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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Eric, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Omnicell second quarter 2025 financial results 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]

I'd 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 the Omnicell Second quarter 2025 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, and Nnamdi Njoku, Executive Vice President and Chief Operating Officer. The call today will contain forward looking statements, including statements related to financial projections or performance, and market or company outlook based on current expectations. These forward looking statements speak only as of today on the date specified on the call. Actual results and other events may differ materially from those contemplated due to numerous factors that involve substantial risks and uncertainties. For more information, please refer to our press release issued today, Omnicell's Annual Report on Form 10-K filed with the SEC on February 27, 2025, and in other more recent reports filed with the SEC. Except as required by law, we do not assume any obligation to update any forward looking statements. 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. Our results were

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released this morning and our financial results press releases are posted in the Investor Relations section of our website at ir.omnicell.com.

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

Randall A. Lipps

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

Good morning, everyone, and thank you for joining us today. We had a strong second quarter and first half of 2025, and I am pleased to announce today that we are reaffirming our full year 2025 outlook for product bookings and annual recurring revenue, and modestly increasing our full year 2025 guidance for total revenues, non-GAAP EBITDA and non-GAAP earnings per share, which reflects our strong first half 2025 performance and greater visibility as we move through the back half of the year.

I'm proud of the team's ability to deliver strong [indiscernible] (03:12) despite the headwinds from tariffs and uncertainty in the macroeconomic environment. I'm also pleased to note that we are seeing that overall customer demand is tracking to our expectations, which we believe reflects the strength of our innovative portfolio of products and services. Customers appear to continue to see the value in our products and have been receptive of broader pricing increases and strategies we have recently started to implement. Also, we think it's important to remember that our install base has grown significantly over the last several years and as we continue to announce new innovations and capabilities, it should position us well as we move forward.

I'm excited about the journey Omnicell is on, evolving from a device centric, medication and medical supplies management company to an end-to-end medication and medical supplies management technology platform company, combining both automation and intelligence that serves the entire continuum of care. This transformation is meant to allow us to serve our health system customers by providing high visibility of medications and medical supplies in every location and giving them accurate, actionable insights intended to enhance operational and clinical outcomes.

Now, let's review the second quarter 2025 financial results. Total revenue was $291 million, representing an increase of $14 million, or 5%, over the second quarter of 2024 and an increase of $21 million, or 8%, compared to the previous quarter. Our second quarter 2025 earnings per share, in accordance with GAAP were $0.12 per share, compared to $0.08 per share in the second quarter of 2024 and a loss of $0.15 per share in the prior quarter.

We believe that we are building customer awareness around our roadmap, which includes both automation with robotics and smart devices and intelligence with software and analytics, and this appears to be resonating with the market. We believe we are increasingly viewed by our customers as a way for them to maximize their capital and strategic investment dollars.

As I noted, we are pleased to see that customer demand is tracking to our initial expectations at the start of the year despite the uncertainty customers are facing whether from legislative or economic environment. We expect our future growth to continue to be driven by three core levers.

First, expanding our market presence. We are focused on capturing greater market share across both inpatient and outpatient settings. This includes nursing units, operating rooms, and pharmacies of all types, from central pharmacies to specialty pharmacies. Our recent customer wins and continued platform adoption reflect what we think is the strength of our solutions and the trust we believe we are building across the healthcare continuum.

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Second, scaling reoccurring revenue. We are taking actions to grow and scale our predictable, recurring revenue base. This includes service contracts, software subscriptions, and cloud based offerings that are expected to provide long term value to our customers and greater visibility in our own business. We are pleased to note that we are growing and scaling our predictable, recurring revenue base, both from growth in market share and price levers.

And third, accelerating our technology platform, Omnisphere. A key pillar of our transformation is Omnisphere, our cloud native platform designed to be the connected backbone for all Omnicell products. Omnisphere is intended to enable enterprise-wide visibility into medications and medical supplies, inventory, and provide a single point of access for all cloud connected automation and intelligence.

This quarter, we were proud to announce that Omnisphere received HITRUST CSF i1 certification, an important milestone that affirms our commitment to cybersecurity and operational excellence. We believe we are the only med management company to achieve this milestone. And importantly, at a time when many customers are looking for solutions that achieve the highest data protection standards.

