose to be the healthcare providers' most trusted partner to enable the Autonomous Pharmacy transformation.

Every day, I see Omnicell employees showing up for each other, for our customers, and for our communities. And it is this commitment and focus that is driving more consistent financial performance. We have work to do, but I'm confident we are on our way toward delivering long-term consistent results as we progress along our multi-year growth journey. Thank you for your support of Omnicell as we work diligently to modernize and transform the pharmacy care delivery model.

At this point, I'd like to turn the call over to our Chief Financial Officer, Nchacha Etta, for a more detailed review of our third quarter financial performance and revised guidance.

Nchacha Etta:

Thank you, Randall. We delivered solid third quarter financial results, generally in line with or higher than our previously stated guidance. We believe this reflects the stabilizing macroeconomic environment as well as our commitment to consistent execution and our focus on expense control and process improvements. I am going to walk you through some of the drivers for our third quarter 2024 performance as well as our updated 2024 full year guidance.

Total revenues came in at the upper end of our previously issued guidance range while Non-GAAP Earnings per Share and Non-GAAP EBITDA exceeded our previously provided third quarter guidance. I am proud of the Omnicell team who continue to demonstrate their commitment to our promise and our guiding principles on a daily basis.

Our third quarter 2024 total revenues were $282 million, an increase of $6 million over the prior quarter and a decrease of $16 million over third quarter 2023. Revenues in the third quarter were aided by the strong performance of our Advanced Services including EnlivenHealth and Specialty Pharmacy Services.

Product revenues were $158 million, an increase of $2 million over the previous quarter and down $30 million compared to third quarter 2023. Product revenues in third quarter 2024 decreased compared to third quarter 2023 primarily due to lower volumes from our automated dispensing systems business.

Service revenues were $124 million, an increase of $4 million over the previous quarter and an increase of $14 million over the third quarter 2023. Similar to last quarter, both Technical Services and Advanced Services contributed to the growth compared to the third quarter of 2023, reflecting the growing Technical Services install base and impact of our pricing actions, as well as strong customer demand for our Advanced Services.

Non-GAAP gross margin for third quarter 2024 was 44.5%, an increase of 30 basis points from the prior quarter.

A full reconciliation of our GAAP to non-GAAP results are included in each of our second and third quarter 2024 quarterly earnings press releases, which are posted on our Investor Relations website.

Our third quarter 2024 earnings per share in accordance with GAAP were a profit of $0.19 per share compared to a profit of $0.08 per share in the prior quarter and a profit of $0.12 per share in third quarter 2023. As we have mentioned previously, it is management's goal to return to consistent GAAP profitability and we believe this is evidence of that progress.

Our third quarter 2024 non-GAAP earnings per share were $0.56 compared with $0.51 per share in the prior quarter and $0.62 per share in the same period last year. Third quarter non-GAAP EBITDA was $39 million, a decrease of $1 million compared to the previous quarter and a decrease of $2 million when compared to the same period last year. Third quarter 2024 non-GAAP EBITDA and non-GAAP earnings per share reflect our strong cost and operating expense management.

At the end of third quarter 2024, our cash and cash equivalents balance was $571 million, up from $557 million as of June 30, 2024. Non-GAAP free cash flow during third quarter 2024 was $9 million. Free Cash Flow was lower in the third quarter compared to the prior quarter as a result of the timing of employee compensation and the annual merit increase.

In terms of accounts receivable, days sales outstanding for third quarter 2024 was 83 days. We are pleased with our continued strong quarterly collections and working capital management.

Inventories as of September 30, 2024, were $95 million, an increase of $2 million from the prior quarter and a decrease of $21 million from September 30, 2023.

Now turning to guidance, based on our third quarter 2024 results and our current visibility for the remainder of the year, we are updating our full year 2024 outlook, including increasing the bottom end of the guidance ranges for Bookings and Total Revenues and increasing both the top and bottom end of the ranges for Non-GAAP Earnings Per Share and Non-GAAP EBITDA. For full year 2024, we anticipate bookings to be in the range of $800 million to $875 million. Total revenues are expected to be in the range of $1.100 billion to $1.110 billion. Non-GAAP EBITDA is now expected to be in the range of $129 million to $134 million. Non-GAAP EPS is now expected to be in the range of $1.65 to $1.72. We believe these increases in our full year 2024 guidance ranges reflect strength in the commercial momentum and a strong cost management culture of the organization.

