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COO.OQ - Q1 2026 Cooper Companies Inc Earnings Call

EVENT DATE/TIME: MARCH 05, 2026 / 10:00PM GMT

## OVERVIEW:

Company Summary

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**Brian Andrews** *Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

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**Larry Biegelsen** *Wells Fargo Securities LLC - Analyst*

**Jason Bednar** *Piper Sandler - Analyst*

**Jonathan Block** *Stifel Nicolaus & Company Inc - Analyst*

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## PRESENTATION

### Operator

Thank you for standing by. My name is Tina, and I will be your conference operator today. At this time, I would like to welcome everyone to the first quarter 2026 CooperCompanies earnings conference call. (Operator Instructions)

It is now my pleasure to turn the calls over to Kim Duncan, Vice President of Investor Relations and Risk Management. Please go ahead.

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**Kim Duncan** - *Cooper Companies Inc - Vice President, Investor Relations and Risk Management*

Good afternoon, and welcome to CooperCompanies' first quarter 2026 earnings conference call. During today's call, we will discuss the results and guidance included in the earnings release and then use the remaining time for questions. 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 will contain forward-looking statements, including statements relating to revenues, EPS, cash flows, interest, FX and tax rates, tariffs, and other financial guidance and expectations, strategic and operational initiatives, market conditions and trends, and product launches and demand.

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 in 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 Form 10-Q filings, all of which are available on our website at cooperco.com.

Also, as a reminder, the non-GAAP financial information we will provide on this call is provided as a supplement to our GAAP information. We encourage you to consider our results under GAAP, as well as non-GAAP, and refer to the reconciliations provided in our earnings release which is available on the Investor Relations section of our website under quarterly materials.

Should you have any additional questions following the call, please email [ir@cooperco.com](mailto:ir@cooperco.com).

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

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

Thank you, Kim, and welcome everyone. We're pleased to report a strong start to the fiscal year highlighted by product launches, outstanding profitability, and robust cash flow. These results reflect our disciplined execution combined with the significant synergies we're realizing from last year's reorganization. For today's call, I'll begin with an update on the three key strategic priorities we outlined in December and then move to Q1 results and guidance.

First, we remain focused on delivering consistent market share gains for CooperVision. In calendar 2025, we gained share for an 18th consecutive year, and we enter 2026 with the intention of doing so once again. In our first fiscal quarter, we made meaningful progress with the global rollout of our premium MyDay daily silicone hydrogel portfolio, growing branded sales and executing our private label contracts. Regionally, the Americas and EMEA strengthened and have excellent commercial momentum. Japan weighed on our Asia Pac results, but we're executing our product launches and investing to restore growth in the region. We're also incredibly excited about the early adoption of our MyDay MiSight launches in EMEA and MiSight in Japan. At CooperSurgical, we're encouraged by improving trends in our fertility business and look forward to positive momentum continuing.

Second, our commitment to delivering strong earnings and free cash flow through operational excellence was clearly evident this quarter. The organizational changes and IT implementations we completed last year are generating meaningful synergies, providing us with the opportunity to invest in sales and marketing initiatives while still delivering outstanding financial performance. Q1 earnings exceeded the top end of our guidance range, and those earnings translated into a healthy \$159 million in free cash flow. Given our strong start to the year, we're raising guidance for both earnings and free cash flow.

Third, we continue to maintain a disciplined approach to capital allocation. We've entered a multi-year period of consistent earnings and free cash flow growth and we're deploying capital to high return opportunities. This starts with prioritizing internal investments that drive revenue growth, which we did this past quarter by increasing sales and marketing spend at CooperVision and CooperSurgical in support of product launches and key strategic initiatives across both businesses. We also repurchased \$92 million in stock during the quarter, reinforcing our commitment to consistent share repurchases as a core part of our long-term strategy to drive shareholder value. And the remainder of our cash was used to reduce debt.

Before reviewing the quarterly details, I want to address the strategic review we announced in December. We understand there is strong investor interest in this process. While we're not in a position to provide an update today given where we are in the process, the review is progressing as planned with active engagement from our Board and advisors. We will communicate outcomes if we have something definitive to share or when the process is complete. In the meantime, our Board and management remain highly focused on maximizing long-term shareholder value. This includes driving organic growth by winning new contracts and strengthening customer relationships, delivering strong earnings and cash flow by leveraging our infrastructure, and deploying a consistent capital allocation strategy that includes share buybacks and debt paydown.

With that, let's move to the Q1 results. Consolidated revenues were \$1.024 billion up 6.2%, or up 2.9% organically. CooperVision reported revenue of \$695 million, up 7.6% or up 3.3% organically, and CooperSurgical delivered revenue of \$329 million, up 3.3% or up 2.2% organically. Operating margins improved meaningfully and non-GAAP earnings grew 20% to \$1.10.