In the second quarter, we unveiled our innovation Lab in Austin, Texas. This facility is dedicated to solving customer identified pain points through rapid prototyping and testing. We also hosted at our lab Illuminate 2025, our fifth annual customer focused event that aims to shine a light on customers most pressing medication management challenges and Omnicell's innovative solutions that are helping to drive enhanced clinical and operational outcomes.

As more patient care shifts toward an outpatient model we believe there is growing need for better medication management at the clinic level. To support health systems in managing [ph] growing (09:17) inventory locations in outpatient settings we launched MedVision, a software solution that is built to offer the ability to manage real time medication inventory workflows in clinics. The product is designed to provide visibility through dynamic dashboards, insights into stockouts, stock values, usage, and high interoperability through automated reordering and replenishing at the clinic level. We are pleased with the market reception thus far.

Also, to continue our path to increased visibility within the hospital, to continue to lead the industry with innovation, we launched a new RFID product line, MedTrack. We are starting in the operating room with the first offering named MedTrack OR. The RFID enabled drawer is designed to work in conjunction with an Omnicell anesthesia workstation to allow non-controlled medications to be automatically tracked via RFID and allow providers to adopt grab and go dispensing and returning approach within the operating room and procedural area environments.

These exciting new products continue to add to our strategy that seeks to create visibility and provide actionable insights throughout the health system and reach the outcomes laid out in the Autonomous Pharmacy framework. These innovative products also reflect our commitment to seeking to help healthcare providers improve outcomes, reduce costs, and alleviate staff burnout. I'm confident in our long term strategy and our ability to lead the next era of medication management. We are building the infrastructure, the talent and the technology that should support our customers as they navigate a rapidly evolving healthcare landscape.

Now, let's turn to some of the customer win highlights for the second quarter, we continue to be pleased with the strong customer demand for our [ph] XDA (26:44) Amplify offering, particularly XTExtend, which again helped drive our strong top line performance in the second quarter of 2025. XTExtend was part of several larger portfolio deals this quarter, including a significant win at a large Northeast Health organization with seven locations across New Jersey, along with other wins at healthcare entities in Nebraska, Northern Pennsylvania and Southern and Central New York, and government healthcare facilities.

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In June 2025 we held our inaugural IV TRUST Summit, which brought together industry leaders, patient safety advocates, and policy advisors to explore opportunities for improving patient safety of intravenous medication compounding through automation and intelligence.

Our IV automation solutions continue to gain traction in the market, with a leading Southern California health system selecting Omnicell to provide IV automation solutions that are intended to support safety and accuracy for their sterile compounding operations. Our central pharmacy footprint continues to grow with a large non-for-profit academic medical system in Illinois and a Mississippi based Catholic health system selecting our Central Pharmacy Dispensing Service in its efforts to enhance safety and efficiency in central pharmacy inventory management and dispensing. Finally, a leading acute care regional hospital in Northern Georgia has selected Omnicell's Specialty Pharmacy Services to launch a specialty pharmacy designed to extend its advanced inpatient and outpatient services as it seeks to deliver comprehensive, community focused care.

In summary, while we are mindful of macroeconomic uncertainty and are working to navigate a dynamic cost structure environment relative to tariffs, we are pleased with the pace of innovation Omnicell is delivering across the entire continuum of care, and are excited about the opportunities ahead. We believe our focus on innovation and providing ROI solutions will resonate with customers during these uncertain times.

Now, with that update, I'd like to turn over the call to Nchacha. Nchacha?

Nchacha E. Etta

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

Thank you. Randall. I want to start with a big thank you to the entire team at Omnicell for delivering outstanding financial results for our second quarter of 2025. Your strategic thinking, resilience, and ability to navigate through challenging tariff headwinds has been nothing short of exceptional.

This quarter I am pleased to report that we delivered strong results exceeding the upper end of nearly all of our previously stated guidance ranges. Now, I am going to walk you through some of the key drivers of our second quarter 2025 performance, as well as share our third quarter and updated full year guidance.

Looking at our second quarter 2025 results, total revenue was $291 million, representing an increase of $14 million, or approximately 5%, from the second quarter of 2024, and an increase of $21 million, or nearly 8%, compared to the previous quarter.

