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Omnicell, Inc. (OMCL)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

Randall A. Lipps

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

Harlan Baird Radford

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

Nnamdi Njoku

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

OTHER PARTICIPANTS

Dev Weerasuriya

Analyst, BofA Securities, Inc.

Matthew Gregory Hewitt

Analyst, Craig-Hallum Capital Group LLC

Scott Schoenhaus

Analyst, KeyBanc Capital Markets, Inc.

William Sutherland

Analyst, The Benchmark Company, LLC

Jessica E. Tassan

Analyst, Piper Sandler & Co.

Stan Berenshteyn

Analyst, Wells Fargo Securities LLC

Eugene Mannheimer

Analyst, Freedom Capital Markets

David Larsen

Analyst, BTIG LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Omnicell Fiscal Year and Fourth Quarter 2025 Results. 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] And please note that this call is being recorded.

I will now turn the call over to Kathleen Nemeth, Senior VP, Investor Relations. You may begin.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

Good morning, and welcome to the Omnicell full year 2025 and fourth quarter financial results conference call. On the call with me today are Randall Lipps, Omnicell Chairman, President, CEO and Founder; Baird Radford, Executive Vice President and Chief Financial Officer; and Nnamdi Njoku, Executive Vice President and Chief Operating Officer.

This call 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 or 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 financial measures to the most comparable GAAP financial measures are included in our financial results press releases. Our results were released this morning and our financial results press releases are always 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 & Founder, Omnicell, Inc.

Good morning, and welcome to Omnicell's fourth quarter 2025 earnings call. We are pleased to report a solid finish to 2025, with fourth quarter total revenues, bookings and ARR each coming in above the midpoint of our previous announced guidance ranges. We executed nicely in our core point-of-care business and saw strong demand for our flagship point-of-care connected devices, including XTExtend, which drove our robust top line performance during the quarter.

We are happy to see the ongoing customer focus on our innovative solutions, leading to recent wins at major health systems and government healthcare facilities. We continue to advance our transformation efforts into an end-to-end medication management platform technology company.

Looking ahead, we remain focused on delivering innovative solutions that aim to continuously improve the customer experience and enable the autonomous pharmacy vision. We believe that our commitment to operational excellence as well as customer and patient-centric outcomes positions us to drive long-term value for all of our stakeholders.

As we have outlined previously, we expect our future growth to continue to be driven by three core pillars, which include expanding our market presence, scaling reoccurring revenue and accelerating our technology platform. First, expanding our market presence. We're actively working to grow our product footprint across the inpatient and outpatient care environments, including nursing units, operating rooms and a full spectrum of pharmacy settings. We believe that the recent customer wins and increased platform adoption underscore the strength of our solutions and the trust we are building across the healthcare continuum.

As part of this expansion of market presence, we introduced Titan XT, our transformational enterprise-wide automation dispensing system at the ASHP Annual Meeting in December. Titan XT is designed to unify proven automation and powerful intelligence, and will deliver a more efficient medication management experience to support a growing health system. With the Titan XT launch, we continue to focus on extending the power of OmniSphere, Omnicell's cloud-based, HITRUST certified medication management platform, into inpatient nursing care areas. This should deliver greater control of medication inventory management for pharmacy, while providing nurses with more confidence when administering medications.

At the ASHP Annual Meeting, we connected with over 4,000 pharmacy leaders who had the opportunity to see firsthand how we are working to empower autonomous medication management to deliver to deliver improved patient outcomes, a superior clinical experience and greater visibility and security. We are encouraged by the early positive feedback that we are receiving from pharmacists and nursing as our sales team discusses Titan XT and OmniSphere with customers.

Second, scaling reoccurring revenue. We are focused on expanding our base of predictable, recurring revenue through cloud-based offerings, software subscriptions and revised service contracts, which is anticipated to

provide greater predictability for our business while delivering long-term value to our customers. As Baird will discuss in a moment, our strong fourth quarter performance was driven, in part, by continued strength in annual recurring revenue, which exited the fourth quarter of 2025 at an annualized run rate of \$636 million, an increase of 10% from our 2024 exit rate.

Lastly, accelerating our technology platform, OmniSphere. OmniSphere is our cloud-native platform designed to unify all Omnicell products under a single secure infrastructure, intended to make it simpler, safer and more connected to manage medications within a growing health system. Designed to be the connected backbone for medication management, OmniSphere offers a single command center for automation and intelligence that is engineered to provide enterprise-wide visibility into medications and supply inventory.

As previously announced, OmniSphere achieved HITRUST CSF i1 certification in 2025, demonstrating our commitment to cybersecurity and adherence to high industry standards for data protection and medication management. Recognizing this recent example of our commitment to customer-centric solutions, Omnicell once again noted among the top 50 healthcare technology companies by the Healthcare Technology Report for a continuous focus on innovation that is designed to help healthcare organizations deliver safer and more precise care.

We believe the power of Omnicell's products and services portfolio to support safety and efficiency across all care settings is resonating with the market, as large health systems across the country select Omnicell during the quarter as their medication management partner. Competitive convergence during the fourth quarter of 2025 included leading health systems serving Louisiana, Mississippi, a large Texas-based academic health system and a New England Integrated Health delivery network, all of whom have indicated that they plan to leverage Omnicell's central pharmacy automation, point-of-care dispensing solutions and Omnicell's inventory optimization service in an effort to drive patient safety, improve clinician and pharmacy staff efficiency, and support and optimize pharmacy supply chain.

