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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q2 2020 The Cooper Companies Inc. Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, Kim Duncan, Vice President, Investor Relations and Risk Management. Please go ahead, ma'am.

Kim Duncan ***The Cooper Companies, Inc. - VP of IR & Risk Management***

Good afternoon, and welcome to the Cooper Companies Second Quarter 2020 Earnings Conference Call. During today's call, we will discuss the results included in the earnings release and then use the remaining time for Q&A. Our presenters on today's call are Al White, President and Chief Executive Officer; and Brian Andrews, Chief Financial Officer and Treasurer.

Before we begin, I'd like to remind you that this conference call contains forward-looking statements, including all guidance and other statements regarding anticipated results of operations, market or regulatory conditions and integration of any acquisitions or their failure to achieve anticipated benefits. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Events that could cause our actual results and future actions of the company to differ materially from those described in forward-looking statements are set forth under the caption Forward-looking Statements in today's earnings release and are described in our SEC filings including Cooper's Form 10-K and subsequent Form 10-Q filings, all of which are available on our website at coopercos.com. This conference call also contains non-GAAP financial measures. Please refer to today's earnings release for a reconciliation of those measures to the most directly comparable GAAP measures. Should you have any additional questions following the call, please call our investor line at (925) 460-3663 or e-mail ir@cooperco.com.

And now I'll turn the call over to Al for his opening remarks.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Thank you, Kim, and good afternoon everyone. I hope you and your families are healthy and staying safe during these challenging times. Before getting into our results, I want to recognize and say thank you to our employees whose hard work, dedication and resiliency have allowed us to continue moving forward through the global COVID-19 pandemic. We're coming out of this a stronger company, so amazing job to all Cooper employees around the world, and again, thank you.

From the outset, we made the health and well-being of our 12,000 plus employees and their families a top priority. We instituted robust health and safety programs at all our facilities, including staggering shifts, reorganizing workflows and implementing work-from-home protocols to ensure social distancing. In the spirit of our strong company culture and our commitment to our people, we continue paying employees their normal compensation, including supporting our commission sales reps, avoided layoffs, furloughed employees only upon request, maintained all benefits programs, and expanded our employee assistance programs. We've also been there supporting customers by offering new and innovative online training and virtual meetings, expanding our world-class customer service efforts, accelerating our direct-to-patient shipping activity, and providing extended terms to our small business partners.

Throughout everything that's happened, we've stayed focused on our long-term business objectives and we believe this will serve us well moving forward. This includes developing and launching new products, increasing manufacturing output of high demand products such as MyDay, enhancing distribution capabilities, and expanding facilities in key strategic locations such as Costa Rica. Looking ahead, our performance will be driven by the reopening of optometry offices for CooperVision and the reopening of OB-GYN offices and fertility clinics for CooperSurgical. We cannot control the speed of the reopenings, but we can be ready, and we are. It's very difficult to forecast the future, but we're definitely seeing positive signs with trends moving in our favor.

As we move into the numbers, note I'll be reporting percentages on a constant currency basis. For Q2, we reported consolidated revenues of $525 million, with CooperVision posting revenues of $402 million, down 15%, and CooperSurgical posting revenues of $123 million, down 27%. Non-GAAP earnings per share were $1.51. For CooperVision, regional revenue declined around the world with the Americas down 22%, EMEA 11%, and Asia Pac 10%. All product areas were also negatively impacted, with silicone hydrogel dailies down 8%, Biofinity and Avaira 16%, torics 13%, and multifocals 7%.

I'll get to the fiscal quarter in a minute, but for calendar Q1 we grew 2.5%, continuing to take share against the market, which grew roughly 1%. This improved our global market share to a very strong 24% and I'm optimistic we'll move to 25% during the year. Calendar Q1 included March when the industry began experiencing the negative impacts of COVID-19, but our numbers held up better than others due to market share gains from our daily silicone hydrogel portfolio. Regarding our fiscal quarter, the negative impact of economies closing around the world was felt throughout the quarter but was most significant in April with sales down roughly 45% for the month. To provide color on the quarter, let me highlight the dollar impact and where we saw it. At one point during the quarter I had us pegged at $510 million in fiscal Q2 revenues, and we ultimately reported roughly $110 million worse than that. Three primary areas impacted us. First, was the effect of office closures on new fits. In a normal environment, new fits, including trade-ups, account for roughly 15% of our revenues and these essentially disappeared. We estimate this negatively impacted us around $40 million for the quarter. Second, we experienced a reduction in channel inventory as retailers, distributors, and independent optometrists closed stores and offices and focused on liquidity. This was modestly offset by sales to pure Internet sellers, but that's not a big part of our business. We estimate the negative impact of this activity was around $35 million. Lastly, we saw a reduction in consumer consumption, meaning people used their lenses less often as they extended the wear of their products or chose to wear glasses more often. This meant customers who would normally have ordered lenses in late March and April either didn't reorder or ordered smaller quantities than normal, and this made up the remaining roughly $35 million. We certainly expect to recoup some of these lost sales, but it's difficult to forecast when. Our market research clearly indicates consumers expect to return to normal wearing habits as economies reopen so we're optimistic. We did see an improvement in May, but revenues were still down roughly 30%. On the encouraging side, there were clear positive signs as the month progressed and that's continued into June. As a matter of fact, in parts of the world where economies started reopening sooner, we've seen a pretty quick rebound with countries like China showing growth in May. For Q3, it's difficult to forecast revenues as the three items I just mentioned will have a major impact on our results, but we're currently expecting fiscal Q3 sales for CooperVision to be down 15% to 20% year-over-year. This assumes a minimal rebound in channel inventory and a slow return in patient traffic as ECPs slowly reopen stores. Hopefully, this is conservative, but it's prudent to be conservative right now, even with the positive trends we're seeing.

Regarding products, I'm happy to report we recently launched two new ones - our Biofinity toric multifocal is now available in the U.S. and rolling out around the rest of the world, and our extended toric range for clariti has been released, giving it the widest parameter range available in the market today for daily silicone torics. I'm also happy to report we made significant progress on MyDay manufacturing and we're now able to supply product to markets where we'd previously pulled it. We're also starting to resume placing sphere and toric fitting sets as stores reopen around the world. As we discussed on our last earnings call, we re-aligned significant resources earlier this year to accelerate start-up efforts on new MyDay lines, and this activity continued essentially unhampered through Q2. We're now several months ahead of our prior plans, so a fantastic job to the manufacturing teams and our distribution and commercial teams moving quickly to put us in a position to capitalize on this opportunity.

