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Omnicell, Inc. (OMCL)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Carly and I will be your conference operator today. At this time, I would like to welcome everyone to the Omnicell First Quarter 2025 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to Kathleen Nemeth, Senior Vice President, Investor Relations. Please go ahead.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

Good morning, and Welcome to Omnicell first quarter 2025 financial results conference call. On the call with me today are Randall Lipps, Omnicell Chairman, President, CEO and Founder; Nnamdi Njoku Executive, Vice President and Chief Operating Officer; And Nchacha Etta, Executive Vice President and Chief Financial Officer.

This call will contain certain forward-looking statements, including statements related to financial projections or performance, or other statements regarding Omnicell's plans, strategy, objectives, goals, vision, expectations, planned investments, opportunities, expense mitigation, products, services or solution, driving toward a recurring revenue model, navigating the current macroeconomic environment, the impact of or ability to mitigate the impact of tariffs 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.

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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 27, 2025 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 on 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 release 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 A. Lipps

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

Good morning, and thank you all for joining us on today's call. Our business performed very well during first quarter of 2025, with results driven by demand for Omnicell's robust medication management platform. At Omnicell, we are focused on redefining how medications and supplies are managed across healthcare as we seek to help customers seamlessly control inventory from the loading dock to the point of patient care. Our platform is designed to empower organizations to improve medication safety, drive supply chain efficiency, and make smarter data-driven decisions.

Our future growth is expected to come from three core levers. First, we seek to capture greater market share across inpatient settings, including nursing floors, operating rooms and procedural areas, as well as central and satellite pharmacies, while continuing expansion into outpatient settings such as specialty, retail and institutional pharmacies. Second, we are growing and scaling our predictable reoccurring revenue. And third, we are striving to grow OmniSphere, our cloud-based platform to extend and connect innovative automation technologies, which we expect will include the use of AI across the entire continuum of care.

Let's review a few highlights from our strong first quarter. The demand environment tracked well to our expectations, as we saw market share gains and continued interest in our platform of products and services. We delivered solid revenue performance and are pleased with the growth in our recurring revenue. And we continue to see strong customer interest in Omnicell's long-term innovation road map.

Now let's turn to the financials. Omnicell delivered a solid first quarter. Total revenue was $270 million, an increase of $24 million from our first quarter of 2024. Revenue in the quarter decreased by $37 million from our fourth quarter of 2024, reflecting typical seasonality and the fact that fourth quarter 2024 performance was very strong, Product revenues came in above our first quarter 2025 outlook at $145 million, which is an increase of $12 million over the first quarter of 2024 and a decrease of $37 million compared to fourth quarter 2024. Service revenues were $125 million, an increase of $12 million over the first quarter of 2024 and flat compared to fourth quarter 2024.

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Non-GAAP gross margin for the first quarter of 2025 was 42.1%, a decrease of 530 basis points from the prior quarter due to the combination of lower product revenue volumes, as well as some seasonal expenses, including payroll taxes and employee benefits reset.

Our first quarter 2025 earnings per share, in accordance with GAAP, was a loss of $0.15 per share, compared to a loss of $0.34 per share in the first quarter 2024 and a profit of $0.34 per share in the prior quarter. Our first quarter 2025 non-GAAP earnings per share was $0.26, compared with $0.03 per share in the same period last year and $0.60 per share in the prior quarter. First quarter non-GAAP EBITDA was $24 million, an increase of $13 million when compared to the same period last year and a decrease of $23 million compared to the previous quarter.

As you can see from our revised 2025 guidance that Nchacha will cover in more detail, we have completed an initial assessment of the company's tariff exposure, assuming the announced tariffs, particularly on China-based products, are implemented as scheduled. As a reminder, we began working on optimizing our supply chain several years ago with a combination of dual-sourcing and near-shoring efforts. However, we continue to source a meaningful percentage of our sub-assemblies from China. At this time, we anticipate the impact from tariffs for 2025 to be approximately $40 million to non-GAAP EBITDA. As a result, we are reducing the ranges for our full year 2025 non-GAAP EBITDA and non-GAAP earnings per share guidance to reflect that currently expected partial year potential impact from tariffs, net of our planned mitigation efforts.

Please note that absent the tariff headwinds, we remain comfortable with our previously issued full year 2025 non-GAAP EBITDA and non-GAAP earnings per share guidance and are only modifying the ranges to reflect the expected potential impact from tariffs. We intend to continue to shift production of sub-assemblies to more favorable geographies, and over time, we anticipate considering broader changes to our supply chain.