For the fourth quarter of 2024, we are providing the following guidance. We expect total fourth quarter 2024 revenues to be between $295 million and $305 million with product revenues to be between $177 million and $182 million, and service revenues between $118 million and $123 million. The fourth quarter product revenues guidance reflects strong visibility to scheduled implementations and the overall strength we are seeing in the commercial business.

We expect fourth quarter 2024 non-GAAP EBITDA to be between $40 million and $45 million. We expect fourth quarter 2024 non-GAAP earnings per share to be between $0.55 per share and $0.62 per share. Non-GAAP EBITDA and non-GAAP earnings per share for the fourth quarter includes seasonal expenses and continued investment in innovation. For full year 2024, we are continuing to assume an

effective blended tax rate of approximately 19% in our non-GAAP earnings per share guidance.

As we announced on our last earnings call, beginning in 2025, we plan to change the Bookings metric that we provide. As a reminder, our Bookings currently include Connected Devices and Software Licenses, Advanced Services and Consumables.

Beginning with our 2025 guidance, we plan to provide Product Bookings, which will consist of Connected Devices and Software Licenses. We also plan to provide a new metric, Annual Recurring Revenue (ARR), which will consist of Advanced Services, Technical Services and Consumables.

We are planning to provide a 2024 reconciliation utilizing the historic Bookings metric, as well as the new Product Bookings and ARR metrics, so you have a corresponding “apples-to-apples” comparison for 2025. We believe these new metrics will better reflect how we manage the business internally, particularly given our focus on growing recurring revenue, and should be helpful to you in understanding and modeling our company going forward.

As we wrap up, I want to reiterate that we are pleased with our solid results for the third quarter of 2024 and the stronger outlook we have provided in the form of updated guidance for full year 2024. I would also like to take a moment to thank the entire Omnicell team for their commitment to improved execution and their customer first focus.

We would now like to open the call for questions.

QUESTIONS & ANSWERS:

Operator: (Operator Instructions) Your first question comes from the line of Matt Hewitt from Craig-Hallum Capital Group. Please go ahead.

Matt Hewitt: Good morning and thank you for taking the questions. Maybe first up on the revenue side, obviously another strong performance from the services side. The product side, obviously, you're still dealing with a little bit of headwinds, but I'm just curious, was there anything related to the hurricanes? Were there any delayed implementations or anything that maybe is leading to the better anticipated growth here in Q4?

Nchacha Etta: Hey, Matt. Good morning. This is Nchacha. Thank you for the question. The hurricane did not have any impact in our Q3 revenue. As you saw, the revenue was in line with our expectations, and we do also expect our Q4 revenue to increase.

Matt Hewitt: Got it. And then product gross margins, a very nice pop here in the third quarter. I'm just curious, do you see that continuing to trend higher? Are you still working through some of the inventories purchased during the supply challenges of COVID, and therefore that's creating a little bit of a headwind? And when do you think, or how long should it take to get back to maybe where you were just a couple years ago, which is closer to 50% Gross margin? Thank you.

Nchacha Etta: Yeah, Matt, as you know, we've been focused on improving our overall financial performance, and gross margin continues to be a key focus of ours. We do expect our gross margin to improve over time as we continue to invest in Advanced Services at massive scales, but we are also in a position where we believe the feedback that we're getting from our customers with regards to the initial XTAmplify launch will continue. And those should start contributing to having a positive impact in our margins over the years as they start contributing to meaningful revenue.

Kathleen Nemeth: And Matt, it's Kathleen. I'll jump in there and just know; you referenced the margins 50% from a few years ago. We do have a different mix of revenue streams now that you're seeing reflected. So, as you know, we have specialty that's flowing through that is still scaling. So, the margins there are a bit lower. So, as we continue to progress, we'll continue – we expect that to strengthen, but bear in mind that the revenue mix is different than it was a few years ago.