For CooperVision, on an organic basis, torics and multifocals grew 6% and spheres grew 1%. Daily silicone hydrogel lenses grew 7% led by double-digit growth in MyDay, while clariti was up slightly. Biofinity and Avaira grew a combined 3%, and MiSight continued its strong growth, up 23%. Regionally, the Americas grew 6% led by strength in daily silicone hydrogel lenses and EMEA grew 4% strengthening our #1 market position in that region. Asia Pac declined 4% as execution on new product launches was more than offset by softness in Japan, primarily tied to lower margin older hydrogel products. To accelerate APAC performance, we've upgraded several leadership roles, increased marketing investments, and are ramping up our new [Regional Service Center] (corrected by company after the call) which is already enhancing customer service with faster fulfillment. We've also recently launched MyDay toric in Taiwan, MiSight in Japan, MyDay MiSight in Australia and New Zealand, and we're increasing regional availability of MyDay multifocal and MyDay toric expanded range. We also have private label launches underway in multiple markets and in Japan, we'll be launching the full clariti family later this year with the addition of both a toric and multifocal, providing a competitively priced full family silicone hydrogel upgrade path for the large base of hydrogel wearers in that market. While we expect Asia Pac to remain down in Q2 due to declining legacy hydrogel sales, we are confident the region will return to growth in fiscal Q3 given all of our launch activity.

Turning to products, our daily silicone hydrogel portfolio continues to perform well with MyDay leading the way through expanding customer partnerships, broader availability, and ongoing launches. Our premium priced offerings delivered the strongest performance led by MyDay Multifocal, Energys, and torics, all growing over 15%. Particular strength was seen with MyDay Multifocal as its rollout continues to gain momentum. Our premium MyDay Energys also posted strong growth driven by its innovative DigitalBoost technology designed to provide maximum comfort in today's heavy digital world. This product will be launched shortly in Europe, and we look forward to the boost it will provide in that region. MyDay Toric, which offers the broadest SKU range in the category and is powered by the same leading toric design in our Biofinity toric, also continued delivering exceptional growth. We also closed additional MyDay key customer contracts and private label partnerships this past quarter across all three regions. For the clariti product family, it grew modestly led by the ongoing launch of our new multifocal in the Americas. This multifocal has the same next-generation optical design as MyDay, meaning an easy fit lens with consistent performance across different lighting conditions, distances, and patient profiles, so we expect strong performance as we launch across EMEA and APAC later this year.

Turning to Myopia Control, MiSight grew 23% to \$28 million. Momentum is building with our latest innovation, MyDay MiSight launching in EMEA in January to an extremely positive reception thanks to the combination of proven myopia control efficacy and the all-day comfort of a premium silicone hydrogel lens. We also launched MiSight in Japan in February and are seeing a similar enthusiastic response. Japan is one of the world's most significant vision care markets, and with an estimated 77% of elementary school children being myopic, it represents a substantial opportunity for MiSight. We're supporting these launches with our most comprehensive professional engagement programs to date highlighted by major conference engagement, high-impact regional launch events, extensive KOL education, and media initiatives reaching tens of thousands of eye care professionals. These efforts are driving very strong clinician activation rates, reinforcing our confidence that our early momentum will continue as MyDay MiSight expands in EMEA, across Asia Pac, and into Canada. MiSight remains the only FDA-approved contact lens for myopia control and the first-and-only lens approved for myopia control in both Japan and China. We're also continuing to invest heavily in myopia control R&D and have several exciting breakthrough innovations underway which further supports our confidence in MiSight's ability to deliver consistent long-term, robust growth.

To conclude our CooperVision, let me highlight our performance relative to the market. This is calendar quarter data, so apples to apples with our competitors. In calendar Q4, we grew 10% and the market grew 6%. For the full calendar year 2025, this translated into 6% CooperVision growth versus the market at 5%, marking our 18th consecutive year of market share gains.

Turning to CooperSurgical, we deliver quarterly revenue of \$329 million, up 3% or up 2.2% organically. Fertility revenues were \$127 million up 3% organically. Growth was driven by strong global genomics performance, supported by continued commercial and operational execution across product launches, new clinic wins, and expansion within existing accounts. We also saw solid results in consumables led by media,

ZyMöt, our sperm separation device that helps optimize fertility procedures, and Witness, our automated lab tracking system. These gains were partially offset by softness in the Middle East and lower equipment installations.