We believe we have a strong, competitive position, and we plan to continue to innovate regardless of the tariff impact. Also, as we continue our pivot to recurring revenue services, our exposure to tariffs on a relative basis should decline over time. We expect to have more to share with you as the situation develops.

I'll now highlight a few of the key customer wins in the first quarter. Point of care dispensing solutions, including XT cabinets for nursing care areas, anesthesia workstations for perioperative settings, and our XT Amplify program offerings continue to be the backbone of medication management for many leading health systems. Leading health systems in New Jersey, Pennsylvania and West Virginia have recently invested in Omnicell solutions as they seek to increase pharmacy and nursing efficiency and improve patient safety, while delivering maximum value for the technology investment.

Our comprehensive platform and innovative road map are resonating with customers, and we are seeing continued momentum converting customers to Omnicell solutions. One of the leading healthcare organizations in Illinois has chosen Omnicell XT automated dispensing cabinets to support point of care dispensing across numerous sites of care. This health system intends to leverage Omnicell's enterprise analytics solution, inventory optimization service, and an effort to enhance inventory visibility, gain medication usage insights and optimize workflows across their system.

A nonprofit health system in Rhode Island selected Omnicell's point of care dispensing solutions, including XT cabinets and anesthesia workstations, as they look to improve clinical outcomes and enhance efficiency for healthcare staff. A Southern California nonprofit teaching hospital has chosen Omnicell's central pharmacy solutions as it seeks to reduce medication dispensing errors and waste, improve accuracy, and streamline workflows for their central pharmacy operations, which should free staff to focus on higher value tasks.

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The federal government, specifically the US Department of Veterans Affairs and other federal healthcare facilities, is a sizable portion of Omnicell's customer footprint. This quarter, we saw traction within our government customers for our central pharmacy and point of care solutions, including products from our XT Amplify program. Those systems continue to expand care delivery beyond acute care settings to improve patients' access to care, reduce costs, and increased revenue. This expansion includes investments in outpatient pharmacy programs, which for many providers may enable an opportunity for health systems to achieve financial growth and improve the patient experience.

A Northeast nonprofit healthcare system will add a new specialty pharmacy to their community in partnership with Omnicell's Specialty Pharmacy Services division. We also partnered with a Pennsylvania-based health system to open a new specialty pharmacy to serve their community. A Georgia based not-for-profit health care system has selected Omnicell to launch a new initiative targeted at optimizing their specialty pharmacy by expanding patient access to specialty medications and growing outpatient services.

Now before I turn it over to Nchacha, I want to provide some closing thoughts. We are pleased with our first quarter performance, and we remain very encouraged about our long-term growth strategy and how we believe it aligns with the industry-defined vision of the autonomous pharmacy. Omnicell as a trusted leader in automating medication and supply management, and we believe we are poised to grow as hospitals continue to digitize.

Despite the fluid tariff environment, I am confident that we will manage through the current tariff situation. We are reviewing different mitigation strategies around our supply chain, and I feel confident that the company's competitive position will remain strong as we tackle these headwinds. With or without tariffs, we are here to help our healthcare provider partners as they endeavor to increase operating efficiencies and improve patient safety.

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

Nchacha E. Etta

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

Thank you, Randall. I want to thank the entire team here at Omnicell who helped drive our strong start to 2025, delivering first quarter 2025 financial results where all of our guided metrics exceeded or landed in the upper end of our previously stated guidance ranges.

Now, I am going to walk you through some of the key drivers of our first quarter 2025 performance, as well as share our second quarter 2025 and updated full year 2025 guidance. Looking at our first quarter 2025 results, total revenue were $270 million, representing an increase of $24 million over the first quarter of 2024 and a decrease of $37 million compared to the previous quarter.

First quarter 2025 revenue performance, when compared to our fourth quarter 2024 results, reflect our typical seasonal pattern, in line with the historical trends we have seen, in which revenue tends to increase quarterly as the year progresses. The year-over-year increase in total revenue was driven by an increased contribution from our XT Amplify program, as well as continued growth in our SaaS and Expert Services, including an increase in revenues from Specialty Pharmacy Services offering.