Matt Hewitt: That's really helpful. Thank you. And maybe one last one, if you don't mind, regarding the XTAmplify pipeline. Given that this is a different type of upgrade cycle than you've experienced over the last few, where it was more of the big equipment, this is more of a software. Would you anticipate that this would maybe not follow a typical bell-shaped replacement curve? Is there an opportunity here for this to be maybe a little bit more front-end loaded, if you will? Maybe over the first two to three years, you would see greater demand than you typically would with an upgrade cycle. Thank you.

Randall Lipps: Yeah. I think the XTAmplify is more than an upgrade cycle, right? It's an on-ramp to new technology that we've never had before. And so, while it does include console upgrade, which we call XTExtend, it really allows us to engage the customers on several levels to access new products like MedChill. And we've committed to you and to the market that we are going to continue with this strong innovation path, and we really feel excited about it. And as we show customers some of these new innovations that are coming out, it really reflects an uptake in solution selling that can solve some problems that have never been solved before. And so, the X Amplify is much larger than just a console upgrade. It has more types of hardware and software to be deployed that is essential in today's healthcare system.

Matt Hewitt: That's great. Thank you.

Operator: Next question comes from the line of Jessica Tassan from Piper Sandler. Please go ahead.

Jessica Tassan: Hi, guys. Thanks for taking my question and congrats on the quarter. I wanted to just ask kind of directionally about the cabinet contribution, excluding Amplify, year-over-year in 2025. I know we don't have guidance yet, but just should we be thinking about the cabinets as being essentially stable through the end of the XT cycle or will they continue to decline off of the 2024 base?

Randall Lipps: Well, we have a couple of actions going on, right? The cycle of the XT upgrades from the G Series is cycling down. So, there are less opportunities to do those upgrades, but we have a large fleet now of XT that are out in the market that have the opportunity to do expand with the XT Amplify. So,

it looks differently. But as customers upgrade their G Series to XT Series or the XTAmplify Series, all of these large providers are generally in the midst of expansion or adding on new hospitals and different accounts. So, it allows several modes of expansion, and of course, competitive wins as they come along.

Jessica Tassan: That's helpful. And then maybe, Randy, can you just provide some perspective on how we should be thinking about the cabinet lifecycle? Does this Amplify refresh cycle kind of change the historical 10-year cadence of new product releases or is it just a component of that 10-year cycle, which is still intact? Would be helpful if you could just offer some thoughts. Thank you

Randall Lipps: Yeah, Jess, that's a really good question. No, this is – this really extends and allows for the on-ramp to our next generation of technology, software and hardware. So, one of the things that we really want to achieve is to make it easier for customers to acquire new technologies, upgrade to new technologies without as much disruption. So, the Amplify is the on-ramp to all our next-generation technology, which is some of the coolest on the planet. And as we move forward in time, we'll be talking more about these things, but the XTAmplify is how you start. And it really resonates with customers today. It really makes them feel good that we're investing in what they have and we're also investing in their future. So, they love that part. And it resonates with customers who've never used this before, right, both new potential customers like what we're doing.

Operator: Your next question comes from the line of Allen Lutz from Bank of America. Please go ahead.

Allen Lutz: Good morning and thanks for taking the questions. One for Randy here. Just kind of at a high level, as we look at the product revenue over the past couple quarters and then look to 4Q, and I know Matt kind of already asked about was there some type of push into 4Q, but just trying to figure out, the guidance for 4Q product revenues is really strong. And just trying to dissect exactly what is driving the sequential change, because if we look back the past few years, there's been a sequential change to the negative side, which I think was more around the market getting weaker. But what exactly is going on in 4Q that gives you confidence around the product revenue side? Is it the market improving? Is it Extend and Amplify contributing more? Trying to get a sense of what's driving the improvement into the back quarter of the year. Thanks

Randall Lipps: Yeah, good question. There's nothing substantially different. We've met our guidance basically in Q3, and Q4 just represents what's on our schedule. We've been working really hard to create great predictability based on the schedule of customer resources and our own resources and being able to meet those. And those schedules are very strong and set up even before we ended the quarter. So, it gives us really high confidence that we can meet these ranges and feel confident about getting the right balance of recurring revenue as well as product revenues. And we did – just to be clear, we raised the bottom end of guidance for our technical service, our advanced services, our product revenues and our bookings. So, I think we feel pretty good about fourth quarter.