Importantly, we are now seeing early but clear signs of recovery in the fertility market. As we moved through the first quarter, results steadily improved, supported by solid execution on contract wins and new product launches as well as strengthening underlying market trends. This momentum positions us well for continued improvement through the remainder of the year, though developments in the Middle East, where we hold a leading market position, remain a source of uncertainty.

For the fertility market overall, the product and services segments that we operate in had delivered strong growth for many years before slowing in late 2024. While several factors contributed to the deceleration, the industry is now recovering driven by renewed clinic interest in adopting new technologies along with improving cycles in the US and several European countries. Although a rapid rebound is unlikely, we anticipate steady improvement as we annualize last year's pressures and underlying activity normalizes.

Moving to Office and Surgical, sales were \$202 million, up 2% organically. Medical devices grew 6%, driven by strong performance in our surgical OB-GYN portfolio led by our uterine manipulators and related products, and continued momentum in our specialty surgical products, including our innovative single-use, lighted, cordless surgical retractors. This was partially offset by softness in some legacy medical devices and Paragard declining 7%, which was expected against a difficult comp tied primarily to last year's launch of the new single-hand inserter.

To conclude, I want to recognize and thank our Cooper team for their dedication to operational excellence, investing in sales and marketing to drive organic growth while maintaining discipline, cost control, and continuing to build a streamlined and technologically efficient company is no easy task. So thank you to the entire team.

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

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**Brian Andrews** - Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer

Thank you, AI, 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 reconciliation of GAAP to non-GAAP results.

For our first fiscal quarter, consolidated revenue was \$1.024 billion up 6.2% year over year and up 2.9% organically. Gross margin was 68.1%, exceeding expectations driven primarily by a lighter mix of low margin Asia Pac revenue at CooperVision. Excluding the impact of tariffs, gross margin would have been essentially flat. Operating expenses rose only modestly and improved as a percentage of sales, declining from 43.6% to 41.2% year over year reflecting the benefits of the reorganization executed in fiscal Q4 of last year. These efficiencies stem from the structural changes we've made as we transition to a smaller, more efficient organization that leverages technology, including AI, to automate work and optimize shared services. The impact of these efforts was particularly evident at CooperSurgical, where expenses decreased year over year.

Operating income increased a healthy 13.9%, resulting in a 26.9% margin. Interest expense was \$22.4 million and the effective tax rate was 15.1%. Non-GAAP EPS grew 20% to \$1.10 with roughly 197 million average shares outstanding.

Free cash flow is very strong at \$159 million, with CapEx of \$102 million. We deployed this cash by repurchasing 1.1 million shares of stock for \$92 million, making the final \$50 million payment related to our 2023 Cook acquisition, and applying the remaining balance towards reducing net debt to \$2.4 billion.

Lastly, in February we addressed our \$1.5 billion term loan maturing in December 2026 by amending and extending \$950 million for another five years to February 2031. The remaining \$550 million will be repaid in December 2026 when it matures using our strong free cash flow and ample revolver capacity.

Moving to full-year fiscal 2026 guidance, our revenue expectations are essentially unchanged with consolidated revenues of roughly \$4.3 billion to \$4.35 billion, reflecting organic growth of roughly 4.5% to 5.5%. CooperVision revenue is expected to be in the range of \$2.9 billion to \$2.93 billion, up 4.5% to 5.5% organically, and CooperSurgical is expected to be in the range of \$1.4 billion to \$1.41 billion, up 4% to 5% organically. For earnings, we're raising guidance to \$4.58 to \$4.66 reflecting our Q1 beat and stronger expected operational performance. Regarding tariffs, our estimate of approximately \$24 million remains the same for the year. Our expectations on interest expense and tax remain unchanged, with interest expense around \$85 million and the effective tax rate between 15% and 16%.

Turning to cash flow, our cash conversion rate continues to improve, and we're increasing our fiscal 2026 free cash flow outlook to \$600 million to \$625 million. For fiscal 2026 through 2028 we continue to expect to generate more than \$2.2 billion of free cash flow driven by higher operating profits, improving working capital performance, and lower CapEx. From a capital deployment standpoint, our priorities remain unchanged. We're investing in growth and innovation, repurchasing shares, and reducing debt.

To conclude, I'm proud of the operational excellence we're seeing across the organization. We're optimizing and leveraging prior investments in numerous areas including IT, distribution, HR, and Finance, and we're increasingly applying AI-enabled tools to streamline areas such as marketing, planning, forecasting, and support functions. Our reorganization efforts are delivering meaningful synergies, and the results are evident. Looking ahead, we have additional opportunities to further optimize the way we work. With our multiyear CapEx cycle winding down, our manufacturing teams are now evaluating ways to capitalize on the next-generation production improvements developed over the past several years. Early planning is underway, and while this work will take time, the results have the potential to be material. In the meantime, we'll continue driving efficiencies by leveraging technology while consistently investing in initiatives to support sustainable organic growth.