This was also another strong quarter for our point-of-care solutions, including XTEExtend, which has helped to drive significant wins across the US and Canada, including leading health systems in Western New York and Honolulu, Hawaii, along with Canadian providers in British Columbia and Vancouver. During the fourth quarter, the Department of Veterans Affairs selected Omnicell's point-of-care dispensing and IV workflow solutions to support medication management at a number of hospitals across their network.

As we look at the broader economic environment influencing customers' capital decisions, we are encouraged by early reports from publicly-traded health systems and industry reports, which suggest increasing patient volumes and improving financial performance. While hospital fundamentals have been strong, some potential uncertainty still exists, particularly around regulations and tariffs.

Nonetheless, I'm excited by the momentum we have coming out of 2025, driven by our commitment to empowering autonomous medication management. As hospitals and health systems continue to navigate the dynamic cost and regulatory environment, we remain dedicated to our mission to be their most trusted partner, helping empower them to achieve better patient outcomes, lower costs and improve staff efficiency.

Now, at this point, I'd like to turn the call over to our Chief Financial Officer, Baird Radford, for a review of our financial results. Baird?

Harlan Baird Radford

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

Thank you, Randall, and good morning, everyone. As we report our 2025 results and look forward to 2026, Omnicell enters the new year with strong momentum, anchored by a solid fourth quarter 2025 finish and continued customer confidence in our business strategy and product roadmap.

For the full year 2025, we delivered bookings, annual recurring revenue and total revenue above the midpoint of our most recently provided guidance. We believe this performance reflects resilient customer demand and solid execution across our business.

We also ended 2025 with the successful introduction of Titan XT at ASHP in early December. The initial response from customers has been positive, which we believe validates both the introduction timing and the strategic importance of this next-generation automated dispensing platform. Titan XT, powered by our cloud-based OmniSphere platform, is designed to bring enterprise-wide visibility, centralized inventory management, guided workflows and a modern infrastructure that is engineered to support the shift towards autonomous medication management and reinforces our confidence in the potential multi-year product refresh opportunity ahead.

Additionally, customers appear to be appreciating the optionality created by our flexible financing options and are recognizing the innovation embedded in our product roadmap. These dynamics, combined with the early signals we are seeing in pipeline activity, should position us well as we continue to advance towards sustainable, profitable growth in 2026 and beyond.

Now, moving to our fourth quarter 2025 results. Total revenue was \$314 million, representing an increase of 2% from the fourth quarter of 2024 and an increase of 1% compared to the previous quarter. Fourth quarter 2025 product revenue was \$180 million, representing a decrease of 1% compared to the fourth quarter of 2024 and an increase of 1% over the previous quarter.

Service revenue for the fourth quarter of 2025 was \$134 million, which increased 8% from the fourth quarter of 2024 and increased 1% over the previous quarter. Non-GAAP gross margin for the fourth quarter of 2025 was 43.2% compared to the fourth quarter of 2024 of 47.4% and 44.2% in the previous quarter.

Our fourth quarter 2025 GAAP earnings per share was a loss of \$0.05 per share compared to a profit of \$0.34 per share in the fourth quarter of 2024 and a profit of \$0.12 per share in the previous quarter. Our fourth quarter 2025 non-GAAP earnings per share was \$0.40 compared with \$0.60 per share in the fourth quarter of 2024 and \$0.51 per share in the previous quarter. Fourth quarter 2025 non-GAAP EBITDA was \$37 million compared with \$46 million in the fourth quarter of 2024 and \$41 million in the previous quarter.

Moving on to the balance sheet. Our cash and cash equivalents totaled \$197 million as of December 31, 2025, compared to \$369 million as of December 31, 2024. As a reminder, the year-over-year decrease reflects the repayment of debt with a principal amount of \$175 million that matured in September 2025 and the repurchase of approximately \$78 million of our common stock during 2025.

The company continues to generate solid free cash flow with fourth quarter 2025 free cash flow of \$18 million compared to fourth quarter 2024 of \$43 million and \$14 million in the previous quarter. In terms of accounts receivable, days sales outstanding for the fourth quarter of 2025 were 65 days, which compares to 77 days in the fourth quarter of 2024 and 74 days in the previous quarter. Inventories as of December 31, 2025, were \$101 million compared to \$89 million at December 31, 2024, and \$107 million at September 30, 2025.

Turning now to a review of our full year 2025 results. Product bookings for full year 2025 were \$535 million, landing above the midpoint of our previously provided guidance of \$500 million to \$550 million and compared to

product bookings of \$558 million in 2024. Product backlog as of December 31, 2025, was \$640 million, down 1% compared to our 2024 exit. Our 2025 exit backlog includes \$435 million categorized as short term, which we anticipate converting into revenue in 2026.

Exiting 2025, annual recurring revenue, or ARR, was \$636 million compared to our previously provided guidance of \$610 million to \$630 million and compared to ARR of \$580 million exiting 2024. Our full year 2025 total revenue was \$1.185 billion, in the upper range of our previously issued guidance of \$1.177 billion to \$1.187 billion and compared to \$1.112 billion in 2024.

Our full year 2025 product revenue was \$666 million compared to \$631 million in 2024. Our full year 2025 service revenue was \$519 million compared to \$482 million in 2024. Within the full year 2025 service revenues, technical services revenue was \$260 million and SaaS and Expert Service revenue was \$259 million.