For the first quarter 2025, product revenue was $145 million, representing an increase of $12 million compared to the first quarter of 2024 and a decrease of $37 million over the previous quarter. Service revenue for the first

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quarter 2025 was $125 million, which increased $12 million from the first quarter of 2024 and was flat compared to fourth quarter 2024 levels.

Non-GAAP gross margin for the first quarter of 2025 was 42.1%, representing an increase of 230 basis points compared to the first quarter of 2024 and a decrease of 530 basis points from the prior quarter. Non-GAAP gross margins when compared to fourth quarter 2024 results were impacted in the quarter by lower product revenue volumes, non-reoccurring costs, as well as some seasonal expenses, including payroll taxes and employee benefit resets.

A full reconciliation of our GAAP to non-GAAP results is included in each of our full year and fourth quarter 2024 and first quarter 2025 quarterly earnings press release, which are posted on our Investor Relations website.

Our first quarter 2025 earnings per share in accordance with GAAP were a loss of $0.15 per share, compared to a loss of $0.34 per share in the first quarter of 2024 and a profit of $0.34 per share in the prior quarter. Our first quarter typically is the lowest revenue quarter for the year, and our revenue tends to grow throughout the year. As a result, the first quarter also tends to be the quarter with the lowest profitability. Our first quarter 2025 non-GAAP earnings per share were $0.26, compared to $0.03 per share in the same period last year and $0.60 per share in the prior quarter.

First quarter non-GAAP EBITDA was $24 million, an increase of $13 million when compared to the same period last year and a decrease of $23 million compared to the previous quarter. Non-GAAP EBITDA in the quarter was modestly impacted by higher costs and operating expenses, largely driven by non-recurring items and some seasonal expenses that came in a bit higher than expected. Our non-GAAP earnings per share and non-GAAP EBITDA in the first quarter of 2025 were both higher compared to the first quarter of 2024, driven primarily by an increase in revenue year-over-year in the quarter.

At the end of the first quarter of 2025, our cash and cash equivalents were $387 million, up from $369 million as of December 31, 2024. The company continues to generate solid free cash flows, with free cash flow of $10 million during the first quarter of 2025. In terms of accounts receivable, days sales outstanding for the first quarter of 2025 were 86 days. We remain pleased with our continued strong quarterly collections and working capital management. This is an area of significant positive progress over the last 18 to 24 months. Inventories as of March 31, 2025 were $91 million, an increase of $2 million from the prior quarter and a decrease of $12 million from March 31, 2024.

Before we move to guidance, I would like to comment more broadly on our current view of the tariff headwinds we are facing. Last quarter, I shared with you that based on the tariffs announced at that time, we thought that our existing mitigation plans would largely offset the potential impact. Today, of course, we are in a much different situation. As a reminder, tariffs had no impact on our first quarter results, and as of today, we expect a fairly modest impact on our second quarter performance. We are implementing various mitigation initiatives, but obviously these take time to flow through our financial statements and to have the intended effect of offsetting a portion of the higher anticipated costs. We would expect the benefits of the mitigation plans to begin to take effect as we exit 2025. So, please keep that in mind as you are preparing your financial models for 2026.

As we see today with the current tariff situation, if the tariffs that are in place today remain in place throughout 2025, we are anticipating the impact to our second quarter 2025 non-GAAP EBITDA to be approximately $5 million, with the impact to our full year 2025 non-GAAP EBITDA to be approximately $40 million, net of our ongoing mitigation efforts. As we have said, over the course of the past few years and dating back to the previous administrations, we have taken steps intended to improve our supply chain, ensure continuity of products and

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reduce costs, as well as enhance efficiencies. As a result, the majority of our components are dual-sourced and we have flexibility to source key components from multiple geographies.

We are continuing to monitor any changes to the tariff environment and will continue to make what we believe are the right supply chain allocation decisions based on long-term goals and in consideration of near-term impacts. While a significant portion of the estimated $40 million 2025 non-GAAP EBITDA tariff impact is a result of components we currently source from China, we also source components from multiple favorable geographies, and we will continue to evaluate the allocation of sourcing for these components.

For the second quarter of 2025, we are providing the following guidance. We expect second quarter 2025 total revenue to be between $270 million and $280 million, with product revenue anticipated to be between $148 million to $153 million, and service revenue expected to be between $122 million and $127 million. We expect the second quarter 2025 non-GAAP EBITDA to be between $22 million and $30 million, and non-GAAP earnings per share to be between $0.19 per share and $0.32 per share. Please note that the ranges for non-GAAP EBITDA and non-GAAP earnings per share are wider than we typically guide due to the tariff uncertainty.