Allen Lutz: Thanks, Randy. And then a follow-up from a comment you made around the specialty pharmacy business. You opened up to in the quarter, seems like there's continued momentum there. As

we think about the Inflation Reduction Act, there's a lot of impact there to specialty drug pricing and 340B. And so, it seems like the IRA is causing a lot of changes to that part of your customers' business. Has that had any type of impact, either positive or negative, on your prospects or your conversations with these customers? Is it bringing them in? Is it bringing them to the table? Trying to understand if there's anything to read from those changes that begin next year. Thanks.

Randall Lipps: Well, I think specialty pharmacy was something in previous years that was focused mostly on very large entities. Now, with the types of services and things that we can bring to the table, even small hospital systems can take on the inside specialty pharmacy on their site. And so, I think it's broadened the market. So, the market has broadened. It's gotten more complex because you have to have the expertise to understand which drugs are kind of dropping off and which ones are coming on board and the ability to deal with a large – a larger catalog there and be the expertise for these entities. So, I'd say the demand is increasing, it's strong there and – particularly in the middle and smaller markets.

Allen Lutz: Thank you.

Operator: Your next question comes from the line of Stephanie Davis from Barclays. Please go ahead.

Stephanie Davis: Hey, guys. Congrats on the quarter and thank you so much for taking my question. I was hoping we could revisit your cost optimization initiatives, just given the magnitude [ph] of the recent earning fee and the creation of a COO seat. So, how should we think about the initiatives taken to date? Have there been any major opportunities unearthed by your third-party consultants? And acknowledging that it's only been like a month, is there any early color from Nnamdi Njoku on his top priorities as he gets into the COO seat?

Nchacha Etta: Yeah. Thank you for the question. So, as you know, over the last 12 months, we've taken quite a lot of actions or some actions to improve our financial performance. And some of the actions we've taken have really been driven by opportunities that we've seen across the company. We continue to explore further opportunities where we can drive operational efficiencies and improve our overall financial results. And this has become really part of Omnicell that we want to make sure that we continue to [indiscernible] (00:36:16) investments in innovation. And so, you will see us continue to take actions as needed to improve our overall financial performance that is part of our company culture today.

Stephanie Davis: Are there any broad strokes or buckets of initiatives you can talk about that give us just maybe like a one level deeper on granularity?

Nchacha Etta: Well, I mean, a few areas that we're looking at. Like I mentioned earlier, operational efficiencies is one key area that we will really focus on going forward, especially with Nnamdi coming on board. We want to make sure that we are optimizing whatever opportunities we have within across the company, that we're not leaving any stone unturned. We will look at all areas across the business continuously as we've done in the past to identify opportunities to improve our overall performance.

Kathleen Nemeth: And I would just add, Stephanie, as you saw with one of our European operations that we're winding down, we're taking that type of approach, really looking at the business, as Nchacha said, across the board and not leaving any stone unturned.

Stephanie Davis: Super helpful. And just a quick follow-up on Central Med Automation Services. Is there any color you can give us around the adoption broad over the next few years? Is there any opportunity beyond the hospital just as supply chain and centralized med management is really top of mind for retail pharmacies right now as well?

Randall Lipps: Yeah. We see an emerging consolidated service centers where, as these entities have gotten considerably larger that they can get quite a bit of gains by creating a central – a center to put all of their pharmacy services into and move some of the costs out of the individual hospitals and use robotics. And we launched – we talked a little bit about launching our consolidated service center offering that really allow for the use of our on-site central pharmacy services. And these are quite unique because we are able to put two and three, and in some cases, four of these robots together to generate enormous efficiencies and accuracies for picking for not just a single hospital, but 20, 30, 40 hospitals.

Stephanie Davis: Awesome to hear. Thank you.

Operator: Your next question comes from the line of Anne Samuel from JPMorgan. Please go ahead.

Anne Samuel: Hi. Thanks for taking the question. You spoke to seeing some stabilization within the hospital market. And I'm hoping maybe you could just expand on that a little bit. Maybe discuss how they're thinking about prioritization of spend and ROI? And then, are budgets loosening across the board or are you just seeing it kind of in specific product areas?

