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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us, and welcome to the Omnicell Second Quarter 2026 Financial Results Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to David Unger, Vice President of Investor Relations. David, please go ahead.

David Unger
Vice President-Investor Relations, Omnicell, Inc.

Good morning, and welcome to the Omnicell second quarter 2026 financial results conference call. My name is David Unger. I'm Omnicell's new Vice President of Investor Relations. On the call with me today are Randall Lipps, Chairman, Chief Executive Officer and Founder; Nnamdi Njoku, President and Chief Operating Officer; and Baird Radford, Executive Vice President and Chief Financial Officer.

Before we begin, I would like to remind you that today's call will include forward-looking statements within the meaning of federal securities laws, including statements regarding our financial outlook, business expectations, and strategic priorities. These forward-looking statements are based on current expectations and assumptions as of today and are subject to risks and uncertainties that could cause actual results to differ materially. For additional information concerning these risks and uncertainties, please refer to our earnings press release issued this morning, our annual report on Form 10-K filed with the SEC on February 26, 2026, and our subsequent SEC filings. We disclaim any obligation to update any forward-looking statements, except as required by law.

During this call, we will also discuss certain non-GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in our second quarter 2026 earnings press release, which is available on the Investor Relations section of our website at ir.omnicell.com.

Turning to today's agenda, Randall will begin with an overview of our second quarter performance and strategic priorities. Nnamdi will then provide an update on our operational execution and key initiatives, followed by Baird, who will review our financial results and updated outlook for 2026. We will then open the call for questions.

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

Randall A. Lipps

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

Good morning, everyone, and thank you for joining us today. We delivered solid execution in the second quarter, with results at or above our expectations across key financial metrics. Total revenue was $312 million, at the high end of our previously provided guidance range, while non-GAAP EBITDA of $67 million and non-GAAP earnings per share of $0.94 were well above our previously shared outlook.

Baird will provide additional details on our financial performance and our third quarter and full year 2026 outlook later in the call. We believe this financial performance reflects continued discipline and execution, improving operational efficiency, and the resilience of our business model as we strive to advance our strategy to become the market leader in autonomous medication management.

Before I continue, I want to briefly address an organizational update we announced on July 1. We have appointed Nnamdi Njoku as President and Chief Operating Officer of Omnicell. Nnamdi has been a key leader within the company, playing an important role in advancing our strategic and operational priorities.

As President and Chief Operating Officer, he will be responsible for helping accelerate execution across the organization, driving greater operational focus and accountability, and ensuring alignment as we continue to work to scale the business. This appointment reflects both his meaningful contributions to Omnicell and our strong confidence in his ability to continue leading the company as an exceptional executive. He brings deep experience across product strategy, innovation, customer engagement, and operational execution.

There is no change to my role as Chairman of the Board of Directors and Chief Executive Officer, and our strategy remains unchanged. Nnamdi's promotion reinforces our focus on execution and our commitment to delivering long-term value for all stakeholders.

From an industry demand perspective, we continue to monitor an evolving macroeconomic environment within health systems. Customers appear to continue to prioritize investments that improve operational efficiency, strengthen reliability, and address ongoing staff and cost pressures. Because we see our solutions are increasingly being viewed as strategic enterprise-wide platforms, purchasing decisions often involve broad cross-functional evaluation and long planning cycles.

We are seeing increased pipeline activity across OmniSphere and Titan XT solutions as customers appear to focus on enterprise-wide visibility of medications, interoperability, workflow transformation, and operational efficiency. These evaluations often involve multiple stakeholders, which reflects the strategic nature of these investments.

This pipeline momentum is also supported by our expanding leasing programs, where leveraging our balance sheet helps support attractive lifetime value economics for both our customers and our business. We believe these dynamics are creating meaningful competitive conversion opportunities and reinforcing our position as a long-term platform partner.

We find that customers are seeking enterprise-wide solutions that can drive outcomes and efficiency gains across the health system, including for nursing, technicians, pharmacists, supply chain leadership, and the C suite. Over the first half of 2026, we have seen strong interest in our Titan XT solution, reflected in a meaningful increase in pipeline activity. We find that this increasing level of engagement reinforces the strategic role Titan XT plays as customers evaluate next generation enterprise-wide platforms.