And with that, I will turn the call over to the operator for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Jeff Johnson, Baird.

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### Jeff Johnson - Robert W. Baird & Co Inc - Analyst

Thank you, guys. Good afternoon. I guess with the first question, let me just back out and go more higher level. AI, I mean, you reported a 10% calendar 4Q number. I think over the last three quarters, you've been about 3%, 3.5% for CVI. So one, can you reconcile that 10% number versus the last few quarters at 3%? What's different in the number you're citing there versus what we see in your CVI organic growth results? And then one follow-up question. Thanks.

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### Albert White - Cooper Companies Inc - President, Chief Executive Officer, Director

Sure. I knew we were going to get that one. It's just a matter of the months and shipment of products. We had had a weak November and December of 2024, and we had a really strong January of 2025. So when you comped against that, the way that the shipments worked, it resulted in a really strong calendar Q4 for us.

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### Jeff Johnson - Robert W. Baird & Co Inc - Analyst

All right, fair enough. Maybe I'll zoom even further out, and apologies for the feedback. But you've been talking about getting back to above market growth, at least as you report CVI, how is that plan going so far? Maybe update us on the MyDay clariti to MyDay transition. Just in

general, it still feels like your results are maybe lagging the market here a little bit relative to some of your peers, so how do you feel like you're doing in getting back up and into above market over the next couple quarters? Thank you.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Yeah, great question, Jeff. I'll break that up a couple different ways. If I look at the Americas, we're doing well. The US had a good quarter. We're gaining a lot of traction. We've got product launches and a lot of activity. The team's doing a fantastic job, so I would say we're in good shape with the Americas.

When I look at EMEA, again, in good shape there, we took a step forward this quarter against last one, and we've won a number of contracts there. We have a number of product launches going on. And I would say we have better visibility for that market right now to improving sales, so I feel pretty good about the momentum that we have in the Americas and the momentum that we have in EMEA right now associated with MyDay and clariti.

And then Asia Pac is the third one, and the results there have been a little tough for us. And that's the area that we need to get figured out and get back to our old traditional growth rates and then we'll be in fantastic shape. As I mentioned, we're doing a lot of stuff to drive growth in Asia Pac. We did see success in a number of areas where we've had problems; we stabilized a lot of the e-commerce that we talked about, we've stabilized the China business, we had a number of leadership position changes, so we're now in good shape in a number of countries.

The one that we have left right now is Japan. And I can target that down to Japan older hydrogel products where some of our competitors are taking some share. We have not caved on price or anything along those lines, so I think we're going to continue to have a little bit of pressure in Japan with traditional hydrogels, again, in this next quarter and I think that the region will probably be down because of it.

But then all of that success, all those product launches in Asia Pac, the success of executing on those private label contracts, the transition point on that happens in Q3, and we're going to have Asia Pac growing again. So it's another one where I would say we had a number of points over the last year, [and just a lot clearer visibility] (corrected by company after the call) right now on where those challenges are and where the successes are going to come from. I think fiscal Q2 ends up being a step up certainly from this quarter, and then as I've said all along, we'll be back to rolling in Q3 and Q4.

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**Operator**

Larry Biegelsen, Wells Fargo.

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**Larry Biegelsen** - *Wells Fargo Securities LLC - Analyst*

Thanks for taking the question. Hey, Al, we heard your comments about the Middle East and IVF. Maybe you could just level set us on what your exposure is there and how you're thinking the war might impact your business, and I had one follow-up.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Sure. To put some numbers around that for us on a consolidated basis, the Middle East is about 2% of our sales. A lot of it is distributor, the Middle East is a very large region, so it won't have that much of an impact on us other than it could impact fertility because there's a decent amount of fertility business. We're number one in that region. We have good strength there, it's just a matter of us being able to get products there. Women are obviously still going through fertility treatment there, we have to be able to get product in. So, if that situation extends for a period of time, it'll be more challenging for us. Even with that, we have a lot of good momentum in fertility, and I think we'll still improve quarter over quarter but that's the one question mark. Otherwise, I'd even be more bullish on fertility.

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**Larry Biegelsen** - Wells Fargo Securities LLC - Analyst

Thanks. And Brian, the margins were really strong in Q1. Just remind us how we should think about the phasing for the year, and how you're thinking about the tariffs, you said no change. But in light of this recent Supreme Court ruling, if that stood, would there be upside on tariffs? Thanks for taking the question.