Randall Lipps: Well, I think the key is that when you think about spending on pharmacies, a strategic investment for long-term return, like these consolidated service centers. So, these are significant decisions that need to make and significant multi-year programs that involve not just rolling out some systems for an upgrade in a particular year, but much longer term. And so, we're starting to see those conversations reengage and build into our pipeline that give us really comfort because we want these decisions to be just not opportunistic events for one year, but multiyear, which means really rolling out our entire platform. And in order to have these sort of multiyear discussions about a strategic implementation to really make pharmacy key and get the returns and the ROI you want from it, it's really a multiyear event. And we're seeing our customers come to the table on these, and both engaging us and bringing us into the conversations as well as we approach them, getting them involved in this broader-based discussion really at a C-suite level.

Anne Samuel: That's great to hear. As we're coming up on the end of the year, I was hoping maybe you could just speak a little bit to how we should be thinking about headwinds and tailwinds as you look out to 2025? And then also, how we should be thinking about Amplify within that context?

Randall Lipps: Well, I think we're on a good trajectory and that health systems have incrementally been improving quarter-to-quarter, and I would assume that that would continue. Remember, just because a health system is now positive, doesn't mean they run out and spend capital. It takes several of those quarters in a row to give them comfort before they start investing in strategic projects. So, assuming that continues in that form, I think there is some interest rate sensitivity. As long as they flatten or continue to go down, I see a more willingness to spend strategic capital. And to really lean into the pharmacy strategic spending, it requires that affordable rate for monies to put into these projects. And I think that one of the things that is just – it just doesn't seem to stop, but it's a good thing for us, I think, is the continued consolidation. I was just in two customers this week, and I went into to look at their operations and talk about their future. And they both had a lot going on and they both talked about new acquisitions they were continuing to add to their system, which seems to be a continual trend, which just continues to bring the conversation to these much larger strategic levels. So, I think those are tailwinds. Headwinds would be more macroeconomic. If there's some change in the way payers pay or some changes in the amount of people insured and how they're insured, but I don't really see that as much. I just think it's a slowly – a slow, steadily improvement is what we're seeing out there.

Kathleen Nemeth: And Randy, what I would add as well is, as we think about it, certainly, we're seeing some positive signs on the end markets and macro, as we all are. For Omnicell, as we've been sharing with you over the last couple of quarters, we're well along the path from a bookings perspective on the XT upgrade cycle. So that's something to keep in mind as well as you think about Omnicell's business as we go forward over the next four to six quarters.

Anne Samuel: Great. Thanks. And then just maybe just to kind of follow up to the back half of that question, just how we should be thinking about kind of Amplify within the context of those headwinds and tailwinds for next year, maybe when we – I know it takes a little bit of time for kind of bookings to convert to revenue. So how should we be thinking about timing for that?

Randall Lipps: Well, I think we just started and I think the conversations are rich. I think that as we launch new innovations that we will continue to do on a regular basis, that will even enrich those conversations even more and give more driving reasons for more customers to deploy the Amplify platform sooner. And so, I think that it's not just about when does the Amplify revenue event take place, it's about getting the broader conversation to get the broader Amplify uplift from the platform. So, I intend to see – I expect to see that every customer at this point pretty much we are engaged in as the XT Amplify discussion. So, we're beginning that roadmap and that should be a good tailwind to us as we move into 2025, even though we have the – we don't have as many upgrades from the G Series.

Anne Samuel: Great. Very helpful. Thank you.

Operator: Your next question comes from the line of Scott Schoenhaus from KeyBanc Capital Markets.

Scott Schoenhaus: Hi, team. Thanks for the question. So just want to get more sense on the product side. Can you just give us any color on how far along you're away through the upgrade cycle of the XT

Series currently? And then, in sort of the opportunity set for XT Amplify heading into next year, you mentioned both software and hardware. Can you talk about where you see the most opportunity or the bookings currently between the mix of those two? Thanks.