Our full year 2025 GAAP earnings per share was \$0.04 per share compared to \$0.27 in 2024. Our full year 2025 non-GAAP earnings per share was \$1.62 per share compared to \$1.71 in 2024. For the full year 2025, non-GAAP EBITDA was \$140 million compared to \$136 million in 2024.

Before we move on to 2026 guidance, I'd like to walk through some of the key insights from our fourth quarter 2025 and full year 2025 performance. For full year 2025, we delivered product bookings of \$535 million, which is in the upper half of our most recently provided guidance, and we exited 2025 with a product backlog of \$640 million. Fourth quarter 2025 closeout was driven by XT orders. And as expected, there were no Titan XT orders placed in 2025.

The state of our competitive pipeline exiting 2025 continues to give us confidence that our focus on providing reliable products while at the same time advancing our platform innovation through OmniSphere is resonating with our customers.

We delivered \$314 million of total revenue in the fourth quarter of 2025 and \$1.185 billion for the full year 2025, with both results landing in the upper end of our most recently provided guidance. As expected, the movement in total revenue from Q3 to Q4 was more linear than in prior years as we continue to see the benefits from improved customer scheduling and coordination leading to more predictable connected device implementations. During the fourth quarter of 2025, we also saw solid performance in our consumables and specialty offerings.

Fourth quarter 2025 non-GAAP gross margin was 43.2%, reflecting a 1 percentage point decline compared to the third quarter, driven by declines in product margins, partially offset by improvements in service margins. Compared to the fourth quarter of 2024, non-GAAP gross margins declined by approximately 4 percentage points, which primarily reflects the impact of \$7 million of tariff costs in the fourth quarter of 2025, along with shifts in product and customer mix in the quarter.

Going a layer deeper into non-GAAP gross margins, compared to the third quarter of 2025, product margins in the fourth quarter of 2025 reflect shifts in product and customer mix associated with connected device implementations completed in the quarter. As we shared our outlook during our third quarter earnings call, service margins for the fourth quarter of 2025 improved, driven by the progress we made in the third quarter on software upgrades for our customers.

Moving on to operating expenses, the fourth quarter 2025 increase versus the third quarter largely reflects costs associated with the American Society of Hospital Pharmacists (sic) [American Society of Health-System Pharmacists] (00:22:33) Annual Meeting in December, where we announced our new automated dispensing

system platform, Titan XT Additional costs incurred during the fourth quarter funded opportunistic investments in customer experience and human capital initiatives. We believe these investments will benefit us as we transition from XT to Titan XT and OmniSphere.

Despite fourth quarter total revenue landing at the higher end of our guidance, fourth quarter 2025 non-GAAP EBITDA was at the lower end of our guidance. Fourth quarter non-GAAP EBITDA reflects the investments highlighted in my operating expense remarks, which we believe were important to support the long-term health of the business.

As we previewed on our second quarter 2025 earnings call, you will see that our non-GAAP earnings per share results for the full year 2025 reflect an approximately \$0.21 per share headwind compared to 2024, due to the reduction in interest income in 2025, resulting from our repurchase of a significant portion of outstanding convertible senior notes in the fourth quarter of 2024.

Now, turning to 2026 guidance. For the first quarter of 2026, we're providing the following guidance. We expect first quarter 2026 total revenue to be between \$300 million and \$310 million, with product revenue anticipated to be between \$171 million and \$176 million, and service revenue expected to be between \$129 million and \$134 million. We expect first quarter 2026 non-GAAP EBITDA to be between \$27 million and \$33 million, and non-GAAP earnings per share to be between \$0.26 million and \$0.36 per share.

As a reminder, the first quarter normally includes some seasonally higher expenses, including payroll taxes and benefits reset. For full year 2026, we are providing the following guidance.

We anticipate full year 2026 product bookings to be in the range of \$510 million to \$560 million. For full year 2026, we expect total revenue to be in the range of \$1.215 billion to \$1.255 billion. Full year 2026 product revenue is expected to be in the range of \$690 million to \$710 million, with service revenue expected to be in the range of \$525 million to \$545 million.

Year-end 2026 ARR is expected to be in the range of \$680 million to \$700 million. Non-GAAP EBITDA for the full year 2026 is expected to be in the range of \$145 million to \$160 million and full year 2026 non-GAAP earnings per share is expected to be in the range of \$1.65 to \$1.85 per share.

This guidance includes our current estimate of tariff costs hitting our P&L in 2026 of approximately \$15 million. We recognize that the regulatory environment surrounding tariffs remains fluid and our guidance reflects tariffs in place as of today. Our guidance also includes an estimated effective tax rate of approximately 13% in our non-GAAP earnings per share guidance.

Before concluding my prepared remarks, I would like to share a bit of additional context that inform the guidance that we are providing today. Our full year 2026 product bookings guidance was developed in recognition of where we are in the XT lifecycle. As we shared in December, with the announcement of Titan XT and the OmniSphere platform, 2026 is the 10th year of use for our initial cohort of XT cabinets, which were first shipped in 2017.

As we transition from the late stage of XT hardware to the early stage of Titan XT hardware, we also recognize that health system capital budget approval cycles tend to range from several quarters to a few years. Therefore, it was important for us to announce Titan XT in 2025 to give our customers sufficient time to incorporate our new product offering into their planning cycles and prepare for implementations.

