



Omnicell Fourth Quarter & Full Year 2024 Financial Results  
February 6, 2025 – 8:30am ET

**Kathleen Nemeth:**

Good morning and welcome to the Omnicell fourth quarter and full year 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, opportunities, expense management, products, services or solutions, ability to drive long-term growth and consistent GAAP profitability, 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](http://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.

As we announced on our last earnings call, starting in 2025, we are changing the Bookings metric that we provide. Going forward we will be providing a Product Bookings metric, which will consist of Connected Devices and Software Licenses. We will also be providing a new metric, Annual Recurring Revenue (ARR), which will consist of SaaS and Expert Services (formerly known as Advanced Services), Technical Services and Consumables. In our earnings release issued earlier today, we provided a 2024 reconciliation utilizing the historic Bookings metric, as well as an illustrative example for comparative purposes, using the new Product Bookings and ARR metrics. We will provide further detail on these metrics during today's call.



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 fourth quarter and full year 2024 as well as our outlook for 2025.

Before I begin, I would like to wish everyone a healthy and happy New Year!

Here at Omnicell we are entering 2025 with a renewed sense of vigor and a vast amount of gratitude for our customers who continue to place their trust in us and demonstrate their support of our vision to transform the pharmacy care delivery model across a wide array of care and distribution settings.

Let's review a few highlights from our strong finish to 2024:

- We exceeded our bookings guidance for the year driven by strength in connected devices.
- We solidified our product backlog, which assists with revenue planning and scheduling for 2025.
- We delivered consistent revenue performance throughout the year by aligning implementation plans with customers and continually improving processes to enable execution.
- We solidified our balance sheet at what we believe are favorable terms via the issuance of new convertible senior notes, and were also able to repurchase a majority of the principal amount of our previously outstanding convertible senior notes that are nearing maturity
- And importantly, we continued to see demand for products and services launched as part of the XTAmplify program.

Turning to the financials for the quarter, Omnicell delivered a solid fourth quarter, and I am pleased to note that we returned to year over year revenue growth for the quarter and are on our way to meeting our objective of delivering consistent GAAP profitability.

Total revenues were \$307 million, an increase of \$24 million over the prior quarter and an increase of \$48 million over fourth quarter 2023.

Product revenues were strong, coming in at \$182 million, which is an increase of \$24 million over the previous quarter and an increase of \$37 million compared to fourth quarter 2023.

Service revenues were \$125 million, an increase of \$1 million over the previous quarter and an increase of \$11 million over fourth quarter 2023.



Non-GAAP gross margin for fourth quarter 2024 was 47.4%, an increase of 290 basis points from the prior quarter, boosted by higher product revenue volumes and a favorable product and customer mix.

Our fourth quarter 2024 earnings per share in accordance with GAAP was \$0.34 per share compared to \$0.19 per share in the prior quarter and a loss of \$0.32 per share in fourth quarter 2023.

Our fourth quarter 2024 non-GAAP earnings per share were \$0.60 compared with \$0.56 per share in the prior quarter and \$0.33 per share in the same period last year. Fourth quarter non-GAAP EBITDA was \$46 million, an increase of \$8 million compared to the previous quarter and an increase of \$23 million when compared to the same period last year.

Now, let's turn to a review of the macroeconomic landscape. We are pleased to note that we see signs of favorable conditions in many of our addressable markets. Our focus on innovation and building customer awareness around our roadmap which includes robotics and smart devices, intelligent software workflows, and data analytics seems to be resonating with the market.

I'll now highlight a few of the key customer wins in the fourth quarter.

Our multi-year XT Amplify innovation program that we announced in April 2024 continues to gain traction. And we see exciting momentum across our portfolio. Here are a few recent highlights.

NYC Health + Hospitals announced they selected Omnicell's outcomes-centric solutions in an effort to improve efficiency and patient safety for one of the nation's largest municipal health care delivery systems. According to the health care system leadership, this strategic initiative is expected to transform patient care and assist staff in support of their core mission in ways they did not think previously possible.

A North Carolina not-for-profit healthcare system selected Omnicell's XT automated cabinets as it seeks to enhance patient care on nursing floors and in perioperative settings. With our Inventory Optimization Service, this system is expected to increase inventory visibility, improve insights, and optimize workflows across the system, that should help to achieve optimal medication inventory outcomes. We are pleased to note this was a new market share win for Omnicell.