We saw similar improvements in our clariti manufacturing, so we're in great shape in the daily silicone hydrogel market, especially with respect to toric lenses. And this is critical as our survey data indicates usage and purchase frequency reductions are expected to be temporary with practitioners aggressively fitting patients into daily silicones as offices reopen.

Moving to MiSight, this was a bright spot for the quarter, growing 52% to $1.4 million in revenue. And I'm happy to report we've seen a significant increase in interest from optometrists as they look for value-added ways to increase patient flow as their practices reopen. MiSight is a perfect fit as optometrists truly want to treat their patients with the best products available and this is the only FDA-approved myopia management offering on the market. Additionally, parent interest is very high when they're made aware of MiSight, the product can make a huge difference in a child's life and the doctors control the process and pricing as the product is not available online. As a reminder, MiSight is our innovative FDA approved myopia management contact lens that has been clinically proven to slow the progression of myopia in children. The lens is sold as part of a holistic myopia management program called Brilliant Futures where we provide the eye care practitioner the lens and a suite of resources to help them connect with parents and to market the product. The doctor then incorporates this into their own customized myopia management program and charges an appropriate price for their offering.

From a training and certification perspective, we pivoted to virtual training and the response has been fantastic. In the U.S., we now have over 200 certified fitters with over 600 additional optometrists currently in the certification process. This puts us ahead of our previous expectations. Success is clearly dependent on offices reopening, but we expect solid growth with full fiscal year sales being in the $7 to $8 million range. And, assuming markets return to normal, we remain comfortable with our target of $25 million in sales next year. And, to be clear, we have not curtailed any investments in this product other than deferring certain marketing costs due to recent events. Frankly, if all continues to go as well as it has been, we may actually accelerate investments in Q4.

Before concluding on Vision, let me touch on the growth drivers for the $9 billion contact lens industry. First and foremost, it starts with myopia, where it's estimated that roughly 1/3 of the world's population is myopic, and this is expected to increase to 50% by 2050. We've been seeing this play out in the market data with new wearers up 2% globally last year. Additionally, we continue to see positive sales mix as doctors are fitting new patients in daily silicone hydrogel lenses, and then we have the trade-up from legacy hydrogel dailies and FRPs to silicone hydrogel dailies, geographic expansion and growth in torics and multifocals. It's also interesting working with optometrists as the shift to daily lenses has made it more apparent that contact lens wearers are higher value customers as they buy both contact lenses and glasses.

Moving to CooperSurgical, we reported revenue of $123 million, down 27% for the quarter. We were feeling very bullish about our business in March, but as elective surgery restrictions were enacted and ObGyn offices and Fertility clinics started closing, we began experiencing a significant decline in revenue. In the month of April alone we were down almost 70%. May was still down roughly 60% as the beginning of the month was extremely weak, but we definitely saw improvement as the month progressed, and we expect continued improvement through the quarter. For the full fiscal Q3, we forecast CooperSurgical's revenues being down 30% to 35%.

Within the segments, Fertility was down 15% for the quarter, holding up reasonably well as in-process patients were largely allowed to complete their treatments. Having said that, April was down roughly 50% as clinics around the world closed. And May was also down roughly 50% as several markets remained partially or entirely closed. Clinics are now reopening and patient traffic is good, but it's important to note that our sales will lag initial patient activity as those visits are focused on consultations and the stimulation, or pharma, side of IVF. We thus expect our business to continue rebounding, but for the full Q3 we expect fertility sales to decline around 30%.

For Office and Surgical, sales were down 34% in Q2 and we expect a similar decline in Q3. This is largely due to Paragard, where we essentially shipped zero product in the months of April and May. To be clear, this is a channel inventory matter as placements for Paragard continued in those months, although down roughly 65% in April and 40% in May. Our consumer research indicates we'll see placements fully return to normal as offices reopen, and we saw positive signs through May, so we expect a strong rebound in sales as offices do reopen and as channel inventory returns to normal. Outside of Paragard, our other office and surgical products were down roughly 20% in Q2 and we expect a similar result in Q3 with our research showing the majority of procedures were deferred, not canceled, and the procedures will happen as doctors' offices reopen.

Within all this, CooperSurgical continued making product in many other areas of the business, including continuing the buildout and transferring of IVF production into our global manufacturing facility in Costa Rica, completing numerous sales and marketing virtual training sessions which have been incredibly popular and making meaningful advancements with product development and R&D. And importantly, our manufacturing and distribution teams kept our products available and shipping, while several competitors struggled, now providing us the opportunity for future share gains.

With that, let me conclude by saying our teams are laser focused on executing as economies around the world reopen. Our commercial teams are intensely focused on capitalizing on opportunities and momentum is building. Key products like MyDay are in a much better shape, and our product launches, such as MiSight, are going well. Cooper's culture remains rock-solid with our commitment to our employees remaining steadfast, our dedication to our ESG efforts continuing, and our focus on our long-term strategic objectives remaining intact. And I'm 100% confident our employees are fully engaged and ready to deliver results.

With that, I'll turn the call over to Brian.

Brian G. Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Thank you Al and good afternoon everyone. Most of my commentary will be on a non-GAAP basis, so please refer to today's earnings release for a full reconciliation of GAAP to non-GAAP results.

Given the challenges that Covid-19 has brought upon our operations and the uncertainty regarding the future impact, we will not be issuing 2020 guidance at this time. But I'll try to provide as much transparency and disclosure as possible in my comments.

To start, it's important to mention that our non-GAAP earnings are adjusted for the larger Covid-19 related items within cost-of-goods, but we did not try to capture all costs, nor did we adjust any of our operating expenses for these items.

Moving to our results, our second quarter consolidated revenue decreased 19.8% year-over-year to $524.9 million. Consolidated gross margin for the quarter decreased year-over-year to 65.8% from 67.3%. This was driven entirely by April as margins were up nicely through the first 2 months of the quarter. CooperVision's gross margin decreased slightly to 66% from 66.5%, driven by a shift in our regional sales mix as we experienced larger percentage declines in revenues in markets with higher margins. CooperSurgical's gross margin decreased to 65.4% from 69.6%, largely due to Paragard sales being zero in April.

OpEx was down 3.2% year-over-year, resulting in consolidated operating margins of 17.4%, down from 27.1% last year. Despite the top line pressures, we continued investing in our business which meant no material changes to employee compensation, continued support of our key products such as MiSight, and continued R&D investing, while incurring higher costs related to Covid-19.