Randall Lipps: Well, I think we're substantially through the G Series upgrades and the XT Series. So we're kind of at the [indiscernible] (00:45:10) from a booking standpoint. Yes. Thank you, Kathleen. From a booking standpoint. The Amplify series allows customers to access more products like MedChill and other new products that we're innovating. So, there is a driving desire to get these other products deployed in these – in fleet of XT's that we have out there in the marketplace as well as new software features and functions and additive things. And so, it's not all about just upgrading at the end of a cycle. It's about getting access to new solution sets and new ways of looking at products on the supply chain as well as in ambulatory. So, customers want to figure out how we can get from where they are today to where they want to be over the next three, four years. And so, XT Amplify is that discussion that is the on-ramp to that. And just it's a more positive discussion with a customer than saying, hey, you need to upgrade because this thing is old and – because we are then stepping into their world, helping them to solve the problems, just not give them a new system. And so, I think that's why the XT Amplify is really resonating well with us. And we'll continue to see engagement on several levels because there's a lot of parts of XT Amplify that customers can access.

Scott Schoenhaus: Thanks, Randy, for the color. Moving on to Advanced Services, obviously, that's a mixture right now of comprehensive, complex services that you're helping these hospital systems with their advanced pharmacy need as well as software modules like 340B. How should we think about that mix heading into next year and then, obviously, the margins on the more services-oriented part of Advanced Services and the more software revenue streams? Thanks

Nchacha Etta: Yeah. So, well, we do see an opportunity, as we – again, as I mentioned earlier, as we continue to invest in Advanced Services and as the business continues to scale, we do see that contributing to our overall margins. But from an Advanced Services standpoint, I think if you look at our performance this year, Advanced Services is growing – we do expect it to continue to grow for the rest of the year. Also, I mean, I want to call the fact that we do expect Advanced Services for the full year to be around 14%. So, it's really solid growth going into 2025.

Randall Lipps: Yeah, continued growth, double-digit growth into next year. Technical services is probably not quite as fast, but we're really moving to this metric of ARR continued revenue, the recurring portion of our business. We think that really just helps to make our business more transparent, easy to understand and really run – that's the way we run the business. And so, we wanted to make sure that we set it up going that way going forward for all of you.

Operator: Your next question comes from the line of Bill Sutherland from The Benchmark Company. Please go ahead.

Bill Sutherland: Hey. Thanks, everybody. I wanted to get an update on the IVX that's had to go through some redesign required by the FDA guidelines and kind of where we are with just the outlook for getting that into the market and the potential bookings.

Randall Lipps: Yeah, I'd say it's still slow, but we're very optimistic about it. We've got these next releases lined up to help us optimize those requirements. And it's beginning to make more sense and to provide better outcomes for our customers. So, we see – we believe we'll see increased adoption and increased bookings over year to year. Maybe not quite as fast as everybody would like, but it's a great product and I think its momentum is building, but it's still slow.

Bill Sutherland: Got it. And I just wanted to ask also about capital deployment. Any updated thoughts there? And particularly with the convert that's due next year, what the thinking might be around that?

Nchacha Etta: Yeah. We're very mindful of the timing of the convert maturity and we do have – or we continue to explore strategic options to ensure that there's no dilution from a shareholder value standpoint. As you know, we're in a very strong cash position with close to $600 million on our balance sheet and a $350 million revolver. And so we do – we are looking at different options to ensure that we not find ourselves in a position where we're not taking advantage of the timing that we have. But also, we're in a very solid position, as you know, with a 0.25% in our convertible senior note. So, we will make – take some actions here in the near future.

Bill Sutherland: Got it. Thanks, Nchacha.

Kathleen Nemeth: Then, Bill, to your question on capital deployment, I would note that we've shared with you that we have a goal to get to consistent GAAP performance, but we are also looking at that ROIC metric as well, so improving that return on invested capital. And what you're seeing over the last couple of prior quarters is we're getting much more disciplined in our decision-making when it comes to capital deployment within the company.

Bill Sutherland: Thank you.

Operator: Your next question comes from the line of Stan Berenshteyn from Wells Fargo. Please go ahead.

Stan Berenshteyn: Hi. Good morning. Thanks for taking my questions. Maybe just a quick one on bookings guidance. Can you just talk us through what needs to happen to get to the upper end of the range for bookings?