Another east coast healthcare organization will expand its pharmacy technology strategy with the addition of XT cabinet automation and the expansion of anesthesia dispensing automation and software in order to support care initiatives across the enterprise. We believe this is a proof of the solid demand outlook for our XT systems in areas such as expansion within current customers.

This is an exciting win for Omnicell: One of the largest healthcare delivery systems in the nation will be implementing XTEExtend, a core component of our XTAmplify offering, as they strive to future-proof their cabinet footprint, and enhance their security, user experience, and value from their XT platform.



2024 was a busy year for IVCS as we increased our footprint of IVX Station robot installations and expanded our early adopter customer base. We've received positive feedback from our IVCS customers, particularly as the IV robot's stock solutions capability has been instrumental to support these customers during the IV fluid shortage. The enhanced features delivered in a recent update enables a wider variety of drug vials that can now be used to compound IV bags and syringes in the IVX Station robot, unlocking 60 additional NDCs that our customers have been requesting.

Specialty Pharmacy Services continues to gain market traction. Our offering combines deep expertise and leading technology to help customers maximize their specialty pharmacy outcomes. We had several notable wins in the fourth quarter of 2024 including: renewal and expansion of services with a large academic medical center, a contract for a new specialty pharmacy program with a health system in the northeast, and a new collaboration to optimize a specialty pharmacy program for a health system in the southeast.

A Fortune 25 health insurance provider has selected EnlivenHealth as their primary reconciliation and medical billing partner in preparation for their 2025 strategy.

We are committed to our multi-year growth journey. I want to thank Omnicell employees for their steadfast commitment to our customer's success and their embrace of our culture of innovation and fiscal discipline. Thank you for your support of Omnicell and we look forward to updating you on our progress through 2025.

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 fourth quarter and full year 2024 financial performance as well as our outlook for 2025.

**Nchacha Etta:**

Thank you, Randall. We delivered solid fourth quarter and full year 2024 financial results, with all guided metrics exceeding or landing in the upper end of our previously stated guidance ranges. I am very proud of the entire Omnicell team who continue to demonstrate their commitment to our promise and our guiding principles on a daily basis. We believe our solid fourth quarter results reflect an improving macroeconomic environment, our commitment to consistent execution and our fiscal discipline. Now I am going to walk you through some of the key drivers of our fourth quarter 2024 and full year 2024 results as well as share our first quarter 2025 and full year 2025 guidance.

Looking at our fourth quarter 2024 results, as Randall noted, total revenues were \$307 million, an increase of \$24 million over the prior quarter and an increase of \$48 million over the fourth quarter of 2023. Revenues in the quarter were aided by the strong performance of Connected Devices, as well as our SaaS and Expert Services, particularly Specialty Pharmacy Services.

Fourth quarter 2024 Product revenues were strong at \$182 million, representing an increase of \$24 million over the previous quarter and an increase of \$37 million compared to the fourth quarter of 2023. Product



revenues in the fourth quarter of 2024 increased compared to fourth quarter of 2023 primarily due to the improvement of the macroeconomic environment and the timing of XT Series systems implementation.

Service revenues for fourth quarter 2024 were \$125 million, an increase of \$1 million over the previous quarter and an increase of \$11 million over fourth quarter 2023. Similar to last quarter, both SaaS and Expert Services as well as Technical Services contributed to service revenues growth compared to the fourth quarter of 2023, which we believe reflects the strong customer demand for our SaaS and Expert Services and continued growth and value capture of our Technical Services installed base.

Non-GAAP gross margin for the fourth quarter of 2024 was 47.4%, an increase of 290 basis points from the prior quarter, boosted by higher product revenue volumes and a favorable product and customer mix.

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

Our fourth quarter 2024 earnings per share in accordance with GAAP were \$0.34 per share compared to \$0.19 per share in the prior quarter and a loss per share of \$0.32 in the fourth quarter of 2023. As we have mentioned previously, it is management's goal to return to consistent GAAP profitability and we believe our fourth quarter results are continued evidence of our progress towards this goal.

Our fourth quarter 2024 non-GAAP earnings per share were \$0.60 compared to \$0.56 per share in the prior quarter and \$0.33 per share in the same period last year. Fourth quarter non-GAAP EBITDA was \$46 million, an increase of \$8 million compared to the previous quarter and an increase of \$23 million when compared to the same period last year.