Interest expense for the quarter reduced to $8.8 million driven by lower interest rates. The effective tax rate was 6.2% due to the overall reduction of pretax income and the benefit of stock options exercised in the quarter. Non-GAAP EPS was $1.51 with roughly 49.6 million average shares outstanding.

Free cash flow was negative $63.5 million and was comprised of $25.8 million of operating cash flow offset by $89.3 million of CapEx. This reduction was primarily due to lower customer collections, a buildup of inventory and maintaining CapEx as planned. Net debt increased by $118.6 million to $1.8 billion and our adjusted leverage ratio was 2.18x.

A few other items to note on Q2. We repurchased roughly 161 thousand shares for $47.8 million. We also fixed the interest rate on a portion of our floating rate debt given the historically low interest rate environment. This included entering into multiple swaps, locking rates on $1.5 billion in debt as far out as seven years.

And lastly, from an FX perspective, the year-over-year FX impact for Q2 to revenue and EPS was a negative $8.9 million and $0.08, respectively.

Before concluding, I'd like to briefly touch on a couple of additional points. We entered the Covid-19 pandemic with a solid balance sheet and continue to maintain strong financial ratios with ample liquidity. This allows us to continue supporting our employees and customers, and it puts us in a position to capitalize on opportunities as they become available. We continue to prioritize capital allocation and prudent expense control while remaining intensely focused on current trends to ensure we remain in a strong position. Al mentioned a few items on fiscal Q3 revenues, and to repeat them, at this point we're looking at CooperVision being down 15% to 20% and CooperSurgical down 30% to 35%, both in constant currency.

Other than that, we're not providing much additional information at this time. We're going to continue closely monitoring expenses, but we want to be careful as controlling cost is important, but at the same time, we're seeing many positive trends, and don't want to restrict our ability to execute in any way. We are taking a long-term view as our product portfolios are extremely strong, and we believe we're in excellent competitive position to take share as the markets return to normal.

Finally, I'd like to echo Al's comments about our employees by issuing my own heartfelt thank you to all of our operations, commercial, and support staff for doing an incredible job in the face of unprecedented circumstances. I couldn't be prouder of the efforts we saw in Q2 and continue to see from everyone globally.

With that, I'll hand it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our question comes from Larry Keusch with Raymond James.

Lawrence Soren Keusch ***Raymond James & Associates, Inc., Research Division - MD***

Al, just to start out coming back to CVI could you talk a little bit about, how are you thinking when you think about the various modalities? Where do you see the most pressure in the month of April? And where do you expect to see that come out the other side? In other words, what do you think is going to be stronger post-COVID versus pre, in terms of your product mix?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Thanks, Larry. When you look at April, we took a hit throughout the portfolio. The numbers I gave show you that our daily silicone hydrogel portfolio stood up better than certainly the rest of our portfolio and MyDay, in particular, was still strong. But some of our legacy products, and especially if you wanted to parcel it out, if you looked at our legacy hydrogel FRPs, the monthly lenses, as an example, those took a pretty solid hit in the month of April. So those have been declining anyways, but took a bigger hit than most. I think as we look at where we are today, and as we do our consumer research, and we talk to optometrists and so forth and the market starts to recover, it seems very clear that the market is going to recover with a focus on daily silicone hydrogels, that's going to be the focus area. And that's going to be because of the reasons that were in place beforehand, but it's also because of the focus on hygiene. If you're looking at good hygiene, you're talking about a daily lens, put it in, wear it, throw it out at the end of the day. So that's clearly what people are talking about, that clearly is the focus. I think we're in a good position from that perspective because if we go into more of a recessionary environment, we're the only ones who have a strong mass market daily silicone out there with clariti sphere, toric and multifocal. And if we have somebody who's looking for a more premium wearing experience, obviously, we have MyDay, which is hugely successful. So, I think that's what we're going to see as we come out in the coming months and quarters.

Lawrence Soren Keusch ***Raymond James & Associates, Inc., Research Division - MD***

Okay. Perfect. And then the second question is, and you alluded to this in your comments relative to manufacturing for MyDay and your ability now to, in particular toric, and your ability to now start to supply countries, regions that you had pulled back supply on previously as well as getting fit sets out there. What were you able to do during this period that allowed you to, in essence, get ahead of your plan?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. We had the obvious happen, which was a pullback in demand in general because you had stores shut down around the world. While that was happening, we were continuing production of the product, building up our own inventory. But importantly, during that quarter, we were able to continue to work putting lines together and getting lines up and running, and that was a key point. You'll remember, I talked about some prior quarters how we accelerated some of our efforts and we took a step back in some areas on cost control efforts and so forth, but we brought those lines in faster. Thankfully, we did that because with those lines in our facility, we were able to continue working on putting them together. We didn't have equipment in Europe and we weren't relying on people from Europe or other places flying in to help us. Our manufacturing folks were able to do that work themselves.

Then the other success that we have was, not only did we hit our timeline, when we started up a couple of the lines; we have several lines, we have 2 of them, that have recently started. When we started them up, the production on those lines was a decent amount ahead of where we expected. So, I take my hat off to the manufacturing guys. It's an amazing job they did of getting those lines up started and running and having them be quite a bit more successful earlier than we thought. So we're still in a situation where we have other lines coming on, and we're certainly going to need those lines based on demand, and that includes updated demand metrics right now where we sit and the demand that we're seeing as retailers and people start opening stores back up.

Operator

Our next question comes from Brian Weinstein with William Blair.

Brian David Weinstein ***William Blair & Company L.L.C., Research Division - Partner & Healthcare Analyst***

Al, as we come back here and things start to improve a bit, does it matter for you if it's more new guys coming in the 15% versus the existing? If you think about one versus the other, is there one that's more important for, in particular, driving silicone hydrogel fitting?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. It's the new fits. If you look at the data as we went into COVID, we were winning more than our fair share of new fits. The Americas market, or the U.S. market here is probably the biggest of that, where we were winning share. We had MyDay, we had clariti, as new patients were coming in and getting fit, they were being fit more and more in daily silicones, and we were winning our lion's share of that so that new fit hurt us. And if you look at new fit data, we talk about 15% or in that range of revenues coming from new fits. That's an important part of our business and that's even larger here in the U.S. so I'd say the 15% is a global number. If you look at the U.S., you could argue that that's 20% of our revenue here in the U.S. You have a lot of new daily fits, you have people buying annual supplies and so forth. So that was one of the reasons, that our Americas number was softer, I think, than probably people thought. We over-indexed in terms of new fits and the hit that we took because of that.