For full year 2025, we are maintaining our previously issued product bookings, annual reoccurring revenue and revenue guidance. As a result of the potential tariff impact as we see it today, we are adjusting the ranges for our full year 2025 non-GAAP EBITDA and non-GAAP earnings per share guidance. We are reducing the upper end of our 2025 non-GAAP EBITDA guidance by $10 million and reducing the upper end of our non-GAAP earnings per share guidance by $0.20. We are also reducing the bottom end of the range for non-GAAP EBITDA and non-GAAP earnings per share, and widening both ranges to reflect the increased uncertainty due to tariffs.

If not for the current potential impact of tariffs, our full year 2025 non-GAAP EBITDA and non-GAAP earnings per share guidance we have previously provided would not have changed. We anticipate product bookings to be in the range of $500 million to $550 million. Our year-end 2025 annual reoccurring revenue is expected to be in the range of $610 million to $630 million. Total revenue is expected to be in the range of $1.105 billion to $1.155 billion.

Non-GAAP EBITDA is expected to be in the range of $100 million to $145 million. Please note that this is a wider range than we typically guide and reflect the potential tariff impact we see today. Non-GAAP earnings per share are expected to be in the range of $1 to $1.65. Again, this is a wider range than we typically guide and reflects the tariff uncertainty and expected impact that we discussed earlier.

As a reminder, we are also facing an approximate $0.20 headwinds 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.

Please note that our second quarter and revised full year 2025 guidance is based on our current estimates of the potential impact of the tariffs in place today, including those which are scheduled to increase in the future, and does not include any potential or additional tariff impacts from future changes not yet enacted, or the potential impact of additional reciprocal tariffs that may be imposed. We recognize that the current situation is fluid, and we will continue to monitor the potential impact as the year progresses.

In summary, I am pleased with the strong results that all of us here at Omnicell have worked hard to deliver for the first quarter of 2025. We believe that these results reflect the strong customer demand for our innovative and outcome-centric medication management solutions, as our customers look to be embracing the industry-defined

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vision of the autonomous pharmacy and our continuous focus on driving the business towards a reoccurring revenue model.

Despite the challenging and evolving tariff situation, I am extremely proud of how our team has remained resilient and committed to delivering on Omnicell's mission to be the clinicians' most trusted partner for medication management.

We would now like to open the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Jessica Tassan with Piper Sandler.

Jessica E. Tassan
Analyst, Piper Sandler & Co.

Q

Hi, guys. Thank you for taking the question and thanks for the color on tariffs. Can you guys describe what your outlook implies in terms of just tariff distribution or how the burden of tariffs is distributed between Omnicell and your customers? Like, to what extent are you passing through some portion as price? Or are you absorbing effectively all of the impact? Thanks.

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

A

Well, at this moment, we are not passing significant price increases on to the customer. But as we continue through the tariff situation, there's a possibility that we could, or maybe just not lower discounts as much. We do have contracts with customers that we will look up to. But I think for the most part, we need to reorient our supply chain to reduce the impact of tariffs. That's the biggest move we can make.

Jessica E. Tassan
Analyst, Piper Sandler & Co.

Q

Got it. That's helpful. And so, the reiterated guidance implies no change to units effectively because the price to the customer will be the same? That's my first one. And then just secondly, I'm interested to know, does XT Amplify have any – have kind of a more favorable supply chain – yeah, a more favorable or domestic supply chain relative to the XT cabinets? And then just can you confirm that XT Amplify's first product, so Extend is on the market and deploying right now? Thanks

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

A

Hi, Jessica. This is Nnamdi. Thanks for the question. Well, just to kind of paint a picture, XT Amplify is part of our XT portfolio. And when you look at the Omnicell portfolio in general, our point of care products, which XT is a big part of, and Amplify components are sourced globally. So that's what's really driving our exposure particularly from a tariff standpoint. And with respect to the rollout, XTE is being rolled out as we speak. We started the rollout last year. So that's a part of our portfolio that continues to ramp.

Operator: Your next question comes from Gene Mannheimer with Freedom Capital Markets.

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Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Thanks and good morning. Can you just maybe talk about the cadence of that $40 million tariff impact? In other words, Nchacha called out $5 million in Q2. But I'm trying to get a sense for whether the biggest impact will be in Q4, since that's when you install the most hardware. Just curious on that trajectory.