At the end of the fourth quarter of 2024, our cash and cash equivalents balance was \$369 million, down from \$571 million as of September 30, 2024, driven by the fourth quarter convertible senior notes transaction, including the repurchase of \$400 million aggregate principal amount of outstanding convertible senior notes that are maturing in 2025. Non-GAAP free cash flow during fourth quarter 2024 was \$43 million. Free Cash Flow was significantly higher in the fourth quarter compared to the prior quarter as we continued to make good progress on cash collections and ongoing focus on cost management as we work to drive consistent profitability.

In terms of accounts receivable, days sales outstanding for fourth quarter 2024 was 77 days. We are pleased with our continued strong quarterly collections and working capital management. This is an area of significant positive progress over the last 18 months.

Inventories as of December 31, 2024, were \$89 million, a decrease of \$6 million from the prior quarter and a decrease of \$21 million from December 31, 2023.

Now, turning to review our full year 2024 results. Bookings for full year 2024 were \$923 million compared to our guidance of \$800 million to \$875 million, an increase of \$69 million compared to full year 2023. Our



strong 2024 bookings performance was driven by XT upgrades as we near the end of the XT upgrade cycle, as well as better than expected bookings of XTExtend – which demonstrates, to us, strong customer interest in our innovation roadmap.

Total backlog was \$1.201 billion as of December 31, 2024, compared to \$1.143 billion as of December 31, 2023.

Product backlog which includes connected devices such as XT Series Automated Dispensing systems and the product portion of our central pharmacy dispensing services and IV Compounding Service as of December 31, 2024 was \$647 million, of which \$447 million is short-term backlog, which we expect to convert to revenue within 12 months. Product backlog increased by \$36 million over the prior year driven by strength in our connected devices portfolio, as well as our XTExtend offering.

SaaS and Expert Service backlog as of December 31, 2024, was \$555 million, of which \$93 million is short-term SaaS and Expert Services backlog, which is expected to convert to revenue within 12 months. SaaS and Expert Service backlog increased \$23 million, up 4% over the prior year.

Our full year 2024 revenues were \$1.112 billion, a decrease of \$35 million, or 3% from 2023. Our 2024 product revenues were \$631 million, and our 2024 services revenue were \$482 million. Within the full year 2024 services revenue, technical services revenue were \$238 million and SaaS and Expert Service revenues were \$244 million. 2024 SaaS and Expert Service revenue increased 14% over the prior year.

Our full year 2024 earnings per share in accordance with GAAP were \$0.27 per share. Our full year 2024 non-GAAP earnings per share were \$1.71 per share, a decrease of \$0.20 per share from 2023.

For the full year 2024, non-GAAP EBITDA was \$136 million, which is above the high end of the revised full year 2024 guidance range we provided in the third quarter of 2024. Overall, we are very pleased with our 2024 execution, the customer interest we are seeing in the market, and overall incremental macroeconomic improvement.

### **Guidance**

Now turning to guidance, as we announced during our last earnings call, beginning in 2025, we are changing the Bookings metric that we provide. Our previous Bookings metric included Connected Devices and Software Licenses, SaaS and Expert Services, and Consumables. As a reminder, beginning in 2025, Advanced Services will now be known as SaaS and Expert Services.

Beginning in 2025, we are providing Product Bookings, which consists of Connected Devices and Software Licenses. We are also providing a new metric, Annual Recurring Revenue (ARR), which includes SaaS and Expert Services, Technical Services and Consumables. We believe these new metrics better reflect how we are managing the business internally and should be helpful in understanding and modeling our company going forward.



For full year 2025, we anticipate Product Bookings to be in the range of \$500 million to \$550 million. For a bit of context, using the new definition, Product Bookings for full year 2024 were \$558 million. The guidance implies 2025 Product Bookings will be flat to modestly down in 2025 compared to 2024. As we have said, we are successfully concluding the XT replacement cycle and this is reflected in our product bookings outlook. While we do expect XTAmplify bookings to partially offset the lower XT replacement bookings in 2025, it may not fully offset the decline in XT upgrade bookings. Remember, while XT bookings will likely be down in 2025 compared to 2024, we will continue to see demand for XT via expansion, as well as potential new market share opportunities. Looking forward, we are very excited about the customer response to XTAmplify and our refreshed multi-year innovation strategy and we expect these new products to be a meaningful contributor to 2025 Product Bookings.