Brian David Weinstein ***William Blair & Company L.L.C., Research Division - Partner & Healthcare Analyst***

Okay. Great. And then as we think longer-term here about the industry, how do you think the industry is changed longer term because of COVID? And how is Cooper positioned in the industry now as we think about things like online ordering, you guys shipping direct, prescription moving online. How does all this kind of play into kind of how the industry develops? And then how do you think you're positioned for all of this?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Well, I definitely think you're seeing some changes. Direct-to-consumer shipments, as an example, definitely increased significantly. Whether that holds or not, we'll see. That was a trend that was occurring. We probably accelerated some of that trend. I've talked for a couple of years about how much time and money we put into our distribution centers to improve our distribution capabilities. We did all that because we're in a great spot to be able to support the market as we move in that direction. So, if you're an optometrist selling product, you no longer have to have us ship that to your office, we can ship that directly to your patient's home.

But the other thing, when you look at the industry right now, I think you're actually going to see even more or a greater move to daily silicones. I think that's the direction you're going to go as I was talking about hygiene. When we talk to consumers, when we talk to optometrists, that's what people are leaning towards. The other thing that you're seeing about the industry is people looking and saying, okay, how can I do a better job as an optometrist office moving forward here in terms of the products that I offer, and I think that's one of the reasons that we've had kind of the acceleration in demand in MiSight. Some of it's that doctors don't want to miss out, but there's definitely a component where doctors are saying, "Hey, this is a unique special product here. Now that I understand it and it works and so forth. This is something I want to get behind." So, I think you're going to see that.

And then the one other area I would say that I think it changes a little bit in the industry is, around toric lenses because that's one of those things that the patient has to go see the doctor, gets fitted by the doctor, you're not going to use telemedicine to fit a patient in a toric lens. So, I think you're going to continue to see torics grow faster than the overall market.

Operator

Our next question comes from Jeff Johnson with Baird.

Jeffrey D. Johnson ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Al, I wanted to start from a geographic perspective. You mentioned the overreliance on new patient fits in the U.S. Obviously, in Europe, you've got some just automatic drop ships that happen are patients who are more on a subscription plan there. So I think it would be helpful if you could provide any color on how you saw the April-May trends break down between U.S., Europe or Asia Pac or at least how you're thinking about the recovery by geographic region.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, absolutely Jeff. I put Europe in the middle to some degree because we're starting to see things come back in Asia Pac and I mentioned that we actually saw growth in China in May. It's not going to surprise me if Asia Pac grows in Q3. As a matter of fact, I think there's a decent chance we'll get that. I don't want to get ahead of myself, but when I look at how things are going I think we could get some growth in Asia Pac in Q3.

EMEA still is in a situation similar to the Americas where stores are starting to reopen, the optometrist offices are reopening, you can see that in the news like I can. So, we're making progress there. America is lagging, so I think we're still going to have a tough quarter in the Americas for Q3 because we had struggles at the beginning of May. We're seeing positive signs. There's no question about that. But I think when you look at the impact of May in the Americas, you're going to continue to see that be a similar quarter to where it was. Europe being probably a little bit worse than where it was as it comes out a little bit slower. So I was thinking, February, March, April versus May, June, July for us. You end up with a similar to, maybe, a little bit worse quarter. That assumes that we don't get a rebound in some of the stuff like channel inventory and so forth. Did that make sense?

Jeffrey D. Johnson ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Yes, that does. In these office visits, we're all doing our surveys, and there's other ways of trying to track this. As those offices start to open up, my guess is that helps on the new patient fits more than anything. On the consumption by current wearers, do you think we need to start watching for when people go back into the office, when do they go to the gyms and restaurants and things like that? I know it's on the margin, but some of these people that only wear contact lenses for social reasons, things like that. It almost feels like there could be a slower recovery in the current wearers more so even than the new wearers just because there is kind of that reliance on when are we all going to go back into the office every single day, things like that.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, you're spot on, on that because that's what a lot of those wearers are. A lot of those wearers are wearing lenses. It could be teenagers or people in their 20s, they're going back to the office, they're playing sports. They have that kind of activity. I mean Carter, my son's soccer is going to start-up next week. So you're starting to see that stuff move in the right direction. I mean we're making progress there, but until people are starting to go out to restaurants for dinners, and people are starting to go back to work and you're seeing more of that activity, you're going to see a little bit of a slower trend there because we did see, kind of 2 pieces of that. I think one is people wearing glasses because they were home a little bit more. And then the other one is, as I mentioned, the softness in our like legacy hydrogel FRPs and that's a portion of the market where people stretch their lenses, and that's the kind of activity we're seeing.

So I think you're right. I think the channel inventory works itself back over the coming quarters. I think the new fit data starts coming back, and we start seeing that better. Certainly, as the months come here with back-to-school and so forth, assuming they are going back-to-school, everything is moving in the right direction, maybe a little bit more of a lag on the other stuff.

Operator

Our next question comes from Larry Biegelsen with Wells Fargo.

Lawrence H. Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Medical Device Equity Research Analyst***

Al, do you expect it to still be down year-over-year in fiscal Q4? And what would need to happen to grow in fiscal Q4, could there be some catch-up from deferred sales and procedures from April, May? Any color on that.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. For the 2 separate businesses, I'll answer it a little differently. For CooperVision, I do think we can get back to a situation where we're flat for Q4, maybe we can even be up a little bit. I think it'll depend some on the channel inventory coming back, and it will be highly dependent on stores reopening. And then obviously, for us not to have a second rush of COVID-19. But I do think we can move in that direction based on the progress that we're seeing in some markets like Asia Pac, already. If we use that and we look at that as what's going to happen in Europe and then into the U.S. and those positive trends continue, I think that puts us in a decent spot. We're going to fight like hell certainly to at least be flat in Q4.

If I look at CooperSurgical, some of that's going to be dependent on PARAGARD. I mean PARAGARD continued to be fit, but because of the liquidity concerns and so forth, we ended up not shipping product for a couple of months. That will come back, I'm highly confident that we'll get that inventory and so forth back. So it will depend as that comes back at the end of Q3 or into Q4. The survey work we have done has showed cancellation rates going down and so forth. The surgeries that we're involved with at least all appear to be deferred rather than canceled. So if GYN offices are reopening, then that's a really good sign. I think we could return to positive growth in Q4 there. Fertility clinics are definitely open. We're definitely moving in the right direction there. We do lag, as I mentioned, in sales there. That's going to be a little bit of a hurt right now because as the clinics reopen, people are going in, they're having consultations, they're starting the stimulation process and so forth. So we lag a little bit behind there, but if those trends continue, yes, we could be in a decent shape. So I would say consolidated, yes, we're going to fight to get back to at least be flat in Q4.