As for the potential size and pacing of the hardware replacement cycle, we shared with investors in December that we estimate this replacement cycle opportunity to be in excess of \$2.5 billion. Regarding pacing of product bookings and product revenue, it is important to balance considerations such as our current XT installed base being not as old as the G-Series installed base was when we announced XT, creating a near-term potential headwind.

Additionally, it is important to consider the potential customer benefits of the software workflows as well as the data and AI-enabled analytics enhancements that are expected to be offered in our OmniSphere platform, creating a potential tailwind. For these various reasons, our 2026 product bookings guidance reflects a midpoint in a similar range to our reported actual 2025 product bookings.

As you look to build out your P&L models for 2026, I will remind you that we shared with investors in December that we anticipate 2026 incremental revenues from Titan XT to be modest. We expect Titan XT to be available for shipment in the second half of 2026, and the improved software functionality in OmniSphere to be available in the first half of 2027.

Additionally, we anticipate that the increased level of revenue linearity that we experienced in the later quarters of 2025 will likely continue through 2026, which should result in the 2026 quarter-over-quarter revenue pattern that is flatter in absolute dollars than our past historical patterns.

Moving on to our cost structure, Omnicell's management team continues to be focused on balancing the importance of making investments for the benefit of the long-term health of our business with our commitment to expanding profitability for investors. The midpoint and high end of our 2026 guidance reflect non-GAAP EBITDA expansion at a rate of approximately 2 times the rate of total revenue growth. At the same time, this guidance reflects anticipated investments to ready Titan XT and OmniSphere platform for commercial adoption as well as advance other enhancements to the customer experience.

Also included in our 2026 guidance is spending associated with the transformation of our back office systems and workflows, including a multi-year update and refresh of our enterprise resource planning or ERP systems, which are coming off vendor support in 2027 and will result in approximately \$10 million of associated expenses in 2026.

As I reflect on 2025, I'm grateful for the level of commitment and execution by the team here at Omnicell. We delivered a solid fourth quarter and a strong closeout of 2025. As I look ahead, I'm excited to have joined the Omnicell team and I'm optimistic about the future and positive feedback that we have received from health systems following our announcement of Titan XT and the OmniSphere platform. With customers responding positively to our continued emphasis on innovation and execution against our product roadmap, we believe we are well-positioned to drive sustainable, profitable growth in 2026 and beyond.

We would now like to open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from the line of Allen Lutz with Bank of America. Allen, please go ahead.

Dev Weerasuriya

Analyst, BofA Securities, Inc.

Q

Hey, thanks. This is Dev on for Allen Lutz. Baird and Randy, I just want to step back and take a look at this products booking expectations and the cycle and just get a sense of how we should be viewing this. I think you mentioned the G-Series maturity versus where XT stands today. I guess, as you look at the Titan cycle and the ramp over the next couple years, is it sensible to take the typical 8 to 10-year replacement cycle and consider how you lapped placements of XT in 2017 to 2020? Or is there some sort of other variables that make this ramp a little different? I think you mentioned that maturity of G-Series as one. Would just love to get an understanding of how you're thinking about this ramp, in particular, based on kind of the internal data you have around placements in the prior cycle over the next few years, not just in 2026.

Harlan Baird Radford

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

A

Yeah. Thanks for the question, Dev. I think the starting point here that's really important to keep in mind is that we believe that this refresh cycle is in excess of \$2.5 billion. We continue to feel really good about that opportunity. And you laid out factors about how do you consider the XT refresh that took place as a guide. I think broadly you're in the ballpark. I think the tricky part is always, customer-to-customer, how do you land those. But broadly, we see a similar level of rollout over the course of, call it, the next eight or so years. So I think you're thinking about that right. Randy, anything you'd want to add?

Randall A. Lipps

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

A

Yeah. I think it's a broader discussion. Obviously, when we go to see our customers, they're really excited about not just the hardware, but the platform. And to access the platform and all its capabilities, you have to be on the Titan. So that becomes the overwhelming discussion, not about how old is my hardware and how new is the new hardware. It's about all the things that we're bringing.

Many of our customers are very complex organizations that have built up a large portfolio of inpatient and outpatient institutions that are complex and hard to manage. And so they really need this enterprise-level, single enterprise-level, connected point where they can manage all these things in a rational manner. It's the only way they're going to be able to manage their true costs.

And so, the discussion is much broader and much more enthusiastic about the platform than just the focus on the hardware, and because the platform allows us to bring in other technology solutions that we can bring in that we can't bring in today on our current hardware. So, I would just say that the – from the trade show to now, which has only been 45 days, the top of our pipeline is full of activity, not only internally [ph] you have (00:35:58) \$2.5 billion is within our own customer set, but just the general market, in general, which is even larger than that. We have engaged fairly fervently, and I think we even saw a little of that in the fourth quarter, where we had a fairly large contingent of competitive upgrades there.

So that momentum has started and we believe it will continue. We're early on in the year here and we've just introduced the product. And so I think we put out what we knew today, but, I mean, it's only [ph] 40 – I mean, you know (00:36:33) 45 business days from when we made the announcement. But the excitement has never been better. I mean, 2025 was a year of innovation. We opened up the innovation lab. We launched Titan XT. We relaunched OmniSphere at the next level. I mean, it's just excitement around here, both internally at the company and externally in the marketplace. I – we couldn't be happier.

Dev Weerasuriya

Analyst, BofA Securities, Inc.