Our year-end 2025 Annual Recurring Revenue (ARR) is expected to be in the range of \$610 million to \$630 million. Again for context, using the new metric, Annual Recurring Revenue at the end of 2024 was \$580 million. Within ARR, Technical Services and Consumables tend to grow in the low single digits while SaaS and Expert Services is expected to grow at a stronger pace.

Total revenue is expected to be in the range of \$1.105 billion to \$1.155 billion. The mid-point of our Total Revenue guidance range reflects a growth rate of 2% compared to 2024, with Product Revenues expected to be roughly flat and Services Revenues growing at a faster rate driven primarily by growth in SaaS and Expert Services.

Non-GAAP EBITDA is expected to be in the range of \$140 million to \$155 million. At the midpoint, Non-GAAP EBITDA is expected to expand approximately 100 basis points. Non-GAAP earnings per share is expected to be in the range of \$1.65 to \$1.85. Remember, we are facing an approximate \$0.20 headwind to non-GAAP earnings per share in 2025 compared to 2024, due to a reduction in interest income as a result of repurchasing a significant portion of the principal amount of our previously outstanding convertible senior notes. For full year 2025, we are assuming an effective blended tax rate of approximately 18% in our non-GAAP earnings per share guidance.

For the first quarter of 2025, we are providing the following guidance.

We expect first quarter 2025 total revenues to be between \$255 million and \$265 million with product revenues anticipated to be between \$137 million and \$142 million, and service revenues expected to be between \$118 million and \$123 million. The first quarter 2025 revenue guidance reflects our typical seasonal Product Revenue pattern in line with the historical trends we have seen, in which Product Revenues tend to increase quarterly as the year progresses.

We expect first quarter 2025 non-GAAP EBITDA to be between \$19 million and \$25 million. We expect first quarter 2025 non-GAAP earnings per share to be between \$0.15 per share and \$0.25 per share. As a reminder, the first quarter normally includes some seasonal expenses including payroll taxes and benefits reset. We expect non-GAAP EBITDA margins to expand as we progress through the year.



With a strong 2024 in hand, I want to reiterate that we are very pleased with our solid results for both the fourth quarter and the full year and that we believe we are making solid progress towards consistent GAAP profitability. We are very excited about the long-term outlook for Omnicell, as we plan to deliver innovative solutions under our XTAmply program that are designed to enhance pharmacy and nursing efficiency, reduce medication errors and waste, and ultimately maximize the value of our customers' XT Automated Dispensing System investment. I would also like to take a moment to thank the whole team here at Omnicell for their hard work, their commitment to improved execution and their relentless 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 Allen Lutz of Bank of America.

**Allen Lutz:** Randall, one question on the end market demand. You mentioned seeing some green shoots. Can you expand on that a little bit? I think it's pretty clear that hospital performance has improved. Do you think -- how do you think that is translating into budget growth? And then as it relates to the product revenue ramp throughout the course of the year, it seems very similar to last year. Can you kind of speak to what's driving the product revenue ramp?

**Randall Lipps:** Yes. Thanks, Allen, for the question. Yes. I think the hospital financial conditions and providers have continued to improve. And that has really given us the opportunity and probably contributed to our fourth quarter exceeding our bookings. And so, I think that really sets us up well for 2025. In fact, those strong bookings turn into revenues in 2025 mostly. And because we have already prescheduled most of those, we're in line to grow quarter -- the business is troughing out, so to speak. And so, we'll see this quarter-over-quarter comparative growth that we hope grows and continues to grow into '26. So, I think we're really well positioned with the strong end of the year. The improved financial position of our customers makes it -- the decision process, I think, a little bit easier to make. And the excitement around Amplify, frankly, allows us to get in front of them and put these offerings and to get them to invest in now as opposed to later.

**Kathleen Nemeth:** I would add Specialty as well to that

**Randall Lipps:** Yes, Specialty as well is also continuing to see good traction. We saw that in fourth quarter, and we see some nice expansion there as well with current customers.

**Allen Lutz:** That's helpful. And then one for Nchacha around OpEx growth and gross margin in 2025. There's been really good operating expense management over the course of 2024. As we think about the growth drivers in your business into 2025, I'm just trying to get a sense of how to think about the



trajectory of gross margin on a consolidated level and how that compares to the outlook for operating expense growth in 2025.