Lawrence H. Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Medical Device Equity Research Analyst***

And Al, just as a follow-up, can you talk about what you're seeing at optometrist offices, the percent that you think have opened so far? And any issues with throughput, how they're dealing with the patients coming in?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. If we go around the world, there's a very large number of optometrist offices that are kind of "open". But a lot of them have been open all along. They were just open for emergency cases rather than for everyday patients. So we are definitely seeing more and more of them open, but they're in different degrees of opening. Some of them are opening up with a lot of restrictions: patient has to sit out in the parking lot, they come in one by one, and they clean the entire area down before that patient comes in. So, your patient traffic is significantly slower. We certainly see that where we're at here in California. You go to other spots in the U.S. and other spots around the world, there's not nearly as many restrictions. So we're in varying degrees around the world so it's hard to answer that. The one thing I would say that seems to be pretty clear is that offices are definitely opening, more patients or more patient flow is definitely occurring. So, the trends are clearly positive, but we still have a little ways to go.

Operator

Our next question comes from Matthew Mishan with KeyBanc.

Matthew Ian Mishan ***KeyBanc Capital Markets Inc., Research Division - VP and Senior Equity Research Analyst***

I have a question for Brian, actually. Decremental gross margin in CooperVision for the quarter was much lighter than I think you'd expect given the sales decline. Is there a potentially delayed margin impact because you're selling inventory that was with better manufacturing absorption?

Brian G. Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Yes. You're right. I talked about it in my prepared remarks that CVI was impacted by regional mix. So, we had a higher percentage of declines in revenues in markets where we had higher margins, like in the Americas, down 22%. Now as it relates to capitalized costs, and I won't get into a whole cost accounting discussion on this call here, but suffice to say, what we really did is we adjusted the large COVID-19 related costs and other manufacturing costs, those period costs and we called those out and adjusted our earnings for those. So that $22.1 million, if you look at our GAAP to non-GAAP results, reflects those unabsorbed costs, the excess capacity and those types of costs that were above and beyond our normal operations and incremental from prior to the pandemic. So, you won't see those bleed into future quarters. We are not capping and releasing those down the road, and that's why you saw gross margins where they were.

Matthew Ian Mishan ***KeyBanc Capital Markets Inc., Research Division - VP and Senior Equity Research Analyst***

Okay. Understood. And then as you think about the industry, typically, you're seeing rebating based upon the annual supply, do you see any changes in the way consumers are going to purchase contact lenses in 90 day supply rather than the annual supply? And how do you see the industry adjusting to that as promotions and rebating?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. That's more of a U.S. question than probably outside of the world, but when we look at that activity, we definitely saw some of that in Q2 and even the beginning of this quarter and I can give you some examples. If you're a patient who had a year of supply and you were ready to order another year of supply, but you had to go see your optometrist and you weren't able to get into your optometrist. I've heard many cases where the optometrist said, "Hey, I'll extend your script, so to speak 3 months, and you can go get a quarter's worth of supply but you don't want to buy your supply until I have a chance to check your eyes out and make sure that you're buying the right script." So we've seen a lot of that activity where patients thought, "Hey, I want to get this done. I'd just buy another year of supply, I'll take advantage of that rebate or discount." But they're not able to. So that's a 3-month delay in that kind of activity. I think the question longer-term on that, because we'll get those patients back, ends up being, is there a fundamental shift in the market because of that? I would tie that answer more to a recession. If you get a recessionary environment, you'll probably get people trending to more 3-month purchases if they watch their money a little bit closer. We are not seeing that based on the research that we've done so far. We're not anticipating that. We're expecting the market to move back to normal.

Operator

Our next question comes from Matthew O'Brien with Piper Sandler.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Al, you've been touching on this a little bit, but I was just hoping you can reconcile the shortfall you saw in the quarter on the trade-up side, which I think you said it was $40 million for the most of the shortfall was associated with the lack of the trade-up with the comment that, the daily SiHys which are more expensive, are going to lead us out of it. With such a high unemployment rate in the U.S., such a high unemployment rate around the world, what gives you that confidence? What are you hearing from patients specifically or a consumers specifically that gives you confidence in that? And are you putting any programs in place to ease the burden so that people can do that trading up?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Just to be clear on that trade-up because that is included within new fits. So, the biggest component of that was clearly new fits. When you shut down the doctor's office and you don't have the new patient able to come in, and get a script and buy lenses. That's the thing that hurts you the most. Now you also miss out on the trade-up, which is somebody who's wearing a monthly or 2-week or a traditional older hydrogel trading up to the new one. But the big part of that $40 million I was talking about is new fit patients, talking about new patients coming in. With respect to us coming out of this with daily silicones, if we come out of this in a decent way and the economy is doing well and so forth, I think you're not going to see much of a change at all. If we come out of this with a weaker economy, in my mind, you're definitely going to see a greater focus on clariti. That's the product that's going to do better and accelerate more because that's where people are going to be focused. If you're more budget-conscious or cost-conscious, you're going to still want a daily silicone hydrogel lens, that's what your doctor is still going to want to prescribe for you. That's the market-leading product, that's the only real product there for a mass market daily silicone hydrogel product. So, it will depend what direction we go. I will say based on where we are today and based on the feedback we're getting from people, there's enough demand out there where we're going to be selling a very significant amount of MyDay, no matter what, even if it's premium, even if we went into more of a recessionary environment. The demand there didn't disappear, it remains very, very strong from our consumer research.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Okay. That's interesting and helpful. And then the second question was just on MiSight. You're backing up the spend this year, and the revenue contribution this year. But next year, you're still confident in that $25 million, are you going to ramp up some of the spending dollars that you're saving this year next year? Or what I'm also trying to kind of get is, was the $25 million conservative? There was upside and some of that upside is now removed for the time being. And hopefully that gets pushed into the next fiscal year.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. I'd say that $25 million was probably a little conservative beforehand, but I would say that it's probably still a little conservative right now. The difference that we're seeing is a greater interest by optometrists with respect to MiSight. Now some of that was because people were home, they had the time to be able to go through the training, to look at the information, the clinical data, and get comfortable with the fact that, wow, this product really works. This should be standard of care, how am I not going to treat my myopic children in this lens? How can I not have a conversation with the parents about it? So, the interest has definitely increased in that product. And the number of people we're training inside the U.S. and outside the U.S. is definitely higher than what we were anticipating it was going to be pre-COVID. Now you can only fit it if your office is open and kids are coming in and so forth. So, you got to get back to normal. But I think that we might arguably be in better shape with MiSight, oddly enough. Now we did defer some marketing expenses on that, but we're still going to spend a very hefty amount of money this year. And depending upon what we do in Q4 because we are seeing that acceleration in interest, and that's not only U.S., that's around the world, we might spend a little bit more. So I'm not going to hold back on investing in MiSight.