Q

Got it. That's very helpful. And then just one last one from me. Just on – there's been some rightsizing efforts over the last couple years. As you look ahead for this Titan cycle and – as well as OmniSphere and the rest of the product suite, do you see a need for any incremental investments around the sales force, around clinical education, marketing, support individuals? How should we kind of think about the SG&A spend line item over the next few years relative to, I guess, how that's grown into 2025 here?

Harlan Baird Radford

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

A

Yeah, I think Nnamdi and I'll tag team this. From a sales perspective, we've signaled in the past calls the competitive environment that we're seeing brewing and being in those deals is super important. Randy alluded to some investments we made during 2025 to increase the sales force to make sure that we're well-positioned to capitalize on this market opportunity in front of us. So you'll start to see some of those come through. And then on the clinical side, do you want to share anything?

Nnamdi Njoku

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

A

Yeah. Just broadly speaking, as Randy talked about, we're excited about the response we're getting from our customers. And we know that this is a pivot point for the company. So we are investing in our sales force and how we go-to-market, particularly around pricing and how we package all the solutions that we've just announced. On the clinical side as well, we'll continue to make investments in the field with regards to how we engage our customers from a clinical standpoint. So, overall, I would say we're making the right investments in the right areas to make sure that customers really understand the value of what we're bringing to the marketplace.

Dev Weerasuriya

Analyst, BofA Securities, Inc.

Q

Fantastic. Thank you.

Operator: And our next question comes from the line of Matt Hewitt with Craig-Hallum. Matt, please go ahead.

Matthew Gregory Hewitt

Analyst, Craig-Hallum Capital Group LLC

Q

Good morning, and thanks for taking all the questions. Maybe first up, given the launch of XT coming shortly on the heels of XTEExtend, I'm just curious, those customers that had gotten into queue maybe had signed contracts for Extend, what has been the feedback from them? Are they pushing ahead with Extend with plans to upgrade to Titan at some point in the future? Or are you having some of those pipeline candidates come back and say, oh, hold the line, maybe we want to go with Titan. Can we get in queue for that maybe in the back half of the year when that platform is available?

Nnamdi Njoku

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

A

Thanks, Matt, for the question. So if you take a step back, one of the principles we've operated under here is, really meeting customers where they are. So think about it from the standpoint of customers that have an aging fleet, obviously, have a compelling reason to go to Titan XT and for all the reasons that we've articulated. For those customers that you're calling out that have made the investment in XTEExtend, they still have the ability to access cloud capability once we have that generally available. So it's not an investment that goes to the wayside here. Those customers will get the benefit of accessing our cloud capability through OmniSphere, because the XTEExtend consoles are essentially a cloud-enabled console. So as we think about it here, all – we have the ability here to engage just about every customer out there with a path to the cloud.

Matthew Gregory Hewitt

Analyst, Craig-Hallum Capital Group LLC

Q

That's super helpful. And then maybe just to follow up on the gross margins. You're facing some tariff costs, I get that. Is there anything that you can do from a mitigation standpoint to reduce those costs? Maybe not immediately, but over the course of this year so that you could get those product gross margins back to where they should be. Thank you.

Harlan Baird Radford

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

A

Yeah. So there are a couple things wrapped in there that I want to share. As it relates to the fourth quarter, we definitely saw the impact of the customer and product mix. So based on those installations in the product side during the quarter, there was a little bit more unfavorable mix than we had seen in the past. I think that is a little bit more of a Q4 thing than a broader reset of what the margins would be.

As you talk about tariffs, we are looking forward, and the mitigation efforts completed by the team during 2025, and they really did scramble well following the implementation of those tariffs. We're exiting the year with roughly \$6 million in the fourth quarter of tariffs and we signaled \$15 million into tariffs over the course of the entirety of 2026.

When you think about how that'll roll out, it's probably a little more front-end weighted than backend weighted next year, but we'll start to see some natural benefits from the efforts that the team has undertaken on tariffs. So those are two points to flag.

I think the third point to flag is that the supply chain team is very committed to finding ways to manage our use of the global supply chain network to optimize the cost structure. How do we make sure we have a resilient available supply chain and how do we do that through the lens of optimizing on cost to try to yield better margins? So we continue to remain very focused on that area.

Matthew Gregory Hewitt

Analyst, Craig-Hallum Capital Group LLC

Q

Understood. Thank you.

Operator: And our next question comes from the line of Scott Schoenhaus with KeyBanc. Scott, please go ahead.

Scott Schoenhaus

Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, team. Thanks for taking my question. Randall, I believe you mentioned in the first question about seeing traction from the competitive wins with your conversations with customers. Maybe can we dig more there? The largest – your largest competitor in this kind of duopoly hasn't done a refresh cycle a long time and there should be a lot of pent-up demand. Can you comment on what you're seeing and then maybe what's embedded in the guidance for bookings in terms of the competitive wins? Thanks.

Randall A. Lipps

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

A

Yeah. I think, obviously, the timing of this announcement was very good for us, as it also was timed with the marketplace. In our marketplace, everyone is looking at refreshing their systems over the next few years. And it's allowed us to get in a lot more conversations that we would not have had, had we not announced the product at this time. And so it's really hats off to the Omnicell team for getting this product out and ready and announced.

And so we know we're in more fights than we've been. The top of the funnel is really strong and fresh. And it's really our opportunity to take more market share. Now, in general, it's hard to put these accounts into – fervently into the backlog until you sign them. So I'd say we've kind of built our forecast based on what we see today. I don't know, Baird, did I describe that the right way.