Compared to the second quarter 2024, we saw year over year growth from all four of our major product categories, including connected devices, which benefited from XTExtend as well as key contributions from technical services, SaaS and Expert Services and consumables.

Compared to our second quarter 2025 product revenue guidance, we saw stronger than expected revenues from connected devices, including contributions from lease renewals as well as consumables. Second quarter 2025 product revenue was $163 million, representing an increase of $7 million compared to the second quarter of 2024 and an increase of $18 million over the previous quarter.

Service revenue for the second quarter 2025 was $127 million, which increased by $7 million from the second quarter of 2024 and represented an increase of $3 million over the previous quarter. Non-GAAP gross margin for the second quarter of 2025 was 44.7%, representing an increase of 50 basis points compared to the second quarter of 2024 and an increase of 260 basis points from the prior quarter.

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Second quarter 2025 non-GAAP gross margins when compared to first quarter 2025 results benefited from higher product revenue volumes, favorable pricing, customer and product mix, as well as some seasonal expenses which were lower in the second quarter of 2025.

A full reconciliation of our GAAP to non-GAAP results is included in each of our first quarter 2025 and second quarter 2025 quarterly earnings press releases, which are posted on our Investor Relations website. Our second quarter 2025 earnings per share in accordance with GAAP were $0.12 per share, compared to $0.08 per share in the second quarter of 2024 and a loss of $0.15 per share in the prior quarter.

We are very pleased to see earnings per share in accordance with GAAP swing to a positive compared to the prior quarter with the improvements driven by higher revenues and continued focus on prudent expense management. As we have noted in prior calls, our goal is to deliver consistent GAAP profitability.

Our second quarter 2025 non-GAAP earnings per share was $0.45, compared to $0.51 per share in the same period last year, and $0.26 per share in the prior quarter. Second quarter non-GAAP EBITDA was $38 million, compared to $40 million in the same period last year and $24 million in the prior quarter.

As of June 30, 2025, our cash and cash equivalents were $399 million, compared to $387 million as of March 31, 2025. Our company continued to generate solid free cash flow with free cash flow during the second quarter of 2025 of $27 million, which represents an increase of $17 million compared to the prior quarter.

In terms of accounts receivable, days sales outstanding for the second quarter of 2025 was 75 days, which represents a decrease of 11 days compared to the prior quarter. Inventories as of June 30, 2025, were $106 million, an increase of $15 million on the prior quarter and an increase of $13 million from June 30, 2024. As a reminder, during the second quarter of 2025, our board of directors authorized a new stock repurchase program of up to $75 million. As of June 30, 2025, we have bought back approximately $16 million worth of our stock. Going forward, we plan to continue buying back shares of our common stock opportunistically.

Before we move to the guidance, I would like to provide an update on the tariff impact during the second quarter and our current thoughts on tariffs for the second half of 2025. The impact of tariffs on our profitability in the second quarter of 2025, net of our mitigation efforts, was approximately $2 million. And we currently expect the net quarterly impact of tariffs for each of the third and fourth quarters of 2025, to be approximately $6 million per quarter. At this time, we expect our net tariff impact in 2025 to be approximately $15 million, which includes $32 million in gross tariff impacts, which we expect to be partially offset by our estimate of the forecasted timing of the tariff impact on the income statement and our ongoing and planned mitigation efforts.

As we have mentioned in previous calls, 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 our higher anticipated costs. As part of our mitigation efforts, we are reviewing our pricing strategies and have recently started implementing price increases.

While it is early in this effort, we are pleased with the market reception we have seen, which we believe reflects the strength of our portfolio of products and solutions. We believe our products drive significant value for customers given our focus on quality and superior return on investments. We would expect the benefits of the various mitigation plans to have a greater effect as we exit 2025. Therefore our projected 2026 tariff impact is anticipated to be lower than the currently expected annualized run rate of the $6 million impact in the fourth quarter of 2025, please keep that in mind as you are preparing your financial modeling for 2026.

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Even before this round of tariffs kicked off, we had already been taking steps intended to improve our supply chain resilience, and ensure continuity of products and reduce cost and enhance efficiencies. We are making good progress on our mitigation efforts and continue to feel confident in the steps we are taking to address this issue.