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**Brian Andrews** - Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer

Sure, Larry. I'll start with the second part of your question, at least as it relates to tariffs, we've assumed \$24 million in the year. That's what we assumed as of the last guidance. We're going to sit tight. We capitalize and release the impact of tariffs four months later, so any change to tariff rules or guidelines or whatever takes effect won't impact us until later in the year. But a 10% tariff makes very little impact. It's pretty similar to the \$24 million, so I would assume that. If it goes up to 15%, that could be somewhere upwards of \$4 million. But for now, the 10% is what it is, and that's what we factored in the guidance.

As it relates to operating margins, it's the same story that we've been talking about from exiting last quarter. We're getting really durable savings from the synergies and the elimination of fixed costs from the reorganization that we talked about in Q4. We're leveraging prior investment activity, and we're being really disciplined. We're scrutinizing all non-revenue generating expenses, particularly, the back office, and we're investing in sales and marketing, so the drop through in operating margins was good in Q1, and I would expect you're going to continue to see stronger operating performance, which is why we raised our guidance, \$0.13 at the bottom end and \$0.10 at the midpoint, based on stronger operating performance, but I'm not going to get into gating at this moment.

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**Larry Biegelsen** - Wells Fargo Securities LLC - Analyst

All right. Thanks, Brian.

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**Operator**

Jason Bednar, Piper Sandler.

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**Jason Bednar** - Piper Sandler - Analyst

Hey, good afternoon. Thanks for taking the questions. I actually want to pick up on the line of questioning that that Jeff had. But as far as the competitive landscape as it stands today and your share position, maybe talk about your new fit activity across the quarter, just what are you seeing in the data when you look at your performance versus peers, if you can break it down dailies versus monthlies.

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

Sure. If I look at new fit activities, it hasn't really changed that much. At the end of the day, we're taking wearers, so the fit activity continues to put us in a good position. Now, you have a whole lot of other variables that go into it. But if I narrowed it down to just new fit activity, whether it's dailies or FRPs, we are [gaining] (corrected by company after the call) wearers in both of those, we did this past quarter, so I feel good about that continuing to be a good indicator of the future.

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**Jason Bednar** - Piper Sandler - Analyst

Okay, all right. And then as a follow-up, it really seems like industry pricing dynamics have calmed down, at least relative to where we were last year. It sounds like the latest round of increases here, the last few months are sticking, should be good for all the players out there.

How are you thinking about future list price increases and managing these discussions with wholesalers and docs, especially as I think back, we went through multiple increases the past few years, usually like two increases a year. Do you think the market can absorb more than one price increase a year without negatively affecting demand here going forward?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Yeah. I do because of the technology that's coming out. As an industry, we're launching new products, really innovative products. We have some great ones ourselves. There's nothing more innovative in the contact lens industry today than MyDay MiSight that's [launching, but] (corrected by company after the call) the multifocals that we're launching are also great products. Energys is a great product. I know some of our competitors have some products out there that they're launching at good price points. Consumers are willing to pay for high quality, and contact lenses are not particularly expensive at the end of the day.

The positive pricing that you're picking up on your comment is true. I feel positive about pricing in the marketplace right now. The only reason I put a little caveat on that is still on Asia Pac. There's definitely markets in Asia Pac where there's some pretty competitive pricing. But, generally speaking, pricing is positive right now and it's appropriate given the technologies that are rolling into the marketplace.

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**Jason Bednar** - *Piper Sandler - Analyst*

All right, fair enough. Thank you.

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**Operator**

Jon Block, Stifel.

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**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Great, thanks. Good evening. The CVI number, I think I heard you at 3.3% precisely. It was a bit below expectations, even the bottom end of the midpoint. But you gave that guidance, call it, first or second week in December. So maybe just talk to us, again, it was slightly below, but what deviated from expectations relative to when you gave it? And it would seem to suggest that maybe January was a little bit [weaker] (corrected by company after the call) than you expected. So can you give us any color on how things trended into February.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

You're right, Jon, because we were looking at Asia Pac being essentially flat for the quarter, similar to what we did in Q4, and that would have meant CooperVision consolidated growth would have been 4.1% something like that. And you're right, it was 3.3%. So that delta was very specific and very targeted to what happened in Japan on those legacy products. We started seeing it in December, and then we definitely saw that activity in January. So that's what happened. That's where it picked up.

I thought that the momentum we had with all the product launches and activity and everything would overcome that. But yes, that was a decent hit for us as we rolled through December and January. You're right and that's why I said, I think Asia Pac will probably be down one more quarter before all the positive energy that we have overwhelms that.