Nchacha E. Etta
Executive Vice President & Chief Financial Officer, Omnicell, Inc.

A

Yes, Gene. So, the total impact for the year is $40 million. So the gross impact is about $70 million. But then we have some that will stay in inventory towards the end – through the end of the year. We have a total of about $50 million. And with our mitigation efforts, that's how we get to the $40 million. And so the $40 million, we have about $5 million that is going to be recorded in the second quarter and then the remainder will be in the second half of the year. So we're looking at about $30 million to $35 million impact in the second half of the year.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

A

And I would add, Gene, that there could be some bias towards the fourth quarter per your comments about that being typically the strongest revenue quarter for us.

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Right, right. That makes sense. Thanks. And my follow-up is, Randy called out some nice wins in Illinois and the Northeast with respect to XT. I'm just curious if those selections maybe were extended from the fourth quarter. I'm just trying to get a sense on where the demand is and where we are in the cycle for XT upgrades now. Thank you.

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

A

Yeah. Those were new customers and they have their own timing. They're not really tied to seasonality, I would say, but more about when the decision to make a swap and make the investment. And we kind of see those come and go kind of regularly every quarter. But we may not have as many in some quarter. But I wouldn't say there's any special timing to note into those. And those were folks who really love where XT Amplify was and where we were taking it and really saw the strategic fit with what they wanted to do and what we had to offer now, as well as what we were rolling out. So we think that trend will continue.

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

That's great. Thanks again.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Gene.

Operator: Your next question comes from Allen Lutz with Bank of America.

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Allen Lutz
Analyst, BofA Securities, Inc.

Q

Good morning, and thanks for taking the questions. I know a lot of focus has been on the tariff piece here, but I want to talk about just generally what your hospital customers are thinking here. There have been some data points out in the market that pharmacy IT budgets may actually be inflecting a little bit more positively than where they've been over maybe the past couple years or so. So if we kind of ignore the tariff piece for a second, are there any fundamentals going on within the hospital market that you're seeing that could be driving any type of reacceleration in demand for pharmacy IT and those types of budgets? Thank you.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Allen.

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

A

Yeah. Well, certainly, specialty is a top topic in all providers. And that is really making the pharmacy conversation with our customers that I have a lot more strategic. It's not just about the savings and safety issues, but the revenue generation, particularly in the outpatient settings and particularly around specialty pharmacy. And so, those kinds of strategic discussions just seem to be more on customers' minds as these providers have gotten to be very, very large. So they want to leverage that and they want to deploy a system that can help them leverage that. So I think that's the leaning we're feeling in the market. We saw the momentum at the end of last year, and we continue to see that momentum in the first quarter and in the marketplace today.

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Great. Thanks, Randy.

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

A

You bet.

Operator: Your next question comes from Bill Sutherland with Benchmark.

William Sutherland
Analyst, The Benchmark Co. LLC

Q

Thank you. Hey, everybody. Wondering about as we think about the new EBITDA guidance range, kind of what's – what are the assumptions at the lower end of it and what would be the assumptions at the higher end? So, just a matter of success with mitigation. And if that's the case, maybe I should rephrase the question as what are the two or three key mitigation steps you think are going to be most effective?

Nchacha E. Etta
Executive Vice President & Chief Financial Officer, Omnicell, Inc.

A

Yes, Gene. So, you're right, the changes that we've made in the guidance was primarily driven by the – to account for tariffs both at the lower and upper end. But looking at the mitigation actions that we put in place, because we source most of our products from China, we're looking at really reallocating our supply chain footprint

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to more favorable geographies across the globe, including North America. So that's one of the main mitigation factors. And as Randy mentioned earlier, we're looking at our pricing actions, so the pricing that we can take or execute based on our contracts to try to mitigate or reduce the impact of tariffs.

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

And Bill, just to add a couple of points to what Nchacha has described. The other additional actions we're taking are also accelerating component shipments from lower tariff geographies. So a lot of these levers that we have available to us is based on work that was done in the past, in past years, to really build resiliency into our supply chain. As Randy also touched on, we're looking at evaluating pricing as we go as well. So all these things come together and they give us the ability to mitigate at least some portion of the tariff exposure that we're seeing.

William Sutherland Q
Analyst, The Benchmark Co. LLC

And the...

Kathleen Nemeth A
Senior Vice President-Investor Relations, Omnicell, Inc.

Yeah.