Now, turning to guidance. Please note that our third quarter and updated full year 2025 guidance is based on our current estimate of the potential impact of the tariffs as of today. We recognize that the situation is fluid and we will continue to monitor the potential impact as the remainder of the year progresses.

For the third quarter of 2025, we are providing the following outlook. We expect third quarter 2025 total revenue to be between $290 million and $300 million, with product revenues anticipated to be between $165 million and $170 million, and services revenues expected to be between $125 million and $130 million.

We expect third quarter 2025 non-GAAP EBITDA to be between $28 million and $32 million, and non-GAAP earnings per share to be between $0.30 per share and $0.37 per share. Please note that we expect to see some headwinds in the third quarter of 2025, including increased tariff expense and non-recurring software upgrade costs in the field that will modestly impact our non-GAAP EBITDA and non-GAAP earnings per share guidance.

For full year 2025, we are maintaining our previously issued guidance ranges for product bookings and ARR and modestly raising our guidance ranges for total revenues, non-GAAP EBITDA and non-GAAP earnings per share. As we move through the back half of the year, these adjustments to setting off our guidance metrics reflect both our strong first half performance and greater visibility into full year results. Consistent with prior guidance, we continue to anticipate product bookings to be in the range of $500 million to $550 million, and our year end 2025 ARR to be in the range of $610 million to $630 million.

For total revenues, we are raising and narrowing our prior guidance ranges. Total revenues are now expected to be in the range of $1.130 billion to $1.160 billion, as compared to the prior expectation of $1.105 billion to $1.155 billion, non-GAAP EBITDA is now expected to be in the range of $130 million to $145 million, up from our previous guidance of $120 million to $145 million. Finally, non-GAAP earnings per share is expected to be in the range of $1.40 to $1.65 versus our prior expectation of $1.30 to $1.65.

As we have mentioned previously, we are also 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 in the fourth quarter of 2024. For the full year 2025, we are assuming an effective blended tax rate of approximately 18% in our non-GAAP earnings per share guidance.

As we close, I once again would like to thank the entire team here at Omnicell for driving our strong second quarter 2025 performance and setting a foundation for what should be a strong 2025 and beyond. 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.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Jessica Tassan with Piper Sandler. Please go ahead.

Jessica E. Tassan
Analyst, Piper Sandler & Co.

Q

Hi, guys. Thanks so much for taking the questions. Randall, I'm wondering if you can just describe the competitive landscape. It sounded like you guys were gaining momentum in the kind of top 300 hospital space. Are those hospitals still in the market have macro headwinds or kind of the impending 2026 volatility in marketplace and Medicaid kind of scared some portion of your pipeline, or is it still strong? And then just in terms of competitor behavior, obviously we are aware of a competitive launch. Is Omnicell proactively approaching customers and prospects in light of that or is the launch just softer and less threatening than maybe we and investors had feared? Thanks.

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

A

Sure. Good to hear from you, Jessica. I really believe that hospitals are talking slightly differently, but their buying behavior has not changed. I think in the middle market we tend to do very well as we do in all the markets, I think. But I think it's a little bit easier to swap. And I think we line up very competitively with – in the competitive world against what's coming out and what we have out and what we're going to bring out. So that momentum has continued in that market, their financials seem to be in line to continue to buy our products and make the swap. So we feel confident about that.

And I think as we have done here in Austin, Texas, we've launched our innovation center. We are really moving away from just being a product company to a tech company. So it's more about an enterprise, high tech solution that's cybersecure, that can answer a lot of different problems throughout an institution's continuum of care. And it's probably less about one product here or there. So I think we have the strongest solution set in the marketplace, and that continues to resonate really well with customers that we currently have and the ones that we're going after.

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

A

Thanks, Jess.

Operator: Next question comes from the line of Matt Hewitt with Craig-Hallum Capital Group. Please go ahead.

Matthew Gregory Hewitt
Analyst, Craig-Hallum Capital Group LLC

Q

Good morning and congratulations on the strong quarter. Maybe kind of an extension of the prior question, what are you hearing from customers regarding the Medicaid cuts and the impacts that they're facing on that side of the equation and its ability to purchase more products? Is it affecting the way that they're kind of lining up in queue, or is it changing the way that they look at the services, maybe looking to adopt your services more broadly as a way to kind of reduce their overhead? Any color there would be great. Thank you.