**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Okay. Fair enough. And second one, I apologize for the boring question. But Brian, when I look at the add-backs in the quarter, almost half of the add backs were from like a hit from natural causes and litigation, which is just a little uncommon, it didn't seem to be the case in the prior quarter. So any color on what you can give around the add-backs if you can elaborate a bit. Thank you.

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**Brian Andrews** - *Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Jon, I think you're talking about the other category where we break out \$6.7 million related to other legal related matters. Our stance is not typically to talk about what legal matters are going on.

We obviously have insurance for a number of things, but there are some things that we don't have insurance on where we're defending ourselves or we've got some legal related matters that show up. So it was a little bit higher this quarter, but not too atypical from years past.

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**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Thanks, guys.

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**Operator**

Young Li, Jefferies.

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**Young Li** - *Jefferies LLC - Analyst*

All right, great. Thanks for taking the questions. I guess to start, I was wondering if you could talk a little bit about there's an update on how the supply dynamics have impacted your ability to win new contracts in the quarter?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

For, supply, you're probably referencing some of the MyDay capacity. We don't have those issues anymore. When it comes to manufacturing or supply constraints or logistic challenges, I am very happy to say those are in the rearview window now. We don't have those challenges anymore. So that's not impacting us.

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**Young Li** - *Jefferies LLC - Analyst*

I don't think you heard the question fully, but I was just wondering if you were able to win more new contracts this quarter, just given the improvement in supply?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

The answer to that is yes. Yes. We did win a number of new contracts. As a matter of fact, we won them in all three regions, and they were definitely MyDay-related. We won a bunch last year and as we were exiting last year, but we've continued to expand relationships and partnerships and win additional MyDay business. So yes, we have.

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**Young Li** - Jefferies LLC - Analyst

Okay. Great. Very helpful. And then to follow up, I wanted to get a little bit of color and update on Paragard. It's a high-margin business, although we know about the volume pricing dynamics. Are there any incremental updates on the competitive front, just given the potential for impact on the profitability side?

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

I would say no updates. As far as I'm aware that licensing agreement that you referenced on the competitive side, has not closed. So, I don't have any updates or any details on any of that. For us, Paragard was minus 7% for the quarter. We're still expecting it to be flat to up a little bit for this fiscal year. And then we'll see how that plays. If that deal actually does happen, then we'll give some color on their launch plans. But right now, I don't want to speculate on any of that.

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**Young Li** - Jefferies LLC - Analyst

Okay. Thank you.

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**Operator**

Matt Miksic, Barclays.

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**Matthew Miksic** - Barclays Services Corp - Analyst

Great, thanks so much. One question just following up on the market. There was some kind of unusual trajectory during last year in terms of the market. Based on your best guess and what you saw, during and exiting Q4 on a calendar basis, do you think that's improving now? Do you think we're stable? Any further color on what the ups and downs were from last year? And then I have one follow-up.

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

We're at least stable, if not improving a little bit. We did have, as a contact lens industry, a softer year last year. But it's at least stable. The reason I say improving, is because of pricing that somebody asked about earlier. Looking at the market, about 1% is going to come from price, about 1% will come from wearers, and then you'll have all the other stuff, the shift to dailies and so forth that's happening that will drive it. That 1% that's coming from price, I would certainly stand by that, and it could be potentially a little bit better than that. I do think the market is well positioned for a decent year. It's not going to be a rebound of what it was years ago, but it's going to be a better year, I think, in [2026 than it was in 2025] (corrected by company after the call).

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**Matthew Miksic** - Barclays Services Corp - Analyst

Got it. And then just a follow-up on some of the dynamics that are driving growth this next quarter and the quarter after, you mentioned Japan is down in this quarter, improving by the third fiscal quarter, I think. How should we think about the impact of some of the private label engagements that you announced and mentioned that you were able to close some more. When do you see those coming in this year? Are they just kind of filter in and support sustainable growth? I mean, how to think about it because it just seemed like there was quite a number of them that you signed. And I'm just wondering, if that's something we're going to notice as you get into the middle half of this year? Thanks.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Yeah. Good question. And yes, we are executing on those private label contracts and a number of branded contracts that we won, and you will see those as we progress through the year. They got masked this quarter because of what happened in Japan, otherwise we would have been 4.1%, 4.2%, somewhere around there. But we are executing and doing well on those contracts.

The way I see it playing out is we continue to execute on those contracts, and we have good visibility on that. That's going to result in a better Q2. But as I've said all along, it's going to be Q3 and Q4 is when all those contracts and those launches really start coming together for us. We have one more quarter behind us with some of the challenges that we were dealing with, and we have one more quarter, the quarter that we're in, where we have some residual challenges in Asia Pac, still putting up a step in the right direction in Q4. But then we get back to the CooperVision of old and the more consistent solid revenue growth rates in Q3 moving forward.