**Nchacha Etta:** Yes. So, as you saw in 2024, we did see an improvement in our gross margins quarter-over-quarter. We do expect that to continue into 2025. The key drivers that we will look at from a gross margin standpoint with gross margin improvements in 2025 is, number one, we continue to manage our expenses very well. We do expect that, with some favorable product and customer mix going into 2025, we should see an improvement in our gross margins. Also, we've put in place some operational improvements that we believe will continue to improve our overall financial results and performance, but our focus is primarily on improving our overall profitability, so you will see us continue to manage our P&L very prudently from a fiscal discipline standpoint that we believe will continue to help us improve our overall profitability.

**Operator:** Your next question comes from the line of Jessica Tassan from Piper Sandler.

**Jessica Tassan:** Congrats on the strong results. I wanted to understand the upside to bookings in 2024. We are backing into product bookings up about \$100 million year-over-year. And I'm just -- I'm curious if that was all kind of XTEExtend and the Amplify portfolio exceeding expectations? Or was there some, I guess, incremental or unanticipated strength in actual XT Cabinet bookings, whether that's from competitive conversion or otherwise?

**Nchacha Etta:** Yes, Jess, we did see some significant strength in demand for connected devices as we closed the year. And then we also had additional bookings from XT upgrades as we're ending the successful upgrade cycle including some market share wins or gains that we saw. But also, XTEExtend did contribute. We saw solid demand for XTEExtend, which contributed to our improved bookings performance for the year.

**Jessica Tassan:** That's really helpful. And then I wanted to just understand the sourcing or cost of goods situation. How do you think about just diversification of suppliers across countries or domestically sourced suppliers and tariff risk to the gross margin kind of framework you just put out there?

**Nchacha Etta:** Yes. So, we've been through this same situation in the past from a tariff standpoint, so we did put in place some processes that we believe will help us mitigate any potential tariff impact. So, we think there will be minimal to no impact to our business from -- if tariffs have been put in place

**Jessica Tassan:** And sorry, just last one to clarify on that, is that because you have pricing flexibility in your contracts or because you expect stability in your cost of goods?

**Nchacha Etta:** It's a combination of both. Well, we do expect some price increases or inflation, and so we did factor that into our pricing for 2025. But we do have some flexibility also to be able to manage and mitigate any potential COGS increases.



**Operator:** Your next question comes from the line of Matt Hewitt of Craig-Hallum Capital Group.

**Matt Hewitt:** Congratulations on a strong finish to the year. I guess, first one, what are your thoughts as far as the new administration? They seem to be focused a lot more on technology innovation. I would think that that plays well with your targets and goals. But what are your thoughts on how the new administration could impact your business?

**Randall Lipps:** Well, it's rather dynamic, but I think the overall theme, as you suggested, is efficiency and safety. And that is -- that's our core strength, and that's our core driver in our innovation -- is to make our customers more efficient and safe, easy to use, easier to deploy so that they can get a better return. And so, I feel like that positions us well. And particularly as we deploy more products and higher densities into our customer base, there's more data. And with that data, we're able to drive more outcomes and conclusions with analytics or AI to help customers really make tough decisions that can reduce costs just because they weren't visible before. But there's a lot of dynamics. There's some dynamics around 340B, a lot of discussions, nothing in play. Like the rest of us, or like the rest of everyone, I suppose, we're all watching very closely. And I think we're well positioned.

**Matt Hewitt:** That's great. And then maybe a separate question. But as far as -- it sounds like you had a really strong end of the year with the XT and XT Amplify, XTEExtend and XT Amplify. What do those pipelines look, and are you envisioning a similar bell-shaped curve on the adoption of those? Or is there anything that would maybe cause that to be a little more front-end loaded or back-end loaded? Just a little bit of color on the pipeline.

**Randall Lipps:** Yes. I think it's the traditional bell curve, but I do think that hospitals have been slow to purchase and move back into the capital equipment markets for expansion. That seems to be clearing up, so that could give us a little more acceleration into the XT Amplify as we move forward. And that's what we kind of saw a little bit in the fourth quarter, and it gave us a lot of enthusiasm for this year that we will continue that momentum as we go forward. So, I think most of the parts of our business are leaning forward and positively almost in every area. It's an exciting year for us to kind of put the last couple of years behind us and move forward to '25 and on to '26 growth. It's a good place to be.