As we had discussed previously, 2026 represents the early stages of the next refresh cycle, as customers evaluate the transition from XT to Titan XT and the broader adoption of the OmniSphere platform. OmniSphere is intended to serve as the unifying layer across our portfolio, designed to connect devices, data, and workflows on a single secure cloud-native platform and enable more guided and increasingly autonomous medication management. At the same time, our strong cash flow generation should support our ability to continue investing in innovation and AI-driven capabilities aimed at addressing our customers' evolving needs.

As we enter this new refresh cycle, we are seeing increased customer engagement that appears driven by the capabilities of our next-generation platform being introduced into the market and the potential integration opportunities with broad cloud-based workflows. This is the first refresh cycle in which both Omnicell and our largest competitor have introduced new platform offerings at the same time.

As a result, we're seeing that both the number and size of competitive opportunity deals are increasing as well as signs that these potential new customers are conducting broad evaluations and taking time to assess the enterprise-wide technology decisions before making long-term commitments.

Importantly, this dynamic has not changed the level of interest we are seeing from our existing customers nor the decision-making process customers typically undertake to evaluate the strategic implications of these investments. That said, our confidence in the long-term opportunity remains strong. Customer engagement continues to increase, our pipeline is robust and growing and we continue to believe our innovation solutions represent an important strategic priority for health systems seeking to improve outcomes, efficiency, reliability and workforce productivity.

In summary, we delivered a solid second quarter with meaningful outperformance and profitability, which we believe reflects disciplined execution by the team and progress against our strategy. We remain confident in our ability to execute in the long-term opportunity ahead.

With that, I'll turn it over to Nnamdi.

Nnamdi Njoku

President & Chief Operating Officer, Omnicell, Inc.

Thank you, Randall, and good morning, everyone. I'm excited to step into the role of President and Chief Operating Officer and to help advance Omnicell's long-term growth strategy and innovation roadmap. My focus is on scaling our operations while driving seamless execution and operational excellence across the business with a focus on improving leverage in our P&L.

This includes driving alignment across the enterprise and, in particular, product strategy and customer engagement, as we continue to build on our foundation of innovation and position the company for sustained growth. A key priority for me is advancing our innovation roadmap, including our Titan XT automated dispensing system and the continued expansion of our cloud-native OmniSphere platform. Together, these solutions are intended to form the core of our platform strategy.

We also see meaningful opportunity to further integrate data, analytics and AI-driven capabilities across our platform to deliver more predictive and efficient workflows for our customers. I am happy to share that we remain on track to have Titan XT available for shipment in the second half of 2026 and OmniSphere ADS remains on track for the first half of 2027 general availability.

Equally important, I am focused on deepening customer engagement and elevating our customer experience. Over the past several quarters, I've been on the road meeting with existing customers and potential new customers, sharing Omnicell's innovation roadmap and our broader AI-driven platform vision. What we are hearing is a consistent demand for enterprise-wide interoperable solutions that can drive efficiency, reliability and better outcomes. These conversations reinforce our confidence in the opportunity ahead and in our position in the market.

We are also seeing tangible proof points that reinforce this platform strategy. During the quarter, we secured our first competitive Titan XT conversion win of the year with a health system in the Southeast, which selected Titan XT alongside AWS, IV Workflow and other Omnicell solutions as part of a broader medication management transformation strategy.

We believe this win validates several themes we continue to hear in the market. Customers want a cloud-based platform, connected solutions that enable improved workflows, standardization of best practices and operational efficiency. The customer also viewed our flexible financing capabilities as an important differentiator intended to enable predictable spend and help address the cost of change associated with the broad enterprise deployment.

Importantly, even as sales cycles continue to take time on competitive opportunities, we have not seen a meaningful change in our ability to compete and win. We continue to see strong interest from these potential new customers evaluating next-generation platforms and remain encouraged by our competitive positioning in the market.

We are also seeing excitement and momentum from Titan XT across our existing customer footprint, including a world-class academic medical center in North Carolina, a Texas-based academic health system and an Arizona regional medical center, each selecting the Titan XT automated dispensing system along with Central Pharmacy and inventory optimization solutions as they seek to support and modernize medication management operations.