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

Yeah, I think as they think about these new legislative things coming down, they just haven't arrived yet. They have to go through the federal government, then through the state government. And so, and I'm not sure that they really can assess the full impact yet. But we do see these systems, these big providers really thinking about can technology begin to really solve some of my bigger issues, not just fill the gap, but actually solve some of these problems. So it really puts us in a good position that to help reduce cost and prove it, improve efficiencies and really make a better experience for the users, which is really critical, particularly nursing. So I just feel that we are so well positioned with what we have to offer from a enterprise standpoint that it just seems to be resonating with customers, and I feel like, as we move forward, it's just going to get better. Even if the dollars get tight, which they haven't yet. So just to be clear, we haven't seen any customer change of behavior in our pipeline to push out things or slow things down. It's been steady.

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

That's great. Thank you.

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

See you next time.

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

Thanks, Matt.

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

Stan Berenshteyn
Analyst, Sidoti & Company
Q

Hi. Thanks for taking my questions. Would love to maybe get some comments on the IV compounding product that you have. You just announced the inaugural TRUST Summit that you just hosted. Can you just give us an update on the demand environment within Compounding? And then also, I think previously you've mentioned, Randy, that the compounding robot has been getting fixed up and upgraded. Do you have a timeline of when that robot will graduate from being offered on a limited release basis? Thank you.

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

Yeah, we just released our fourth and final phase of completing the product substantially, and that was in time, that was lined up with the timing of the IV Summit. So we have a product that's ready to go and has been gaining momentum both in the pipeline. And we do have a backlog of customers that have begun to install. So that marketplace is picking up for us. We're pretty much the sole player in that market, and the new features and functions and productivity and safety features have been accepted really well.

And we have, I think another key indicator of the momentum of that product is the reprehensibility of all the customers now, pretty much all the customers, are a good reference for us as we go forward. And I'm just, I'm

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excited about it because this is a hard, difficult product to make and solves a hard problem for our customers. And that's where you get good value and good return for them and for us.

Stan Berenshteyn
Analyst, Sidoti & Company

Q

Great. Thanks so much.

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

A

Thanks, Stan.

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

David Larsen
Analyst, BTIG LLC

Q

Hey, congratulations on the good quarter. Randy, can you talk a little bit more about software in the clinics and any color around, like your product roadmap? What are you doing for the docs in the offices at these hospital systems? And sort of what's your vision going forward? Thanks.

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

A

Well, it's really critical as we move to a fully automated world, the autonomous pharmacy, as I look at it, that you have to have full visibility of all the meds in all the locations, which include clinics, which include doctor's offices, that would include outpatient, surgery centers and the like. And in order to do that, you have to have solutions that fit those situations.

And MedVision is a down payment on that. It really allows you to go anywhere that meds are. You can use hardware to manage and control those, or you could just use open shelves. It doesn't matter. But the key is that it's an integrated system into our entire enterprise platform. So you don't have to buy separate platforms or separate systems or integrate them in later. It's already totally integrated. So it's an easy add-on for our customers to move from inpatient to outpatient without having to deploy new servers, new systems, or even new training. And it works really well from smart devices or smart pads in order to deploy it very quickly. So the key to reaching the best systems you can on an enterprise level require you to get to 100% visibility of the product and the supply chain and location at all times. And that's what we're striving for.

David Larsen
Analyst, BTIG LLC

Q

Okay, so as volume shift towards outpatient settings, ASCs, doc offices, it sounds like you're meeting that demand and that need that hospital systems have. And then can you maybe just talk a little bit about your visibility into implementation schedules? We're here midway through the year. What is your visibility for 3Q and 4Q?

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

A

Well, we've really worked on this over the years and have really created a solid go forward process. We almost have 95% to 100% visibility on the entire rest of the year as far as schedule of installs required to meet our revenue commitment. And it even goes beyond just the end of the year. It goes into next year. So we have

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changed this process over the last few years, and we continue to yield great benefits from it, not only for the customers and the predictability, but for employees who fly off to these customers to do the installs. They can schedule their lives around the known install dates and create a great experience for our customers.

David Larsen
Analyst, BTIG LLC

Q

Okay, great. Nice quarter. I'll hop back in the queue.

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

A

Thank you Dave.