Harlan Baird Radford

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

A

Yeah, we definitely felt the momentum as we were exiting 2025, the vibrancy of the competitive environment. As Randy alluded, it is difficult to bake those into a guidance, but we have assumed a modest step up, reflecting our confidence of where we're positioned in that space. And we don't shy away from the competition. We're excited to have our outstanding products, the reliability and our innovation roadmap considered by competitive customers. So we're looking forward to the fight.

Scott Schoenhaus

Analyst, KeyBanc Capital Markets, Inc.

Q

Perfect. Thanks for all that color. Maybe just as a follow-up, Baird, you talked about mix shift pressures on the margins this quarter. But maybe talk about that maybe as a potential tailwind as you unroll the OmniSphere product in terms of mix shifts on margins? Thanks.

Harlan Baird Radford

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

A

Yeah. So as we think about OmniSphere, we'll be releasing for general availability those software workflow enhancements in the first half of 2027. I'd love to share more with you about where that is, we're pressure testing with customers at this time, our thoughts around how to go to market in that area. And we signaled in December that we'll look to, in the back half of this year, provide you a more complete and comprehensive review of where that product and offering – set of offerings stands and how we think that'll roll ourselves forward. So just need a little bit more time on that, but we definitely will share.

Scott Schoenhaus

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thanks.

Operator: And your next question comes from the line of Bill Sutherland with The Benchmark Company. Bill, please go ahead.

William Sutherland

Analyst, The Benchmark Company, LLC

Q

Thank you. Good morning, everybody. Your ARR was very strong and you're guiding strong. Maybe some granularity there in terms of the growth drivers. Thank you.

Harlan Baird Radford

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

A

Yeah. I think – Bill, are you thinking historically or are you thinking guidance-wise?

William Sutherland

Analyst, The Benchmark Company, LLC

Q

Both, actually. I was a little surprised at the strength that you reported, and you followed through with a similar kind of growth trajectory for this year.

Harlan Baird Radford

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

A

Yeah. Yeah, on the ARR side, historically, we had a really nice run in 2025 on the technical services, so the traditional brake fix for our connected devices. The team did a very nice job in that space of making sure that contractually available pricing opportunities were secured. And so the team did a very nice job over the course of the last 18 months, and that yielded us some benefit.

Also baked into that ARR are our consumable and our specialty businesses. And those continue to perform nicely. We're encouraged by the momentum in both of those businesses. And what you see here, you see those three factors carrying forward in the guidance that we're setting for ARR in 2026.

William Sutherland

Analyst, The Benchmark Company, LLC

Q

Great. Thank you. And then one thing I've been thinking about is, with the success that you're seeing with Extend and people – and your customers excited that it – that is going to provide them an on-ramp with OmniSphere. Does that change the calculus in terms of the number of – or of the – cabinets that are going to be just refreshed versus replaced by Titan? And just trying to think about kind of the impact of this new go-to-market strategy. Thank you.

Randall A. Lipps

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

A

Yeah. It's a great question. One of the goal, of course, is to lean into reoccurring revenue. And as we're able to connect to the OmniSphere, either with Titan or with an XT platform, older – a newer XT platform, only the older ones can't connect, but the newer ones can, it really allows us to garner subscription fees because we no longer have the backend. We don't have the cost of running on-prem servers or on-prem licenses and cyber security, that's all done in the cloud by us. So as we move those connections over to OmniSphere, it really allows us to generate a – I would say a new and healthy source of revenue for our customers who don't want to run on-premise equipment, so to speak, in these large enterprises.

So I think while you're looking at the hardware opportunity, it might be a little less, a little more, it's really the opportunity to garner this new revenue stream from OmniSphere that it's going to be a big driver in our future.

[indiscernible] (00:49:21)

William Sutherland

Analyst, The Benchmark Company, LLC

Q

This really is a – it's about accelerating adoption of OmniSphere is how you guys are thinking about it, of course.

Randall A. Lipps

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

A

Yeah, definitely, exactly. Good – yeah, good extraction.

William Sutherland

Analyst, The Benchmark Company, LLC

Q

Okay. Thanks, everybody.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Bill.

Operator: And our next question comes from the line of Jessica Tassan with Piper Sandler. Jessica, please go ahead.

Jessica E. Tassan

Analyst, Piper Sandler & Co.

Q

Hi, guys. Thanks for taking the question. So my first one is just can you give us a sense of how Omnicell contends with the lease structure that we believe kind of dominates your competitor's ADC install base? Does Omnicell need to wait for lease expiry, do customers upgrade early? And then just are lease terms or the duration of leases going to constrain the rate of competitive conversions you're able to achieve over the next two or three years?

Harlan Baird Radford

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

A

Well, thanks, Jess. There's a lot tied up in there. Let me try to unpack that. One of the things that we've always done is we've offered third-party leasing to customers. And we found that that program has helped some, but has also created a bit of administrative burden for others.

So as we were working our way through 2025, it became apparent to us that the market opportunities that are presenting themselves in some of these competitive arrangements would benefit Omnicell if we were to have a Omnicell finance leasing opportunity for customers. We've introduced this into a number of conversations and we found that it's allowed us to stay in those conversations longer. And I think it comes back to, the company has always desired to meet the needs of customers where they are, and the extension of Omnicell-driven financing program is just one more extension of that kind of ingrained culture here.