Nchacha Etta: Yeah, Stan, what we look at today, we're very comfortable or confident with the bookings that we've achieved year-to-date. We do expect the strength that we've seen from our commercial operations, that momentum continues. And we're confident that as we go through the end of the year, that momentum should get us to achieve our bookings revised guidance. Again, guiding the lower end –

or improving the lower end of our bookings for the full year is a testament to the confidence that we have in our bookings guidance for the rest of the year.

Randall Lipps: Yeah. And two primary things here – just, Stan, two primary things have changed over the last few years. One is the economic conditions of our customers has improved and the other thing is we've launched new products. So, we have more in the pipeline and more willing customers to buy. And I think that's the strength of our pipeline for Q4.

Stan Berenshteyn: Okay. And a quick follow-up on product revenue. Obviously, you're seeing a ramp into the fourth quarter. 3Q came out, I think, a little bit light versus guidance. Can you just talk us through what happened in the quarter and is that just the timing impact that's now being pushed into 4Q?

Nchacha Etta: Yeah. Our 3Q product revenue was in line with our expectations. And as I mentioned earlier, we are confident on our ability to achieve our full year revenue guidance. As you saw, we did increase the lower end of our product revenue and total revenue as a matter of fact. And that – again, that is just it gives us the confidence that we will be able to achieve our product revenue for the full year.

Stan Berenshteyn: All right. Thanks so much.

Operator: Your next question comes from the line of David Larsen from BTIG. Please go ahead.

David Larsen: Hi. Can you talk a little bit about your sales force? Like, how large is it? How many of those reps are quota carrying? What portion are allocated to like Advanced Services and Enliven versus product or is it all mixed together? Any sort of color around your go-forward strategy relative to like a year ago or two years ago? Thanks very much.

Randall Lipps: Yeah. We've been evolving our sales force and our strategy to do a better job of connecting the customer with our enterprise solution set as opposed to just single product opportunities. And with that has come the reorganization of the sales force to have more dedicated people to accounts that help with the relationship building. And then those that do have quota carrying are substantially all of those, but maybe not as heavily weighted as it has been in the past because of the relationship building and long-term strategy we have to deploy more of the enterprise solution set instead of just a single event. So, we will continue to evolve that as we move forward. We don't really disclose kind of the exact numbers on those people, but I think that we've really seen much better performance from our sales force this year and the predictability and the commitments they've made and the numbers that they've produced. And so, we feel that we've really gone through somewhat of a sea change over the last couple of years and we're really happy with where we are.

David Larsen: That's very helpful. Thank you. And then, can you maybe just talk a little bit about your CRM platform? I think a few years ago, you went through a process where you really sort of reviewed each account, each client, how you actually measure bookings and/or backlog. I think you got a little bit more conservative in what you reported as your backlog number. Can you maybe just talk about that,

please? And then just how much of your 2025 revenue will be covered by your reported backlog, if and when you report it on the fourth quarter call? Thank you.

Randall Lipps: Yeah, David, I think most of the backlog, we don't say specifically. We say generally the connected devices are 12 to 18 months in install. So, most of that backlog that we report will be somewhat coming out of backlog over the next 6 to 18 months, I suppose, but it's not a precise measurement. And we've spent a lot of time not just redesigning the sales force, per the last question, but also redesigning our systems and creating a better understandable go-to-market for our customers to easily – more easily deploy their capital. And that's really allowed us to get – move our CRM system, our people and our processes to deliver much better predictability, not just in terms of bookings, but I would say quite a significant step up in our product revenues and our service revenues as well. So, I feel like we've taken this time over the last two years to invest in these systems, processes and people. We've done all three. And that is what's driving these much more consistent results and that is why we're confident about Q4.

David Larsen: Great. Thank you.

Operator: As there are no further questions at this time, that concludes our Q&A session. I would like to turn the call over back to Randall Lipps for closing remarks.

Randall Lipps: Well, I'd just like to send a big thank you to all the Omnicell team that has worked really hard over the last two years to really bring us to this new point. It's so exciting to see customers reengage with us on innovation, helping them to solve these really difficult problems to make medication management better for the whole world. And then the results of this hard work are flowing through the P&L and it's just refreshing. And finally, I just welcome Nnamdi to the team. And we look forward to your leadership and continuing to develop the great commercialization we have going to the next step. We'll see you folks next time. Cheers.