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**Matthew Miksic** - *Barclays Services Corp - Analyst*

Great. Thank you.

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**Operator**

Travis Steed, Bank of America.

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**Travis Steed** - *BofA Merrill Lynch Asset Holdings Inc - Analyst*

Hey, thanks for the question. I guess the first question I have is on Q2 revenue, where you want the Street to shake out and kind of the cadence of revenue growth for total company and CooperVision and CooperSurgical. We heard the comments on Japan other dynamics that you'd point to that we should model for Q2.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Well, if I look at it that way, we'll probably have another good quarter, I expect in the Americas. I would expect EMEA to be a little bit better than it was this quarter, and Asia Pac is the question mark. It will be down a little bit in total. So, I would assume that the Q2 results are little bit better than what we did here.

I would look at Surgical pretty similar. Fertility should be a little bit better even with some Middle East risk out there. And the rest of that business is humming along fairly well. So I would think CooperSurgical will post a little bit better sequential quarter than what they did in Q1.

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**Travis Steed** - *BofA Merrill Lynch Asset Holdings Inc - Analyst*

Great, thank you. On the second question, I wanted to ask on the strategic review. When do you expect that to be complete? What's the goal for the outcome? Anything else you could kind of say on the strategic review would be helpful.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Sure. There's really not much else I can add on that. We announced that we were doing that formally at the beginning of December and through the holidays. We're very active on it right now with our advisers and the Board. I don't want to comment or say anything right now, it probably wouldn't be appropriate to go into any details until we get some concrete information. So I'll hold off on that one, but certainly provide updates when we can.

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**Travis Steed** - *BofA Merrill Lynch Asset Holdings Inc - Analyst*

Okay, that's fair. I just wanted to ask. Thank you.

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**Operator**

Anthony Petrone, Mizuho.

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**Anthony Petrone** - *Mizuho Securities USA LLC - Analyst*

Thanks, and good evening, everyone. Maybe one on private label and then one on MyDay MiSight. So on private label, I don't know if you can share this, Al or Brian, but what was the percent of private label exiting last fiscal year? And with the addition of these new private label contracts, where can that increase to? And is that margin neutral? Is it a margin drag or can it be accretive to margins? I have the one quick follow-up on MiSight.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Our private label was running for quite a while about a third of our revenues. It's a little bit higher than that. We don't break out the specific numbers. It's a little bit higher than that. And it's still trending along there. We actually had a pretty good quarter with branded sales. And we're seeing a little bit more success now winning some contracts and business around branded sales. I wouldn't highlight too much with respect to that one.

Margin wise, we have a tendency to look at things at an operating margin level, and I know the operating margin on those are fairly similar. From that perspective, it doesn't make too a big of a difference. It could make a little difference on gross margins. As those contracts come through, they'll put a little pressure on gross margins probably as we move to the back half of the year.

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**Anthony Petrone** - *Mizuho Securities USA LLC - Analyst*

And then on MyDay MiSight, Japan, maybe can you size that in terms of the number of target practices you're going after, like how many sites are you looking to penetrate? And what is the market size in dollars for MiSight in Japan?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Just to be clear on that one, the product that got launched in Japan was MiSight, the regular MiSight because it took us three years to get regulatory approval on that.

MyDay MiSight is in multiple European countries right now. We just launched it in Australia, New Zealand, and South Africa, but Japan is the traditional, if you will, MiSight.

As I mentioned on the call, 77% kids are myopic. There's a big opportunity there. It's really hard to gauge the size of that market and to put numbers out associated with it. But I will say we are super aggressive there right now, and I'm crazy happy to say that the product is being received really well. That's an ophthalmology market rather than an optometrist.

So you have a marketplace with doctors who look at clinical data and they understand clinical data. And when you have that combination of a lot of myopic kids and professionals who understand clinical data, a product like MiSight is going to do really well there.

I talked about 20% to 25% growth from MiSight this year. We did 23%. And I would certainly be comfortable saying 20% to 25% again or higher based on the success that we're seeing with early indications on MyDay MiSight and MiSight in Japan.

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**Operator**

Navann Ty, BNP Paribas.

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**Navann Ty - Exane BNP Paribas - Analyst**

Hi, good evening. Thanks for taking my questions. One on CooperVision, if you could discuss MiSight, again, solid performance in light of the Stellect entering the market?

And my second question is on the CooperSurgical, your fertility pure-play peer had supportive market comments. So what are you seeing in IVF cycles across the US, EMEA, and APAC? Thank you.