**Matt Hewitt:** That's great.

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

**Scott Schoenhaus:** So, first question, the first quarter guidance, how much of that assumes the remaining XT (technical difficulty) within that product revenues growth? Maybe just walk through a little bit of what that new guidance growth assumes. And then also, I was wondering, as you're switching to more expansions throughout the rest of the year after you fully complete the XT Series cycle with expansion in more modular solutions, shouldn't that help on the gross margin side? I just kind of want to (technical difficulty) implications on the gross margin side.



**Kathleen Nemeth:** Let me jump in first, and then I'll hand it over to Nchacha. So, just to be clear, from the XT upgrade cycle, we're talking about bookings, right, largely through bookings. Throughout the revenue for 2025, you see that robust backlog that we have, so we're now busy scheduling customer implementations, et cetera, for XT. So, you'll see a rich mix of XT revenue throughout 2025, so just to be clear on that relative to the first quarter. And now I'll have Nchacha respond to the balance of your question.

**Nchacha Etta:** Yes, Scott, as I mentioned earlier, as you know we have been investing in our SaaS and Expert Services businesses. And as those businesses continue to scale, we should see an improvement, or they should contribute to our overall gross margin for 2025. Added to that is XT Amplify. XT Amplify, XTExtend have even better margins. And so, as XT Amplify starts or XTExtend starts to contribute to meaningful revenues in 2025, we should see that help improve our margins as well.

**Operator:** And your next question comes from the line of Stan Berenshteyn of Wells Fargo.

**Stan Berenshteyn:** Randy, it was nice to see that you're making progress on the robotic compounding capabilities that you called out in the prepared remarks. I guess what needs to happen for the compounding robot to move beyond the early adopter stage into a more wide-scale release? And is there a timeline for this happening?

**Randall Lipps:** Yes. I think we fully expect that, by the end of this year, we'll be at our next level of -- we just released the software. We have one more release this year, which would be sort of the completion of what we think is the near-term profile of the robot that will be market-ready in almost all of the aspects. And that's coming to a very successful end of the trial period and moving forward to the rollout period. And we're rolling out quite a few new customers with the robot this quarter, and we expect to continue to increase that fairly every quarter this year and on into '26. So, I think we've got a good glide path to where we want to be. We cured or completed all the key technical hurdles that we needed to do. So, it's now about getting the robots in place and getting the production out of them that customers expect.

**Stan Berenshteyn:** Helpful. And then your competitor is expecting to release the new dispensary cabinets that it has this year. Are you seeing any increase in RFPs for your XT Cabinets from health systems that perhaps are not part of your installed base?

**Randall Lipps:** No. I think, as new products come on the market, it does create opportunities for more RFPs and opportunities for us to get into discussion. And so, I do feel like there are more opportunities and our pipeline is larger on our expansion outside of our current customer base.

**Stan Berenshteyn:** Great. And then maybe one quick one for Nchacha. Just any comments on capital deployment priorities over the next 12 months?

**Nchacha Etta:** Yes. So, we continue to assess our capital deployment strategies and needs, and we feel very comfortable with the capital strategy that we've put in place today. So, we continue to assess



the working capital needs and the needs of our business, and we will make the right decisions to make sure that we're fueling long-term sustainable growth.

**Operator:** And your next question comes from the line of David Larsen of BTIG.

**David Larsen:** Can you talk a bit about your annual recurring revenue, like what percent of total revenue do you expect that to be in '25? And what is your sort of longer-term goal there? And then just any color around the Enliven win? I think you mentioned you sold this to a couple of health plans.

**Randall Lipps:** Yes. I think our Enliven business is really getting traction as we see the ramp-up of competition and the need to do better data analysis and engagement with patients. And we're proud that we can not only represent retailers in improving their efficiencies, but then also payers by helping them understand what patients of theirs are using their products and how well they're using those products, as well as we see other pharmacies, particularly larger pharmacies, or nationwide pharmacies, or institutional pharmacies, looking for ways to employ their pharmacists in other activities other than dispensing meds. And so those activities will involve billing services to payers. And so, we're excited that this is a big new frontier, if you will, for having pharmacists operate at the top of their license and then getting additional revenues and margins in these larger pharmacies that have been mostly dedicated to dispensing and not using billing activities.