William Sutherland Q
Analyst, The Benchmark Co. LLC

Yeah, I'm sorry. Go ahead.

Kathleen Nemeth A
Senior Vice President-Investor Relations, Omnicell, Inc.

Yeah. No, I would also just – also add to the conversation that, in terms of the tariff impact to EBITDA, the lower end just assumes the full impact. The change to the higher end is contemplating the impact we're expecting in the second quarter.

William Sutherland Q
Analyst, The Benchmark Co. LLC

Okay. And are the two components, the two biggest factors, semiconductors and metal for the frame?

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

The primary driver here, just kind of going back to our prepared statements, the primary driver here is when you look at the components and the sub-assemblies that we source from China. That's what's really driving a lot of the net exposure of the $40 million in 2025. And as we're working with our partners to reallocate and move those sourcing nodes, if you will, outside China, we'll start to see the benefit of that. But really, that's the piece that's driving the exposure here.

William Sutherland Q
Analyst, The Benchmark Co. LLC

Okay. And then I guess last, Nnamdi, just a product question. IVX, an update on how that's moving forward?

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

Yeah. We've had a very successful first quarter in rolling out our next release to all of our current customers and gotten very favorable responses from our customers about the new capabilities that that release comes with it. And it really allows for both broader ranges of partners to drive through the system as well as more speed and reliance – reliability. So it's going well and it continues to build momentum. And we do have great pipeline and our sales force as they take this product out. And so we think that slowly but continually builds and grows every quarter.

William Sutherland
Analyst, The Benchmark Co. LLC
Q

Great. Thanks for all the color, guys.

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

You bet.

Operator: Your next question comes from Stan Berenshteyn with Wells Fargo.

Stan Berenshteyn
Analyst, Wells Fargo Securities LLC
Q

Hi. Thanks for taking my questions. Just back on the China tariff discussion, how much time would it take to sufficiently disintermediate the supply chain exposure to China?

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

Just the way I would frame it here is, if you – if I go back to the actions that we've taken as a company to strengthen our supply chain, it really gets anchored in some key partnerships on the supply side. And we've made investments across multiple geographies, and that's giving us the flexibility to move the allocations out of China.

With regards to how long that would take, that's something that's probably going to happen over time. It's not – I mean, there are still some components that flow through China and Taiwan. I think there's going to be a lag on those types of things that will sort of gate the ability to disintermediate completely. But we're doing basically – we're taking actions here to move what we can to other nodes. And then, the last few pieces we'll have to work through over time. But that's how I would explain that.

Stan Berenshteyn
Analyst, Wells Fargo Securities LLC
Q

Okay. And do you have any revenue exposure to China?

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

Nothing material.

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Stan Berenshteyn
Analyst, Wells Fargo Securities LLC

Q

Okay. Thanks so much.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Stan.

Operator: Your next question comes from Matt Hewitt with Craig-Hallum.

Matthew Gregory Hewitt
Analyst, Craig-Hallum Capital Group LLC

Q

Good morning. Thanks for taking the questions. Maybe first up, historically, you were in a position where your products, your services were, call it, top five from a decision standpoint at your customers. And that's kind of helped you when things were a little shakier, there were questions about the macro. How does your product portfolio, your service portfolio sit today?

I just – you look at hospitals and there are some questions about the macro and Medicaid cuts and things like that. And we've heard anecdotally at least that there are some companies that are starting to see customers kind of pull back a little bit on some of the purchasing decisions, yet you obviously had a very strong quarter. You reaffirmed your revenue guidance for the year. So is it because you kind of sit in that top five purchasing decision or is there some other dynamic that's helping you?

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

A

Well, I think pharmacy, as I said previously, becomes more and more strategic for these super large providers. And frankly, we've seen, I believe, the hospital margins first quarter around 6%, which continue to grow. They want to invest in pharmacy. And those investments aren't just in our equipment, but expanding pharmacies to be really outpatient-driven as well. By having the outpatient-driven piece, these providers can stay more connected to their patients and be more holistic as they approach their care and their outcomes.

And so they want to do that. And they realized in order to do those kinds of things, they need to do more than just have good equipment inside the four walls of the hospital, but they must have a strategy to go outside of those walls. You have to have a specialty strategy and you have to have an outpatient strategy. So, those topics are high on the list of the C-suite and will continue, and really position us well to tell the whole story of Omnicell, not just parts and pieces.