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

Bill Sutherland
Analyst, The Benchmark Company

Q

Hey thanks. Good morning everybody. Just a two parter here on tariffs. Is the guidance assuming that the temporary, the 30% tariff that was for the 90 days sticks? And are you, and I'm curious about you last time talked about shifting subassembly work from China and really getting a lot of the, just a lot of the cost of sales here, just curious how the outlook for that looks.

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

A

Thanks for the question Bill. So I'll address the work we've been doing to build resiliency into our supply chain. With regards to the mitigation efforts that we talked about last time, I would say we're very well on our way to having most of that in place. That allows us to move the allocations as needed. As we talked about, a big part of our exposure were components we were sourcing from, particularly China, and we've put things in place that as we go into 2026 we feel pretty good about the resiliency that we've built into our process. So that's where we are right now. Good progress there.

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

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Good morning and thanks for taking the questions. Really nice gross margins on the product side. And you talked in the prepared remarks about raising prices. I'm curious, did that impact gross margins in the quarter? Is the – is raising prices specifically related to tariffs or is it broader than that around the value prop that you're providing? And then can you just talk about expectations for gross margins into the second half of the year?

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

A

Well, I'll do the pricing. We put a – I'll answer the pricing question. We put pricing process in place a few years ago. And what, and it's continuing to pay off because as you put prices in, it takes a while for them to flow through. But what we have been doing of late is being able to range, raise the range of pricing, the increases that we've had maybe a little bit higher due to the higher rates of inflation that are permitted in our contracts, and that's

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beginning to flow through. And so, but it wasn't specifically around tariffs per se. And, but it has been just about the increased cost overall that we have borne as a company. And, those have kind of gone through without too much pressure. So we feel really good about that. And you know a lot of them continue to be implemented. And we'll continue to see the results of those price increases as we move forward.

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

With regards to gross margin expectations, we've been very pleased with the progress that we're making on gross margin, like we've said this before, we're investing in our SaaS and expert services businesses. And as those businesses continue to scale, we expect to see them contributing to our gross margin going forward. Also, just speaking about our multiyear innovation program, XT Amplify has been getting very good reception from our customers. And as you know, the business continues to start contributing to meaningful revenues going forward, we should see that have a positive impact on our gross margin.

Allen Lutz Q
Analyst, BofA Securities, Inc.

Perfect. Thank you very much guys.

Operator: Your next question comes from the line of Scott Schoenhaus with KeyBanc. Please go ahead.

Scott Schoenhaus Q
Analyst, KeyBanc Capital Markets, Inc.

Thanks. Congrats on the really good quarter. Mine's a two part question. So you clearly you noted more visibility in your business. And I think Advanced Services and the recurring revenue nature there is clearly contributing. My question is, is as we roll off the XT series replacement cycle, in addition to new software and service modules and offerings, should we see much more of a revenue mix shift? We only saw 100 basis points of makeshift this year per your expectations. How should we think about this mix shift going forward and the margin opportunities there as you build traction in Advanced Services? And then secondly, I think Nchacha mentioned strong lease renewals in the quarter, supporting product revenues. Could you remind us what percentage of your customers pursue leases now versus CapEx payments? And is there a change in behavior in regarding Advanced Services purchasing decisions with these sorts of lease renewal customers versus full CapEx? Thanks.

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

Yeah, most of our customers do purchase and some of those then execute a leaseback through their own banking relationships. And some go through our leasing facilities. It's really a small portion of our business that really goes through our own facilities. And so it's not, it's probably 10% of our business or something around that number. I think the customer, I think the mix is growing slowly, but nicely on the more reoccurring. And we're about 50-50 now and we're growing a little bit more. But as we see customers beginning to renew with the Amplify, we know that that's going to drive more product revenues through. And also our consumable business is continuing to grow nicely, which is also flows through the product line.

So I think it'll kind of go back and forth, but I think it's a lot better position than we have been historically, where maybe it's been 30% of our business has been reoccurring, 70% has been product. And this really allows us to weather storms when there are capital freezes. I don't really see any shift in behavior in wanting to buy one way or the other. It is a different environment from the years past when interest rates were 0%. And so people had

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large lines of their own to execute on leasebacks of equipment. And now that interest rates are higher, perhaps we could do more leasing and lean in more into recurring revenue products. But it's a slow movement.