We saw encouraging momentum in specialty pharmacy, including a competitive greenfield win where the largest healthcare provider in northwest Arizona selected Omnicell Specialty Pharmacy Services to help enhance clinical outcomes and improve the patient experience. We also opened two new Specialty Pharmacy engagements with health systems located in Oregon and Missouri, expanding our footprint in this fast-growing market.

These examples reinforce our confidence that customers are engaging with Omnicell as a strategic platform partner, not simply as a point solution provider, but as a partner seeking to meet the evolving needs of pharmacists and the C suite of health systems.

More broadly, what we are seeing across our commercial organization is increasing engagement around enterprise-wide medication management transformation. Customers appear to be looking beyond individual products and evaluating how automation, cloud connectivity, analytics, and workflow optimization can work together to drive measurable operational efficiencies and clinical outcomes.

As we move forward, my focus will remain on driving disciplined execution, accelerating innovation, and ensuring we deliver consistent high-quality performance across the organization. We are focused on accelerating adoption of Titan XT and OmniSphere, reducing friction in the customer buying process, and ensuring we are positioned to capture the significant opportunity associated with the refresh cycle that we see ahead of us. I look forward to building on this momentum.

With that, I will turn it over to Baird.

Harlan Baird Radford

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

Thank you, Nnamdi, and good morning, everyone. We delivered strong financial performance in the second quarter of 2026 with results at the high end of our revenue guidance and meaningful outperformance in profitability. We believe these results reflect disciplined execution and improved operating leverage across the business.

Total revenue for the quarter was $312 million. At the high end of our previously provided guidance range, this performance reflects steady execution across our connected devices portfolio, as well as continued growth in our recurring revenue streams. Product revenue for the quarter was $175 million. This performance reflects continued demand for our connected devices portfolio across both North America and international markets.

Service revenue for the quarter was $137 million. Growth in services continues to be driven by strong performance across our recurring revenue streams, including Specialty Pharmacy Services as well as maintenance, support, and software-related offerings. From a profitability standpoint, we saw meaningful improvement in our operating performance during the quarter. Non-GAAP EBITDA totaled $67 million and non-GAAP earnings per share was $0.94, both coming in well above our previously provided guidance ranges.

We benefited from a one-time $15 million tariff refund during the quarter. Excluding this benefit, non-GAAP EBITDA would have been $52 million, which still represents meaningful outperformance versus the midpoint of our prior guidance range. This underlying outperformance reflects favorable revenue mix, disciplined cost management, and continued operating efficiency across the organization.

GAAP earnings per share for the quarter was $0.52 compared to $0.12 in the prior year period. This outperformance was driven by several factors, including improved revenue mix, particularly continued growth in higher margin recurring revenue streams, strong gross margin performance, ongoing cost discipline, and operating efficiency across the organization, as well as the tariff refund benefit. Non-GAAP gross margin for the quarter was 50%, primarily driven by the $15 million tariff refund benefit.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents totaling $292 million. We continue to maintain a sound liquidity position while investing in the business and supporting our strategic initiatives. Free cash flow for the quarter was $56 million, reflecting strong profitability and continued discipline in working capital management, inclusive of the receipt of the $15 million tariff refund. We remain focused on driving consistent cash generation while maintaining flexibility to support growth initiatives, including our expanding leasing programs.

Before turning to guidance, I'd like to briefly connect our second quarter 2026 performance to the broader operating environment. As Randall discussed, we continue to see strong pipeline activity across OmniSphere and our Titan XT platform. Customer and potential new customer engagement remains high as health systems evaluate enterprise-wide solutions and long-term platform investments. These decisions involve broad operational, clinical, financial, and executive stakeholder groups, which can create variability with respect to the approval timelines, but also expand the potential scope of deployment. This reflects the multi-quarter to multi-year capital approval cycle that are typical in our business. We believe these dynamics reinforce the long-term opportunity ahead while providing important context for how investors should think about bookings pacing through the remainder of 2026.

We are also seeing continued adoption of our leasing program as part of our go-to-market strategy. Our ability to leverage our balance sheet seeks to provide customers with flexible financing options while supporting attractive lifetime value economics for our business. We believe this remains a meaningful component of our offering as customers evaluate large-scale, enterprise-wide platform decisions.