Operator

Our next question comes from Chris Cooley with Stephens.

Christopher Cook Cooley ***Stephens Inc., Research Division - MD***

Let me just first follow-up on Matt's question on MiSight. I would appreciate if you could help us get a better understanding of where you're seeing the demand between U.S. and international as well as in terms of the training and your thoughts as they pertain to some of the new spectacle alternatives that have been publishing data here recently with some pretty impressive results. So just wanted to get your view, if that's near term, how MiSight is ramping and longer term, I know you just reiterated the $25 million next year, but how you see the size of that opportunity? I had a quick follow-up on PARAGARD.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes absolutely, thanks Chris. In the U.S., we're seeing the significant interest certainly, and the training, the numbers and so forth that I mentioned, now that has to translate itself into fittings. We were definitely seeing fittings, no question about that, earlier in the year and we have more and more kids who have been fit in the lens, and as stores reopen, I'm confident we'll see that number increase. It will just be a question of how much it increases and how fast it increases. Outside of the U.S., we're doing some work with some fairly decent-sized organizations talking to them about this product. And we'll see how that plays out because that could move the needle. So, I would say interest is high. Again, from a demand perspective, when you look at actual sales of the product, those have been a little bit muted because offices have been shut. But whether it's in the U.S. or outside of U.S., the interest is certainly high. I have not stepped back from my position and my excitement about this entire industry. I think at the end of the day, the ability to treat kids who are myopic, their myopia is going to get worse, and being able to minimize that progression of myopia is an amazing thing. And to me, you're a physician, how are you not evaluating that and treating your patients. So I think as more people look at getting into the space, as spectacle companies continue to research, I think it's fantastic. I'm excited about that data. I've seen that data. I know some of those companies. I've read their information. I'm excited about the opportunities and so forth with those guys. We're still early stage, there's no question about that. In terms of the data that's out there and the potential to put product into the marketplace, we're well ahead of others with our MiSight product that's out there. But this is going to be a large market. It's just a matter of how long does it take to get there.

Christopher Cook Cooley ***Stephens Inc., Research Division - MD***

Understood. And then on PARAGARD for my follow up. It may be premature at this time, but are you seeing any shifts in the broader birth control market? I realize, when we think about pharmacies remaining open, but any bias to maybe shifting to a more permanent methodology of birth control or a greater emphasis on low estrogen alternatives or nonhormonal options.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Obviously, with PARAGARD, I'd love to say yes to that. We're probably a little too early to see whether that's happening or not. When you look at what's happening in the world today with COVID-19, do people look at it and say, hey, I want a non-hormonal option. I want what I would describe as a healthier option. We'll see how that plays out. I would say that new placements of PARAGARD were down pretty solid. In April, they were down about 65%. In May, they were down only about 40%. June we're currently seeing a nice rebound right now to start the quarter. And based on our survey work and so forth, we might only be down 20% year-over-year for June. So we're seeing a pretty impressive kind of uptick on that. Now does that continue? Or does that accelerate? We'll see. I'm certainly happy with the numbers I'm seeing with PARAGARD. I don't have that kind of visibility, obviously, within the hormonal IUD market. But PARAGARD is certainly taking steps in the right direction. That's for sure. We'll just see how it plays out. I hope that's true. That's for sure.

Operator

Our next question comes from Joanne Wuensch with Citi Bank.

Joanne Karen Wuensch ***Citigroup Inc, Research Division - MD***

A boring question and maybe something more interesting. On the boring side, what are you seeing as your FX headwind this year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Well, you've seen rates move pretty aggressively here recently. I think the euro went over $1.13 so I'm going to look at Brian. I'm not sure there is a headwind.

Brian G. Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Yes. From a revenue perspective, revenues are still down for us for the year. We haven't given FX rates, so we're not giving guidance for the latter part of the year. But for Q2, it was $3.5 million worse on the revenue line and about $0.10 worse on EPS for Q2.

Joanne Karen Wuensch ***Citigroup Inc, Research Division - MD***

Okay. That's a good start. And then I want to go back to the comment of flat revenue in the fourth quarter. So for you guys, that would be August, September and October. How do we think about getting to flat revenue? What I'm trying to get at is a combination of what is the build to get there? And then also, how does the optometrist and ophthalmologist office change in a social distancing 6-feet-apart environment?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Great question because in order to get there and in order to be as successful as we want to be in fiscal '21, we need optometrist offices to reopen and operating to some decent degree. We're not going to be in a situation where you're going to return to normal. You're not snapping your fingers and seeing August volume being the same as it was last year because you are going to have social distancing and the other requirements that are going to continue out there. But we need to continue to move in that direction. It's almost like you go to a cold pool, you put your toes in and then you put your foot in and it is not that bad, right? You step in and then it's not that bad and ultimately, you jump in. We're still in those early stages of sticking your toe in the water in a lot of places. We need to continue to make that progress for us to be flat in Q4,and to do what we want to do going forward, we obviously need that to come back because we need new fits. I think the volume is going to be there. Ultimately, I think as long as doors are opening, patients are going to go in there. The demand for contact lenses is going to be there. We're not seeing anything in our research that indicates otherwise. So, it's really going to be tied to optometrists opening up their stores.