Scott Schoenhaus
Analyst, KeyBanc Capital Markets, Inc.
Q

Thanks, Randall.

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

You bet.

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

Thank you. Operator, could you reopen the line for Bill Sutherland? Bill, I don't think we addressed your question on tariffs. We want to make sure to get to that.

Bill Sutherland
Analyst, The Benchmark Company
Q

Am I on?

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

We can hear you. Yes, go ahead.

Bill Sutherland
Analyst, The Benchmark Company
Q

Okay. Cool. Yeah. The first part of it was about the rate assumed in the back half guide for tariffs. It was the 30% that's been in place I guess until August 12 or if that gets pushed, I'm just wondering what you guys assumed. Thank you.

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

Yes, we did assume a 30% rate, which is based on the tariffs that we announced at the beginning of the second quarter. And that's what that's the assumption that we use for the full year projection.

Bill Sutherland
Analyst, The Benchmark Company
Q

Okay. Thanks.

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

You're welcome. Next question?

Operator: Your last question comes from the line of Gene Mannheimer with Freedom Capital Markets. Please go ahead.

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Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Thanks. Thank you. Good morning and congrats on a good number.

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

A

Good morning, Gene.

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Good morning. I was wondering if you could elaborate a little more on OmniSphere in terms of what you are seeing with respect to customer adoption and rollout? And should we be thinking about this as a multiyear evolution? And how does it impact revenue? And in particular recurring revenue over time?

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

A

Yeah, Gene, and good to hear from you again. Yeah, OmniSphere is a key platform as we move forward. And our entire customer base over several years will be moving to OmniSphere, as it will be, represent the enterprise solution engine to all of our products. I think it's one of the most exciting pieces when you sit down with customers and talk about because these customers are massive, they're large, and they want to deal with one single vendor that can provide everything they need through a cybersecure that has flexibility, both in compute power and storage power, without having to buy any servers, without having to do anything in their IT room where it's all managed on the outside by us. And so you can see that that kind of product is one that really lends itself to the ever changing landscape of these providers as they add more outpatient facilities, or they acquire an inpatient facility, it becomes really easy to deploy and use. And with that we are going to drive additional revenues to get connected into that device, into that back end system. And yeah, you'll start to see more reoccurring revenues as we move forward.

Now we're just at the beginning of the deployment. We've been working on this product for five years. We've had it in beta for two years, and we're now just rolling it out. So it is a hardened product. As we mentioned, high trust certified that we're going to connect everything, every device out there we have to, to it to collect the data and manage the system. And eventually it will be the backbone to apply all of our AI engine pieces to, which are also great revenue generators for us as we solve really big, complicated problems for our customer in a simple, elegant way.

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

That sounds exciting, Randy. Thank you for that explanation. And just my follow up is on some of the new innovations you've been introducing. MedTrack, MedVision, MedChill going back to last earlier in the year. Are these products in response to solutions that your competitors already provide, or are these unique and unmatched by your competitors today? Thanks.

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

A

Well, we kind of try to go figure out where the customer problems are and build out solutions. And we really think that these will meet our customers' needs. And most of these are fairly unique solution sets in the marketplace.

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And most importantly, these solutions are integrated into a platform. One of the feedbacks that we get from customers is they don't want to buy third party products that integrate into our platform. They want to buy products from us that are totally integrated into the platform. And so it's really important that we continue to innovate and deliver new products that can be easily deployed and automatically connect into the network of the OmniSphere as we move forward. It makes it really easy to come out with new hardware platforms that automatically plug into our OmniSphere network or immediately identified, don't take a lot of time to configure and easy to deploy. So it's just I think you'll – because we have this enterprise platform, it's easy to add on more solution sets quicker. That is our goal.

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Gotcha. Thanks very much. Congrats.

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

A

Thanks, Gene.

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

A

Thanks, Gene.

Operator: I'll now turn the call back over to Randall Lipps for closing remarks. Please go ahead.

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

Well, thanks for joining us today. And as you can see, Omnicell does have momentum out there. A nice quarter to the team, nice delivering on the results. Exciting times as we move from a product to a tech company, we deploy these new solutions and it's just a privilege to work in the industry. So thanks for being with us and we'll see you next time.

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

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