Matthew Gregory Hewitt
Analyst, Craig-Hallum Capital Group LLC

Q

That's helpful, Randy. Maybe as a follow-up question, a little bit separate here, but I realize that you're sourcing some of your components globally. But with such an outsized tariff on the products coming from China, is there any way that you could quantify? I mean, is it roughly half of your components are coming from China? And as you mitigate that, as you shift some of your sourcing to other regions, that would have an outsized impact on helping your margins recover? Or any color that you could provide on the geography exposure.

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

Yeah. China is our biggest exposure. And as we mitigate that one and move things to North America, which we actually had a three-year plan, we're about one year into it. So, if we didn't have the tariffs, it'd probably be about two years. But that's what we're trying to accelerate the plan to move quicker on that. That's the outside. It's probably two years, but we believe we can accelerate that and get things back to North America where the impact is small.

So, there are some other things that are a little bit [ph] tariffs (00:43:56), but they're mostly on rounding numbers. The key about being in China is that these are sub-assemblies. In other words, they're just not an electronic board. They actually build the sub-assemblies so that we can do the manufacturing in the States for configuration and shipping here. So they're feeding our manufacturing that we have stateside.

Matthew Gregory Hewitt
Analyst, Craig-Hallum Capital Group LLC
Q

Makes sense. All right. Thank you.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.
A

Thanks, Matt.

Operator: Your final question comes from David Larsen with BTIG.

David Larsen
Analyst, BTIG LLC
Q

Hi. Can you talk about the progression of expected revenue growth? I think both in product and services, I mean, your revenue growth looked pretty good in the quarter year-over-year. And it seems like on a year-over-year basis, you're guiding to a pretty significant slowdown in that growth rate. I'm just wondering why that is. And just any thoughts on XT Amplify, how those sales are progressing and maybe what the current penetration rate is in your base? Thanks very much.

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

Yeah. Thanks, David. We feel really strong about the Amplify portfolio. It got off to its first year start last year and the momentum continues. We're going to do great in that product line. And it is the product that really starts the discussion at all of our accounts about how to prepare – how to get more efficiencies and safety today and prepare for the future possibilities of more innovation to help move to outpatient, to integrate with specialty and look at some retail SaaS business as well.

So I think I feel like the momentum is continuing, and I think we'll get there. I think that we're still earlier in the first half of the year. So, we'll probably be able to provide more clarity on product bookings as we move throughout the year, where we might end up there. But I just think the feeling in the company and the feeling in the way we're running the company is we do have positive momentum and that is continuing forward, really built on the back of our customers who really want to move pharmacy forward in their operations and make it strategic. So, feeling good about this year

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David Larsen
Analyst, BTIG LLC

Q

Great. Thanks. And just related to that, how would you characterize, like, the hospital buying environment? I mean, there was a period there with labor constraints and higher inflation. You mentioned, like, a 6% margin for facilities now. Would you say that the environment despite tariffs has improved?

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

A

Definitely. Definitely. And I think that hospitals are always laggards, right? If there's something that's happening, it generally takes a while for it to flow through. So I think there's – we don't see any slowdown in our revenue or install processes. We went back and recreated those over the last two years. So we have very precise inputs on near-term, medium- and long-term installs. And the same for the sales cycle. And we haven't seen any slowdown in either, although, I think the sales cycle could slow down, it is possible, but we haven't seen it yet.

David Larsen
Analyst, BTIG LLC

Q

Okay. Thanks very much.

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

A

Cheers.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Dave.

Operator: I will now turn the call back over to Randall Lipps for closing remarks.

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

Yeah. Well, like I said, we're really positive on the first quarter of the year. As we've entered the tariffs, we understand that that is a headwind. But we've got good mitigation plans going. We do believe that we'll be able to, over the long term, set those right. We've got to continue to ship and install for our customers as the business continues to build. The other areas of the recurring sections of our business to continue to be strong, and we're happy with our Specialty and Enliven business.

And I just want to also reach out and note that the teams out there have been working hard through all the supply chain issues many hours and nights, and have put a good plan in place to get us where we need to go and continue to improve. So, stay tuned. I'm sure there'll be some new news on the tariffs as we move forward, but we wanted to position ourselves to be nimble and ready to do what we need for our customers and for our shareholders. Thank you.

Kathleen Nemeth
Senior Vice President-Investor Relations, Omnicell, Inc.

Thanks, everyone

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Operator: Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.

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