Some customers, I think, will take the option, I think some will not. And so I don't see a wholesale shift in the way we do business, but I do see it as a great opportunity for us to remain competitive in competitive bid situations

and potentially pick up a few additional customers because we're willing to use our balance sheet. So pause there and see if anything you want me to go deeper or want us to talk about more, Jess.

Jessica E. Tassan

Analyst, Piper Sandler & Co.

Q

I think I'll follow up offline on that one. I guess, my just follow-up would be, we saw the CommonSpirit-Conifer announcement earlier this week, I guess, is there a risk or have you all contemplated the risk that AI tools potentially allow health systems to consider sort of home-growing pharmacy inventory management and procurement platform and that that could compete with or undermine the OmniSphere launch in 2027?

Randall A. Lipps

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

A

Well, we think AI is a great tool and it will be used for supply chain, but you need to have an infrastructure to operate it across in order to get the right results. And so our infrastructure, particularly as you look at OmniSphere, is all geared toward AI. And so we don't have to garner the toolsets that everybody needs to use to get the optimal returns on their supply chain, but they need an infrastructure that is enterprise-wide, that is reliable, that's secure, that you can exercise whatever types of AI you want to, both those that we offer and maybe even some that some of these institutions might have. So we think it's a net-net plus for us because people really want access to real-time data in a very large enterprise manner in order to do the right kinds of modelling. And that leans toward us.

Jessica E. Tassan

Analyst, Piper Sandler & Co.

Q

Thank you.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Jess.

Randall A. Lipps

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

A

Thanks, Jess.

Operator: And your next question comes from the line of Stan Berenshteyn with Wells Fargo Securities. Stan, please go ahead.

Stan Berenshteyn

Analyst, Wells Fargo Securities LLC

Q

Yes. Hi. Thanks for taking my questions. First, I'd love to get an update on the robotics. I was wondering if you could maybe give us what percentage of product revenue were accounted by robotic products in 2025, and any changes in expectations for that mix to differ at all in 2026, and any changes in expectations for bookings.

Harlan Baird Radford

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

A

Yeah, I'll hit the revenue component and then Nnamdi add. We have not yet disclosed the robotics platform. I will say, in any given period, it has not been a material amount. We are encouraged by the momentum of the XR2

offering, but it is a discrete set. You got to have the space for it and you got to have the needs and purpose for it. So that is a lower volume product. So, yeah.

Nnamdi Njoku

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

A

Just kind of building off Baird's comments, so, overall, I mean, as Baird said, it's not a material component right now, but we still think that automation in robotics is part of the answer to some of the challenges our health systems are facing. So we're just continuing to work on the right suite of solutions to meet that need. So that's where we're focused on right now.

Stan Berenshteyn

Analyst, Wells Fargo Securities LLC

Q

Got it. Thanks. And maybe on the services side, would love an update on Enliven and 340B. I know Enliven, I think, you had some pressures earlier in 2025. What are the expectations as we think about next year and – or this year, I should say, as well as if you can comment on how 340B has been performing and what are your expectations? Thank you.

Nnamdi Njoku

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

A

So on the Enliven side, as we know, there's headwinds in the retail segment. And that's continuing to sort of unfold out there. With Enliven here, we're still the solutions that that business provides into that retail segment. We still feel like, long-term, it's the right suite of solutions, but there are some headwinds in that market right now that we're continuing to watch. And what we're focused on right now is just helping our customers navigate through those headwinds.

So that's kind of where things are right now and that's kind of the focus of that business. With respect to 340B, that is part of our specialty offering at this stage. We feel it's a compelling part of our specialty business and a big contributor with regards to how we go-to-market on specialty. And as you know, there's a lot of chatter out there in the marketplace with regards to the pilot program with the top 10 specialty drugs. But as we connect with customers, they're definitely watching it. But at the same time, those drugs tend to be replaced by generics or newer drugs that come onto the marketplace.

So, overall, from a net standpoint, customers are watching it, but we still feel like there's not a material change to our revenue expectations with the specialty business.

Stan Berenshteyn

Analyst, Wells Fargo Securities LLC

Q

Got it. Thanks. And maybe one quick follow-up here for Baird regarding the comments related to the ERP platform implementations. I think you called out \$10 million in incremental expenses for 2026. Is that supposed to just come off, like, in 2027, all else equal, or is there some other things we should be contemplating, like improved efficiencies, that are going to help margins as you continue to grow the business? Thank you.

Harlan Baird Radford

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

A

Yeah, it'll be – it'll definitely be a multiyear system implementation that we'll be experiencing. But like any large initiative, we have assumed that we're going to be able to drive efficiencies through the use of the system. I would stop short of saying it's anywhere near dollar for dollar, some things you just have to do to maintain a corporate

structure. But we definitely are planning that these system investments will yield benefits to our business, particularly as we clean up the way in which we work with our customers and satisfy their needs. That should provide opportunities on the commercial side for us.

Stan Berenshteyn

Analyst, Wells Fargo Securities LLC

Q

Great. Thank you.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Stan.

Operator: And your next question comes from the line of Eugene Mannheimer with Freedom Capital Markets. Eugene, please go ahead.

Eugene Mannheimer

Analyst, Freedom Capital Markets

Q

Oh, thanks. Good morning. Congrats on the great progress. When we think about the Titan adoption cycle, do you envision the same bell curve type of shape that we saw during the last cycle, right, in which it peaks and the corresponding revenue peaks in years three to five and then tapers off, or do you envision a more of a linear pace of adoption?