Turning now to our third quarter 2026 outlook, we expect total revenue to be in the range of $301 million to $307 million, product revenue to be in the range of $169 million to $172 million, service revenue to be in the range of $132 million to $135 million, non-GAAP EBITDA to be in the range of $32 million to $37 million, non-GAAP earnings per share to be in the range of $0.35 to $0.43.

Sequentially, the third quarter non-GAAP EBITDA and non-GAAP earnings per share outlook reflects the absence of the one-time tariff refund recognized in the second quarter, as well as lower expected revenue, lower gross margin, and higher operating expenses compared to the prior quarter. These items are partially offset by our continued focus on disciplined cost management. Guidance also assumes an estimated non-GAAP effective tax rate of approximately 18%.

Based on our first half performance and current visibility into the business, we are updating our full year 2026 guidance. For the full year 2026, we now expect product bookings to be in the range of $425 million to $560 million, total revenue to be in the range of $1.225 billion to $1.245 billion, product revenue to be in the range of $690 million to $700 million, service revenue to be in the range of $535 million to $545 million, year-end 2026 ARR to be in the range of $660 million to $680 million, non-GAAP EBITDA to be in the range of $175 million to $185 million, non-GAAP earnings per share to be in the range of $2.15 to $2.30.

Exiting Q2, our product bookings pipeline is meaningfully larger than we have seen in recent years. We continue to see significant active customer interest and engagement, particularly on our Titan XT offering. We are also observing encouraging trends emerge regarding customers' views of our reliability, service, and innovation. However, transaction decisions and timing remain dependent on multiple factors, including customer evaluation, capital approval, and contracting processes. And we are seeing purchasing decisions take time to progress through the sales process.

For example, we are seeing competitive conversion opportunities take time as stakeholders evaluate our new solutions. We note again that the capital approval cycle for customers and potential customers typically takes quarters to years, which may be further influenced by both our announcement of Titan XT and the fact that the current age of our XT installed base is younger than the G Series installed base was at the time of the transition from the G Series to XT.

These factors, along with the current state of our pipeline, including decisions on and timing of potential transactions, and the increasing numbers and size of potential customer opportunities, as well as the fact that purchasing decisions on one or more larger enterprise opportunities could have a material impact on our performance, are introducing variability, making it more difficult to forecast which product bookings will come in during 2026.

Based on all these factors, we are updating our full year 2026 product bookings guidance to a range of $425 million to $560 million to provide investors with a transparent view regarding the range of outcomes that we currently believe are possible in 2026.

The bottom end of this revised range primarily reflects uncertainty around the timing of purchasing decisions rather than the deterioration in demand for our solutions. The upper end of the guidance range remains unchanged from our prior guidance at $560 million and reflects the transactions currently in our pipeline that we continue to believe may be completed in 2026.

Again, our pipeline exiting Q2 2026 is meaningfully larger than we have seen in recent years. However, our revised product bookings guidance range reflects our current view on the potential range of outcomes and timing for 2026 purchasing decisions. This revision does not change our view of the long-term growth opportunity. We continue to believe the fundamental need across health systems for automation, medication management efficiency, labor productivity and advanced pharmacy workflows remain strong and we believe our offerings are well-positioned to address these needs.

We also believe the breadth and depth of our engagement with potential competitive customers in the first half of this year demonstrates the strength of Omnicell's competitiveness across the market. One example of this strength from last quarter, which Nnamdi noted in his remarks, was a competitive win for Titan XT at a midsize regional health system in the Southeast. This customer identified reliability, service and innovation as key factors that influenced their purchasing decision, reinforcing our confidence in the strength of our solutions.

We remain as enthusiastic as ever in our belief in the value of our solutions for our customers and the significant market opportunity in front of us, including Titan XT. Our updated revenue outlook reflects continued execution across the business. We continue to see healthy customer engagement and strong service revenue performance and we continue to actively manage scheduling and backlog conversion.

The changes in our ARR guidance largely reflects the anticipated annualized impact of certain growth opportunities within our consumables business that we now expect will take longer to develop than projected in our previously-issued guidance. Importantly, we believe this revision is primarily timing related and does not reflect any change we are seeing in customer demand or our confidence in the long-term opportunity.

Importantly, while we are revising our product bookings, revenue and ARR guidance, we are raising our full year 2026 profitability expectations. This reflects the benefit from the second quarter tariff refund and improved operating discipline and leverage we are seeing across the business, which demonstrates our ability to drive stronger earnings performance while continuing to invest in our long-term growth initiatives.