Operator

Our next question comes from Jon Block with Stifel.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

First one just on inventory in the channel that compressed in the quarter. Where was it prior to where is it now? And then I believe you said you expect it to remain at this new lower level for the foreseeable future. So, if that's the case, is this the new normal? And why would it stay down there and not eventually recapture where it was? And then I've just got a follow-up.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. With respect to inventory, we saw it around the world. It was probably more focused here in the U.S. because you have a bigger distributor market. Having said that, I do think the majority of that is going to come back, or a large portion of it will come back. No, not all of it because you had inventory, for instance, in optometrist offices, who ultimately, as part of their buying group or individually are going to not want to carry that inventory anymore which means we'll end up carrying it in our facility, and then we'll ship it direct to patients. So, it will be a little different structure of how that works. I don't think all that inventory comes back, but I do think we see that inventory coming back. It's just going to be directly tied to store openings. The more they open, the more they start selling lenses, fulfilling product, the more distributors and the larger retailers will buy product that could be properly stocked.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Okay. And just as a clarification of this, the fiscal 3Q numbers that you gave out on CVI that does not assume much of a rebuild on the inventory side, is that correct?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

That is correct.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Okay. Got it. And then just the second question. In some of our checks, we heard about, hey, as the optometry practices were closing and consumers were worried about securing lenses, some of those guys who used to get their lenses from an ECP just went ahead and said, I'm going to turn to 1-800 Contacts or another pure online provider. So if that remains, that shift of lenses goes away from the ECP to appear online, can you just talk about, Al, what does that mean if anything for you guys from a margin perspective if that remains in place?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. You did see some of that activity. For us, it neutralized out because we saw some buying activity in March. It neutralized itself out in April from a reporting perspective. And if you look at the shift to online, you definitely saw a greater shift to online and also direct-to-patient activity that we were just talking about. So, it will be interesting to see how that goes, if it goes back, right? Some of that online activity is actually people buying through a walmart.com or through Specsavers or GrandVision or someone else's website. At the end of the day, does that shift stay where it's at? I don't know. To us, it doesn't make that big of a difference how that's sold through. I mean it's not that big of a difference to our P&L.

Operator

Our next question comes from Anthony Petrone with Jefferies.

Anthony Charles Petrone ***Jefferies LLC, Research Division - Healthcare Analyst***

Maybe one on CVI, one on PARAGARD. I guess Al and Brian, just as you look at the shape of the recovery and new fits. Some of your competitors commented that it could take a little bit of time here, and it's not necessarily V-shaped. But what is your counter to that, how do you see the recovery shaping out? And in particular, how do you see the school season playing a role here? Do you get a fair amount of those new fits back with the back-to-school season in September?

And then on PARAGARD, just a clarification on the channel hit. Should we expect that a fair amount of that inventory in the channel flows as OB-GYN offices open in the coming months?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. I think quickly on PARAGARD. Yes. That inventory will start to flow back in because we had placements continuing this entire time, and they started accelerating back, as I was saying, we didn't ship anything tied to some liquidity concerns and so forth. That will start making its way back into the channel. My guess is you see it making its way back in, in July, which would still be our fiscal Q3, certainly in Q4. So, from a reporting perspective, it will depend when that happens. We'll just be transparent with you guys and give that information as it comes back.

If I look at the new fits, that will depend largely on optometrist offices reopening. I have a tendency to agree with others who said that's not necessarily a V-shape because you already have to have optometrist offices open and immediately have a lot of traffic coming back in there. So, I do think it will be a little bit slower of a comeback. It's going to happen. The stores are opening. Traffic is happening and so forth. So, I guess it would just be a matter of how you define your V. But I would not assume you're going to see a mad rush back in. That's one of the reasons that the Americas is going to have a softer fiscal Q3 for us. And that's one of the things that's going to keep CooperVision's numbers a little bit softer in Q3, is that timing around the Americas coming back. I do think that unless something goes off the rails, as we move back into school season, kids going back to school in August, September, in that kind of time frame, and then getting back to school and realizing they have a vision problem and then needing to go to the optometrist, September, October. I think we're going to have a much more active fiscal Q4 in terms of new fits.

Operator

Our next question comes from Chris Pasquale with Guggenheim.

Christopher Thomas Pasquale ***Guggenheim Securities, LLC, Research Division - Director and Senior Analyst***

I just wanted to piggyback on that last point, and it seems like a lot of the discussion is around the supply side and on optometry offices opening back up, but little assumed impact on the demand side from the macroeconomic fallout that we've experienced here. So I'd love to know how you're thinking about that and lens utilization given this higher unemployment environment. Any lessons we could take from 2009 where market growth got cut in half, and it took a year or more for things to really rebound.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Chris, you're spot on there. When you go back to 2009, and when we've seen economic struggles out there, the contact lens industry was up 3% in 2009 and we were up 5%. We still put up pretty decent numbers because of all the other underlying factors that are out there, the geographic expansion and so on and so forth that occurs. But if we are in a more of a recessionary environment, I would anticipate that, that would reduce the overall growth of the market and our numbers also.

Christopher Thomas Pasquale ***Guggenheim Securities, LLC, Research Division - Director and Senior Analyst***

Okay. But that's not what you guys are seeing or expecting at this point?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

When you look at the numbers that I'm talking about right now, it's much more tied to store openings than it is to anything else. I'm assuming that we get what people are thinking, a slow progress of improvement in terms of unemployment. Because we're only talking really about the next 5 months, right now. I think the question you're talking about would hit us probably more in fiscal '21.

Christopher Thomas Pasquale ***Guggenheim Securities, LLC, Research Division - Director and Senior Analyst***

Okay. And then can you just clarify what the PARAGARD revenue number was for the quarter overall?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

It's $23 million.

Operator

Our next question comes from Steven Lichtman with Oppenheimer.

Steven Michael Lichtman ***Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst***

Al, just wanted to follow up on Chris' question on unemployment. You mentioned if we see elevated unemployment, clariti would be a key focus within dailies SiHy. But I just want to put a finer point on if you see any risk to a slower shift to dailies overall for the market in an elevated unemployment environment? And I don't know to the extent you're going to go back to '08-'10 context on that as well.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Not really because your price differential isn't that great. Optometrists are still looking at what's the best product to fit their patient in, the best product is a daily lens. When I look at it from a hygiene perspective or a comfort perspective, any of the different angles that you would look at, you're seeing that daily makes the most sense. Somebody who's cost-conscious moves more towards a clariti daily, which gets a lot closer to a monthly lens because with the monthly lens, you also have to have solutions. So keep in mind, you have to compare any of your FRPs plus your solutions cost to the cost of your dailies. That delta in cost is not that great, and you're not going to see optometrists wanting to push some of those products over a daily.

Steven Michael Lichtman ***Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst***

Great. That's helpful. And then just on some of the investments you've targeted this year and any impact from COVID, should we assume the same CapEx levels you previously talked about, given your comments during this call about MyDay and clariti manufacturing? Or is that getting cut at all? And what about DTC around PARAGARD?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. The DTC on PARAGARD, we deferred some of that. We had some TV advertising and so forth that was occurring in Q2. We were able to defer that here. Some of that activity is actually going on now. And then we're just continuing to evaluate that right now, whether it makes sense. What we touched on that earlier is there a shift in the marketplace more towards nonhormonal product like PARAGARD. It is such a great product, does this help push it in that direction? I hope so. Our sales team is just insanely good at handling that product right now so I take direction from them on that. So, we'll see how that plays out, and then we'll adjust accordingly.