**Nchacha Etta:** With regards to your question on ARR, we're very excited about our ARR outlook, especially for 2025. ARR today is about 53% of our total revenue. And we anticipate this -- our ARR to continue to grow and contribute to our overall revenue. Again, Specialty Pharmacy Services, EnlivenHealth and our inventory optimization systems are key drivers of our ARR growth for the year. But Specialty Pharmacy is a key driver that's growing double digit, and we expect that growth to continue.

**David Larsen:** Great. And then I've been hearing about this XT Series sort of runoff for a couple of years. Is 2025 going to be kind of your final year of sort of the runoff of these XT upgrades, and then, starting in '26, we will be kind of through all of that? Obviously, I'm getting at product revenue growth expectations longer term.

**Randall Lipps:** Yes. The XT Amplify, when we announced it, we said there was more innovation in the roadmap. And that innovation wasn't just focused on inpatient but in other locations where med management has not been digitized. And so that's increasing both the addressable market and broadening our solution base and really getting at what our customers need, which is the ability to get 100% visibility of their medication flow. And so, as we release and innovate these new connected devices, that will provide an opportunity to grow our business and particularly on the product line side. But we also know that, with the speed of technology and the things that are going on, we're going to have to upgrade the technology within our systems and provide new platforms to meet those demands. So that is also in our roadmap and in the future. But it's just not one thing. I think it's multiple levels of innovations, and it depends on where customers are probably in their life cycle with our product, which



ones would appeal to them at the moment. But we will have a lot of offerings and opportunities to expand within our customer base and potentially those outside.

**David Larsen:** Great. Medication safety is so important for delivery of health care, and you guys do a great job at it.

**Operator:** And your next question comes from the line of Gene Mannheimer of Freedom Capital Markets.

**Gene Mannheimer:** Congrats on a great year and a good outlook. I wanted to drill down on the ARR a little bit further. Nchacha, do you break the ARR out by those respective categories of services and consumables and SaaS?

**Nchacha Etta:** Yes. So, the new metric that we're providing, ARR is composed of our SaaS and Expert Services businesses, technical services as well as consumables. We do provide some details on the SaaS businesses, but again, those are the three components of ARR.

**Gene Mannheimer:** Right. So, is there a 1:1 correspondence between your ARR and your forward 12-month revenue? So, said differently, \$620 million at the midpoint, how much of that will convert to revenue in the forward 12 months?

**Nchacha Etta:** Most of it should convert to revenue in the next 12 months.

**Gene Mannheimer:** Yes. That's the ARR, not the CAR. So, it's already running and soon to be continued running. So, it's kind of easy to understand the business, that there's not a lot of conversion in it. That's ongoing, running revenue is the best way to explain it, I'd say.

**Nchacha Etta:** Yes. Yes.

**Gene Mannheimer:** Okay. Excellent. All right. And just on OmniSphere, great innovation there. And I'm just wondering, within a customer site, is -- the way that gets implemented, is it a big-bang type implementation or a phased approach? So, like in case of -- if it's in phases, are you supporting kind of two redundant environments for a time like on-prem and the cloud? And does that impact your cost structure at all?

**Randall Lipps:** No. It's not actually two systems. You can actually run the cloud system with our current legacy systems, and then it's meant to be incremental without the double workload. So, it actually allows us to put in the infrastructure first without having to move the connected devices over and you can move those over when you're ready. So, one of the things that we have really focused on is minimizing disruption in our customers with new technologies and new approaches. And we took a long time to design this technology so that it's easy to deploy, easy to understand and really cause minimal



disruption. And so, if you get the XT Amplify, you'll be able to move to the OmniSphere rather easily and then move the devices over when you're ready.

**Eugene Mannheimer:** That's great

**Operator:** And that concludes our Q&A session. I will now turn the conference back over to Randall Lipps for closing remarks.

**Randall Lipps:** Well, I just want to reiterate how excited we are about 2025. As I said in my first question, we really have toughed-out the business. We look forward to comparable growth over quarter-to-quarter. This has really come about to the strong efforts of the success of XT Amplify, our employees who have readjusted to deploying new, cost-efficient processes and reorganizing around customer success, which has led to our success. And we're just really looking for an exciting year with some new innovation, new types of accounts and just continued growth. And we're really setting us up again for a great 2026. Thanks for joining us today. Cheers.