In addition, we have been navigating an imbalanced supply and demand environment in memory chips. This has required us to take a strategic approach to inventory acquisition, including multi-sourcing initiatives and balancing near-term product demand with longer-term planning considerations.

We estimate this dynamic will result in $6 million of incremental cost in the second half of 2026, representing roughly a 5 times increase in cost versus the beginning of the year and a 50-basis-point impact to full-year consolidated gross margin and 80 basis points impact to full-year product gross margin.

We continue to monitor the supply situation closely, remain confident in our ability to effectively manage our cost structure and execute against our profitability objectives despite these headwinds. From a cost structure perspective, we continue to focus on balancing long-term value creation with profitability. We remain focused on building a business that can deliver sustainable, long-term growth and expanding profitability while continuing to invest in innovation, product development and customer experience.

In closing, we are pleased with our second quarter 2026 performance, particularly the strength of our profitability and ongoing operating discipline. While the pace of customer decision-making creates uncertainty around the timing of purchasing decisions, our confidence in the long-term opportunity remains unchanged.

Customer engagement is strong, our pipeline remains robust and we continue to see encouraging momentum around Titan XT and OmniSphere. We remain focused on disciplined execution, improved operating leverage, and converting these pipeline opportunities into long-term profitable growth.

With that, operator, we are ready to open the call for questions.

QUESTION AND ANSWER SECTION

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

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Good morning, and thanks for taking the question. Baird, you lowered the bottom end of the bookings guide pretty materially, but you kept the top end unchanged. So, it's a very, very large range here with about five months left in the year. You and Randy talked about the strong engagement you're seeing from multiple stakeholders within these systems. So as we think about the low end of the updated bookings guide, are you seeing more material cancellations in legacy XT?

And then, on the top end, why not lower the top end of the range? What gives you confidence that that top end of the range is still possible as we get to the end of 2026? Thanks.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Excellent. Thank you, Allen. And I want to confirm that everybody can hear me. Excellent. Couple items I would highlight there. First, at the top end of the range, and the reason we didn't move that is we have line of sight to a number of transactions that we believe put us in the range that can land at that top end. So, with that still being something that we believe is reasonable, we've kept that upper end unchanged.

The dynamics around the lower end, as I shared in my prepared remarks, really relate to the variability around timing. We have a number of medium-sized and large deals that, based on where we are in the cycle, leaving XT and heading into Titan XT, make it hard to call which ones will land before December 31 and count as 2026 bookings.

So as we evaluate that pipeline, as we stand at the end of Q2, we find ourselves saying there is a range of outcomes that could occur on these medium-sized and large deals that could swing the outcome this year. And we wanted to be transparent with the market and share that range. Now, as we also shared in our prepared remarks, the opportunity in front of us is significant. Engagement from customers has been meaningful and the pipeline is larger than it's been in recent years.

Operator: Your next question comes from the line of Jessica Tassan with Piper Sandler. Jessica, your line is open. Please go ahead.

Jessica E. Tassan
Analyst, Piper Sandler & Co.

Q

Hi, guys. Thanks for taking the question. So, it sounds as if you've now had some kind of experience with the competitive process with the new Pyxis and Titan XT. My first question is just of the [ph] back-end (00:36:02) customers coming up for renewal, how many are actually going through a competitive process versus kind of defaulting to renew with their existing vendor? What percent of opportunities do you estimate that you all see?

And then, secondly, just can you help us understand if you've landed on a pricing model for OmniSphere? And if so, what is that pricing model and how does it change rev rec for the software relative to the historical license model? Thank you.

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

A

Great questions, Jess. Good to hear from you. I think we're still early on in the process. We haven't seen as many head-to-head comparisons as most of Omnicell's customers are delighted with their path and really ready to move when their equipment is at the end of its life. And I think as we go to the marketplace, we're getting a lot of meetings about where we're going with our system. So, I think it's still early on. And I don't know, Nnamdi, you're probably out there closer to the action. What's your viewpoint here?