On the CapEx side or the capital side, a lot of the costs that we have right now are already built in. That's why you saw a big CapEx number this quarter, and you'll see one next quarter and even finishing the year out because those lines are ordered 18 months in advance and so forth. I do think because of the environment we're in, and the progress that we've made, especially with MyDay, you're going to see one of these classic Cooper things that, if you go back in time and look at us over the years, when we do these investment cycles, and we get a situation where we start getting in a good position like we're in today and where we've accelerated some of that success. We do run into a scenario at some point where our CapEx declines pretty decently, and our cash flow shoots up pretty solidly. So I think that, that event, which is going to happen is probably going to happen a little bit sooner than we were thinking. It's just a matter of when that's going to happen. But I think cash flow continues to be tight because of CapEx for a little while and then it will increase materially.

Operator

Our next question comes from Steve Willoughby with Cleveland Research.

Stephen Barr Willoughby ***Cleveland Research Company - Senior Research Analyst***

Two questions for you. First, for Brian. You talked a little bit about the call out as it relates to gross margins earlier. I was surprised on how large of a callout you're making here in the quarter. It accounts for more than 10% of your COGS in the quarter. So if you could help us understand what margins could look like going forward given this callout related to COVID here in the quarter? And then what decrementals look like with the expected revenue declines in the third quarter? And then I have one quick follow up on inventory.

Brian G. Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Yes. So just to elaborate. In Q2, we proactively shut down lines, either purposely for demand reasons or to address social distancing protocols. So, we incurred higher than-usual costs from these actions. So given that the production levels have fallen, what you saw were those additional costs that we incurred, those period expenses that got flushed through the P&L, and we captured those larger costs. And that's what you saw as the adjustment. Obviously, with regional mix and product mix that moves the needle when you see regions dropping 22% or 11% and so forth. It will move the numbers a little bit. But I would expect that as the business continues to recover and you get towards Q4, especially Q1, if things are back on track you're going to start to see our gross margins expand and get back to normal.

Stephen Barr Willoughby ***Cleveland Research Company - Senior Research Analyst***

Okay. Would we expect to see non-GAAP gross margins in the third and fourth quarter look similar to what we saw in the second quarter? Or would they be worse than that? I just don't know what you're planning on calling out, if that makes sense.

Brian G. Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

What you had for us is an impact from COVID towards the very end of March and April. So now that we're solidly in this and we're recovering, you're still going to see some of those similar non-GAAP adjustments in Q3. Whether they show up in Q4, I don't want to comment on that now without seeing how things improve. But certainly, I would expect you'll see something similar. And again, back to Al's comment earlier about how markets are going to return and Asia Pac possibly showing some growth and Europe in the middle and America still lagging a little bit, you're going to still have some of the similar regional mix issue that we had in Q2, impact us in Q3.

Stephen Barr Willoughby ***Cleveland Research Company - Senior Research Analyst***

Got it. And then Al, a follow-up related to inventory. I know over the years, both you and Bob, back in the day, we would talk about inventory and working out of inventories. What's your feel for right now as it relates more particularly on the CVI side as where channel inventory stands as compared to what trough inventory levels have been in the past?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. It's always a little hard to say. We have good visibility when it comes to some of the guys, like our distributors. And then we have less visibility when it comes to some of the retailers, especially the retailers who have a lot of stores out there that might not be corporate-owned, that could be franchise stores, and then the optometrist office makes it even a little bit more challenging. I was trying to piece that out when I was looking at the month of April, and I got to that $35 million number. All those are a little bit squishy. But I think that was the number. Maybe it's not as massive as it could have been, but I didn't see a huge change. One of the interesting things that we've seen is some of these retailers are already building up and they're anticipating that things are going to be okay. I shouldn't have said build up, but they didn't go quite down as much as I thought they would have gone from an inventory perspective. And they seem to be starting to come back a little bit. So it's a hard one, Steve. We've talked about that over the years, and it's always a struggle.

Operator

(Operator Instructions) Our next question comes from Robbie Marcus with JPMorgan.

Robert Justin Marcus ***JP Morgan Chase & Co, Research Division - Analyst***

Al, I know over the years, you've always talked about maybe a 3 to 5x net income dollar benefit from the trade-up from a noncompliant 2-week to a compliant daily. Is there any risk that as we move forward in a tough economic time that you might see the reverse happen as people trade down? And how do we think about any potential for people spacing out purchasing or trading down, down the P&L?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. We don't really see that. It's pretty rare that we see someone trade down. Once someone moves to a daily, it would be incredibly rare to see that person go back to a 2-week or a monthly lens. I think you're going to continue to see that, and maybe some of that shifting decreases a little bit. We'll see how that plays out, because that would be, your more cost conscious option. We move into next year and you're not seeing people who want to switch. They're happy with their 2 week or their monthly lens and their doctor's saying, this is a better product for you, this daily SiHy and you should think about the shift and it's a little bit more expensive. The patient might say, I'm happy where I'm at, I'll just go ahead and stick with what I have. I would think that's possible, and it's definitely more likely in the more of a recessionary environment where people are more cost conscious. So it will be interesting to see how that plays out.

Robert Justin Marcus ***JP Morgan Chase & Co, Research Division - Analyst***

And then just a quick follow-up on MiSight. You said the launch was going well. Maybe you could put that in perspective. I don't know if you could put numbers on it. You talked about some of the virtual training, is that what you were referring to? Or were the sales numbers tracking at or above the $2 million in the U.S. that you had laid out earlier in the year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. I was talking more about the training, people getting certified, people being ready to sell the product. We've probably done around $3 million through the first 6 months. I was still talking about $7 million to $8 million for this year, so looking for some improvement here as we exit the year and certainly some improvement in Q4 as offices are opening back up. I'm basing that off the commentary that we've received from doctors out there who have gone through this, who are now certified fitters and able to fit. Their commentary is that they are going to be talking to parents about that and having discussions. What I was really referring to was we're getting more trainings, we have more doctors certified and more doctors in the process of being certified than we would have had if we wouldn't have done it online.

Operator

Thank you. And I'm not showing any further questions at this time. I would now like to turn the call back over to Al White, President and CEO, for any further remarks.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Great. Thank you, everyone. I appreciate your time today. We had a lot to go through. So I think we hit on the high points. And I look forward to catching up with everyone again in 3 months. Thank you.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.