Randall A. Lipps

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

A

Well, hey, Gene, Randy Lipps. I think, yeah, it's more typically the bell shape, but I think what is different this time is we will have a lot more additional products to add on to the OmniSphere that fill in some of those gaps. So we're not just selling Titan. We're able to plug and play small, medium and large, some with software, some with hardware, additional products off the OmniSphere that really deemphasizes just sort of the bell curve profile of the business, because we really want to move toward a business that's much more sustainable, much more higher margin than we are today with reoccurring revenues. And I think we're getting ourselves set up for that with Titan being the initial product that plugs and plays off of OmniSphere to bring great value to customers. But as we add more products, they will just plug and play off the OmniSphere and continue to build out their own, I guess, bell cycle – bell curve cycle as well.

So it's going to be a wave of products, just not a product wave cycle. I think that's the difference we're doing here. And we're going to lean into the OmniSphere revenue generation portion of the future as well, not just sort of the hardware moment, if you will.

Eugene Mannheimer

Analyst, Freedom Capital Markets

Q

Got it. Makes a lot of sense, Randy. And my follow-up would be, you implied that you're bullish, obviously, on your ability to gain share vis-à-vis your primary competitor. So, again, looking back to prior product cycles, do you think your experience in competitive conversions will be similar to that which you witnessed in their last product cycle that they embarked on 10 or 12 years ago?

Randall A. Lipps

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

A

I just think our opportunity in the market has never been better. I think the key here is we have the right product for these complex customers who have evolved from 5, 10 or 20 hospitals to 50 to 100 hospitals. And so the solution sets are enormously different for those type of customers. And the only way to really reach these customers with the right solution set, solution set, is to have an enterprise, cloud-based, single app, multi-tenant product that really allows the customer to get as big as they need, in every area they need, and to shift and move quickly with plug-and-play resources that can track the medication management wherever they go.

And so when we talk about our solution resonating with the customer, it's the same Chief Pharmacy Officer or Operational Officer who said, yeah, we just acquired 25, 100 clinics. Now I got to manage those medications. What do you have? We said we have our MedVision software-only product for clinics. You can just plug that in and start running. You don't need to have to do a whole bunch of other things. Oh, great.

So it's this broadened conversation about these institutions that are really big, that are looking for true platform players. And I just feel like we're so far ahead out there that as long as we can get those discussions right, we're going to win more than our fair share.

Eugene Mannheimer

Analyst, Freedom Capital Markets

Q

That's great. Thanks again.

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, Gene.

Operator: And now our final question comes from the line of David Larsen with BTIG. Please go ahead.

David Larsen

Analyst, BTIG LLC

Q

Hi. Can you talk a little bit about the 1Q revenue guide? It actually looked very good relative to what we were expecting. Did any deals maybe push from 4Q into 1Q? And is that a positive indicator for the volumes we're seeing in hospitals and demand from hospitals? Thanks.

Harlan Baird Radford

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

A

Yeah. We – on the push, we did not see anything material push from Q4 to Q1. As it relates to Q1, we're seeing a little more linearity in the business right now. And I think that's really just important to recognize. The business is not only growing, but it's become increasingly, in this moment, predictable. That certainly helps us with implementations. It helps us manage costs. It helps us manage customer expectations in a very positive way. And so, yeah, we're happy to see the results as well.

David Larsen

Analyst, BTIG LLC

Q

And then when we use the phrase cloud and OmniSphere, does that mean that Omnicell is going to host all of the data for all of your clients with OmniSphere and Titan and then the clients will kind of use the software to access

that data, and you'll charge a hosting fee and you can update the software overnight immediately in real-time across the entire network? Just does that mean you're going to be hosting the data or will, like, Amazon host it? Thanks.

Randall A. Lipps

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

A

Yeah, David, exactly. No, Omnicell will host it. And we'll be providing the oversight and all the data. And just as you said, David, you've described it perfectly. The customers do not need to manage either the compute power, or the storage power or access power to their systems. We will make that easy, simple and safe for them.

David Larsen

Analyst, BTIG LLC

Q

Okay. And then just the last quick one. So at some point in time over the next, call it, decade, your clients are going to have to convert from XT to Titan. At some point, XT will not be supported, even if that's like in 10 years. Is that correct?

Randall A. Lipps

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

A

Well, for sure, probably sooner, but yeah.

David Larsen

Analyst, BTIG LLC

Q

Probably sooner. Okay. All right. Thank you.

Randall A. Lipps

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

A

Thank you, David

Kathleen Nemeth

Senior Vice President-Investor Relations, Omnicell, Inc.

A

Thanks, David.

Operator: That concludes our question-and-answer session. I will now turn the call back over to Randall Lipps for closing remarks. Randall?

Randall A. Lipps

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

Hey. Well, thank you for joining us. A shout out to the Omnicell team. We had an amazing year last year in innovation and launching new products. We opened this brand new innovation center in Austin. We launched our new product, Titan. We've got the OmniSphere in more locations. It's just one of those pivot moments for the company that in 30 years only comes around once in a while and it's really a pleasure to see the enthusiasm there and this launch as we move toward the autonomous medication management world, which is not that far off. It's closer than you think. And tech is available, customers are ready, and Omnicell has got the products and people to make it happen.

Thank you very much. We'll see you next time.

Operator: That concludes today's call. You may now disconnect.

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