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

A

Just to add to Randy's point, it's still an early process. What I can say is the volume of activity is very high right now. It's a very active time in the space. We're out there having conversations with customers, both our own install base as well as competitive customers. So, the feedback that we're hearing is positive. The things that are really sort of sticking out and resonating is the reliability and durability of our hardware system that we expect to launch in the back half – or ship out, I should say, in the back half of the year. And that enterprise visibility, too, that we've talked about with OmniSphere and the ability to do a lot of analytics to drive operational outcomes.

So, it's an early process right now, we feel good about, and we're very encouraged about what we're seeing. But there's still activity yet to play out here as customers make their final decisions as they look at both platforms.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. I think, Jess, the exact percentages you're looking for are hard to provide. But leaving you with the information that we are at a point where that pipeline is larger than it has been, and the interest remains high, I think, is the metric that we're pretty comfortable sharing. Your second part of the question related to OmniSphere. We are on track for general availability release in the first half of next year. So, that development effort and QA effort is coming along nicely.

As we get closer to providing guidance for 2027, we'll share more information about the go-to-market strategy and the monetization and ramp expectations around that. But a little premature at this point, but thanks for the question.

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

Stan Berenshteyn
Analyst, Wells Fargo Securities LLC

Q

Yes. Good morning. Thanks for taking my questions, and Nnamdi, congrats on the promotion. I guess, maybe just want to revisit the comments on the pipeline growth. Can you just clarify, does that reflect breadth in terms of the number of accounts that you're seeing coming up for upgrades here, or is it more of maybe you're seeing a lot – larger accounts that are maybe driving some larger commitments that is changing the timing element? So maybe if you clarify the pipeline comments.

And also, if you can also comment on you leaning into the leasing sales. Can you just comment what determines whether you're willing to pursue a leasing engagement? And what percentage of product bookings do you expect to be leasing based? Thank you.

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

A

Hi, Stan. Thank you for the question. So, I'll start with the pipeline piece, just to clarify. So, as Randy pointed out, we announced this Titan XT platform at OmniSphere back in December. And since then, we've been engaging really the customers in the space, both our customers and also competitive customers. What I will say is when you think about when XT was actually launched, we are really early in that process as it relates to our own install base that we're going to obviously talking to about this new platform, and they're taking that into account as they look at their technology investments over time.

Right now, the activity is falling into sort of those two categories. Our install base, early, we're engaging, we're laying that out, working with our customers. In addition to that, we're very active right now in some competitive conversations that Baird and Randy have alluded to. So, that pipeline building here is really a combination of those two pieces. So, hopefully, that gives you a bit of color in terms of what's happened.

But I will tell you that the activity in the space is high. This is the first time that both main players have new platforms in the space. And customers are taking their time to sort of look at what we have to offer as well as what the other platform can do. So, we're very encouraged with what we're seeing with the volume of activity. And as things play out, we expect that we're going to pick up our fair share of that, as we've done historically. I think I'll let maybe Baird take the leasing question.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. Thanks for that question, Stan. On the leasing side, we continue to find that the subset of the market that is compelled to enter leasing transactions to stream out their payments more in line with their profit or their inbound cash flow needs is a real market opportunity for us. We're finding that as we make this offer available to them, it's keeping us in conversations longer. It's allowing us to spend more time showcasing the innovation that we've created within our product offering, and providing us more opportunity to engage with the clinical decision-makers within the process.

So, I don't know the pace in which leasing will roll out, but it likely is relatively smaller or muted, but it absolutely gives us an opportunity to showcase that innovation and that engagement with the clinical staff. So, we're glad we have the program in place, and it seems to be showing some early returns.

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

Scott Schoenhaus
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, guys. Thanks for taking my question. Baird, just wanted to follow up on all your comments here. So, it sounds like the bookings are sort of being impacted by large enterprises that are making decisions. Just wanted to make sure I understood, are these legacy Omnicell customers that are just evaluating the new Titan XT and it's a push-out potentially into 2027? Or is it customers that are evaluating both platforms and so 90% of it might be pushed out, but there's an incremental number that might be up at play here? Just kind of wanted more color on exactly this sort of large enterprise bookings dynamic here. Thanks.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. Really good questions there, Scott. Let me unpack that a little bit. I did flag in my prepared remarks there were large accounts in there. There are also a good number of medium-sized accounts in there. And so, the balance between those two comes into play when you're trying to call a particular period and how the year will wrap up.

In terms of our existing customers, I think it's important to remind investors that we are in year 10 of that XT product. So, we know that some portion of these conversations are starting early. We also know that some portion of these conversations has customers that are ready to get ahead in the next generation and make those changes. So, I would say the subset that relates to our current customer base is really solid and is making that natural transition out of XT into the very early stages of year zero of Titan XT.

On the competitive front, we know that there are a large number of systems that are aged with our customers and as those – or with their customers. And as those negotiations and discussions are going on, we're finding that there is interest in Omnicell. There is heightened interest in what we have to offer, largely on the innovation that we've shown over the past many years and then the reliability and service standards that we hold ourselves to have brought us into those ballgames.

So, there's a confluence of a number of things here, Scott. It's solid existing customer base, it's a growing competitive opportunity and it's also a mix of middle-sized and large-sized deals. So, sorry, I can't pinpoint one specific thing, but it is a confluence of a number of things, which is exciting in the marketplace.

Operator: Your next question comes from the line of Matt Hewitt with Craig-Hallum. Your line is open. Please go ahead.

Matthew Gregory Hewitt
Analyst, Craig-Hallum Capital Group LLC

Q

Good morning. Thanks for taking the question. I wanted to dig in a little bit more on the competitive conversions. I think you mentioned a couple times in your prepared remarks about it taking quarters to years to kind of get across the goal line there. I don't know that you've necessarily quantified that timeframe in the past so that maybe that's a new piece of information.

But as you look at it, is the length to get these contracts signed, is it longer because Pyxis is going through an upgrade at the exact same time for the first time where you guys are going at the same time or is it because the systems are more complex? Is this because it's now requiring more intra-department sign-offs, like the process itself is taking longer?

I'm just trying to figure out if this is a normal timeframe to get these customer competitive conversions signed or has something else changed? Thank you.

Harlan Baird Radford
Chief Financial Officer & Executive Vice President, Omnicell, Inc.

A

Yeah. I wouldn't flag anything as having changed. I would say the cycle has always been varied in timeline, based largely in part by the needs and constraints of the customer set. What is their timeline to make a decision? What is their availability of capital? What does their internal decision-making and approval process look like?

So, the mechanics of it remain unchanged and continue to be complex time-consuming sales. I think more interestingly is the conversation that we're having with health systems looking to make purchase decisions.

And maybe Nnamdi can share a little bit more about what he's hearing in the field.

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

A

Just to build off Baird's comment, just to may be dig a bit deeper, when you think about the dynamics we're seeing today, we have the new hardware platform, we're coming out with OmniSphere, which is our cloud-based, cloud-native sort of platform that is essentially redefining how things will be done in these large enterprise health systems.

And when you're having those conversations, you're really laying out what this kind of enhanced and new paradigm is going to look like. And then, these customers also want to know now what's the roadmap behind that, what capabilities are going to be available once we turn this on, on day one, and then what's that roadmap of improvement and enhancements going to look like over time.

So, these conversations obviously involve multiple stakeholders. You have the C suite, you have IT groups, you have the clinical groups, you have nursing, pharm techs. So, like Baird said, this is an involved sales process, but it's one that health system needs to really understand how this whole thing is going to roll out to make sure that they're meeting their goals as well.

So, like we've said, we're encouraged by that process. We've done a lot of work as a company to really put this platform in place that we think is going to be a meaningful value driver for our customers. And we're just excited about that engagement right now.

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

Gene Mannheimer
Analyst, Freedom Capital Markets

Q

Thanks and good morning. Congrats on the good numbers. I guess, my question is regarding competitive opportunities, how does the percent of competitive conversions in your pipeline compare to that of the XT cycle 9, 10 years ago? And my follow-up would be, can you provide us an update on the IV product line and IVX, in particular? Thank you.

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

A

Yeah, Gene, good question. I think because there's a product refresh that really started a little bit earlier with the competitive market that a lot of people are entertaining this. And when we're talking to customers, I think over the 30 years we've never talked to, because the opportunity is there, because the systems have to be eventually swapped out to the new tech. So, that engagement is really broad for us, broader than it's ever been. And I'm really grateful to have Nnamdi as a partner to divide and conquer the world out there because we are spending a lot of time in front of these major new customers that we have not had the opportunity before to engage on.

And I think the thing that draws them in is the enterprise is really important, these sites are getting larger. And the ability to drive these – it's the people in the enterprise corporate offices making these decisions. They can look at these things and see the enterprise metrics that they're driving on a regional level, a state level, an enterprise level, and get the consistency they want. And if you look at their strategies these days, and many of these providers, is to expand their footprint. And if they're going to expand their footprint, they need to bring in the same standards they have throughout the rest of the institutions to drive the economics they need to make that footprint valuable.

And they know – they also – the other driver is outpatient. They're moving more of their work from inpatient to outpatient. So, they need solutions that are comprehensive, that are enterprise, that can be real-time, that can scale up and down as quick as they make these expansion decisions. So, I really feel that it's brought us into a whole new set of parts of the market we haven't seen in 20 years, 30 years maybe, some of them. So, it's exciting. And I'll let you answer about IV.

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

A

Just a quick comment on IV. So, just to reiterate a couple of things that we've said in the past that we know that this is a space that's ripe for automation. Customers want to get control over their supply chain, there's staffing crunches. So, we believe automation is part of the solution here. With our IVX program, we set some benchmarks internally that's really guiding the process that we're on right now in terms of getting to that broader availability. We're still working through that process of making sure that we get to those benchmarks, so that work continues.

As we've also said in the past, unlocking this market is really going to take a number of different types of solutions from semi to fully automatic. So while we continue to work on the IVX platform, we're also very focused on investing in the workflow product as well that's seen pretty good demand out there, and also building out the analytics platform. So, it's going to take a suite of solutions, but with regards to IVX, those internal benchmarks are still guiding the work that we're doing.

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

David Larsen
Analyst, BTIG LLC

Q

Hi, Nnamdi. Congrats on the new role. I think I heard you mention a couple of wins in your prepared remarks. And did I hear you say that you signed four Titan deals? Is that correct? And then, what is the difference between Titan, OmniSphere?

And then you seem to mention Central Pharmacy as being distinct from Titan. I sort of was under the impression that Titan and OmniSphere was an all-inclusive platform that kind of included everything, but I guess not. So, were there four Titan deals signed in the quarter?

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

A

Thank you for the question. Just to clarify, I'll take a step back. So, we highlighted our first Titan conversion in the prepared remarks for Q2. And just to sort of reiterate, that win gives us real good confidence that our story is resonating out there. But before I maybe comment fully on that, let me come back to just this distinction here. So, Titan XT is the hardware platform. And that hardware platform is built on the legacy platform of XT and all the benefits and improvements we've sort of worked on over the last decade. So, that's the hardware platform.

OmniSphere, think of it as the cloud, platform that the software and workflows are built on. So, those two combine to give you the entire sort of solution. And where we're really going with this platform here is to connect other products over time. So, other hardware products will all connect to software – sorry, to OmniSphere. And think of OmniSphere as that central hub, if you will, that other products will be connected to over time. As it relates to our Central Pharmacy hardware platforms, over time, those will also be connected to OmniSphere so that the data coming from those devices will all go into the central repository, if you will, that will allow us to drive analytics and other types of capabilities and workflow.

So, just to clarify, the win this quarter was the first competitive win. That particular win was a good one for us, because OmniSphere was the linchpin of that conversion. It really resonated with that customer base. And the beauty of that conversion, too, is that customer is also purchasing a number of products from us, Titan XT, AWS, the IV Workflow that I just referenced. So, they're really looking at us as a full platform partner, not just a point solution provider.

And then the last thing, Baird just talked about our leasing program. That was another benefit that allowed us to be able to seal that win. So, that win is a good one, because we're very encouraged by the value proposition we're bringing into the marketplace, and we're looking forward to others as time goes on.

Operator: This concludes our Q&A session. I will now turn the call back to Randall Lipps for closing remarks.

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

Well, thanks for being with us today. I mean, it is a pivot point for Omnicell as we move from one generation to our next generation and bring these new techs to healthcare, which it really needs. One of the things we constantly see out there with our customers is they're depending and hoping and want technology to deliver better results for them, better outcomes. And so, we see them investing in the best technology they can to deliver those outcome.

And it gives me a lot of pride and thought that we have made these investments over the years to do just that for our customers. So, thanks for being with us, and thanks to all the Omnicell folks out there making it happen. See you next time.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.