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**Albert White - Cooper Companies Inc - President, Chief Executive Officer, Director**

Sure. I'll touch on the first one, which was the Stellect activity here in the US. That is going to turn out to be a positive for us. There is a lot more interest in myopia control, pediatric myopia issues, and the education that's coming because of Stellect and the attention that the optical community is now putting on myopia control is quite a bit more than it was when it was just us pushing it. So there's going to be some push and pull from that because obviously younger kids are going to move into glasses much quicker.

But when you look at, especially 11 and 12 year olds who are in sports or any activities, or anyone else concerned about their looks or whatever, we're seeing an increasing amount of fit activity when it comes to kids in that 10 to 12 age in the US market. At the end of the day, that's going to be a positive for us long term. And I even think this year, it's not going to be detrimental to us where I thought that it might be at one point. So, I'm happy that product's in the market. I'm happy with what they're doing, and I'm happy with promotional activity that's out there educating the marketplace.

On the fertility side of things, I think the risk of the downside that was there and that market continuing to trend down, I would take that off the table because we are seeing positives in the fertility industry now. We're seeing improving IVF cycles in the US. We're seeing improving IVF cycles in some of the European countries. We're seeing fertility clinics starting to look at upgrades as new technology comes out, new equipment comes out. I would say that we're going to continue to see the fertility industry get a little bit better. I don't see a fast, huge ramp-up or something like that, but I would say the downside has been taken off the table. And I would say, stabilization to improvement is what we're seeing right now.

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**Operator**

Steven Lichtman, William Blair.

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**Steven Lichtman - William Blair Capital Partners - Equity Analyst**

Thank you. Hi, guys. Al, you mentioned reinvestment in myopia control, and it sounds like on the R&D side, can you talk about the opportunities you see to build on the MiSight platform from an innovation perspective? And then I have a quick follow-up on free cash flow.

**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

Sure. There's some really exciting stuff there. One is that we need to get a MyDay MiSight toric out into the marketplace. That is one of the products that the optical community really wants, so we're doing a lot of work on that right now. That's a positive.

We have kind of like a MiSight 2, if you will, that we're working on to even get better efficacy. We've also got some really cool exciting stuff when you look at combinations with atropine that have the potential to really, really help kids that are not reacting to regular or traditional treatment. You're right. We're spending a decent amount of money in R&D on MiSight or myopia control in general, and we're going to continue to spend that because this is a great market. We have opportunity to have that product continuing to grow a solid 20%-plus for years and years and years and years. So, we're investing in that pretty decently.

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**Steven Lichtman** - William Blair Capital Partners - Equity Analyst

Great. Thanks, Al. And then Brian, the upside you're seeing on free cash flow this year and the raised guidance. Is that coming from higher operating margin, better working capital management, maybe all of the above? What's exceeding your initial expectations heading into the fiscal year?

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**Brian Andrews** - Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer

Hi, Steve. Thanks for the question. Really, all of the above, we're seeing stronger operating performance, and I touched on that earlier. But we're collecting better. We're building inventory smartly [and in a more efficient manner] (corrected by company after the call). FX is helping a little bit, but it's really just a combination of the operating performance and better working capital. Obviously, the lower CapEx helps, too.

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**Steven Lichtman** - William Blair Capital Partners - Equity Analyst

Great. Thanks, guys.

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**Operator**

Joanne Wuensch, Citibank.

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**Joanne Wuensch** - Citi Infrastructure Investments LLC - Analyst

Good evening, and thanks for taking the question. Fundamental one and a bigger picture one, please. Foreign exchange, what are you dialing in with all of the shifting US dollar given the macroenvironment?

And then my second question, I'll just put it on right up front. How are you thinking about CSI revenue improving throughout the year? What are the drivers or levers that we can pull on that one or we can see you pull? Thank you.

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

I'll answer the second one, and I'll let Brian answer the first one. On the CSI side of things, we'll have Paragard, which was down 7%, we expect it to finish the year flat to up a little bit. I think Q2 will be another quarter because of the comp, where it will probably be down a little bit, but then we'll have a good back half of the year with that product.

When I think about the medical devices, boy, our specialty surgical team is killer. Those guys just do a fantastic job. So I think we'll continue to have strength there.

And as I mentioned on fertility, just better visibility, more comfort in that that market is at least stabilized, and arguably trending up, is going to put some improving growth rates on that. So I think Q2 is better. I think, frankly, Q3 is better than Q2 for CooperSurgical. So just progressing along with improvement, probably somewhat similar to Vision, where the best quarter will be Q3, Q4.

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**Brian Andrews** - *Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Hi Joanne. I'll take the FX question. As we were exiting last week, we were sitting more favorable relative to last guidance on FX. But, with the Middle East conflict, the dollar strengthened. As we set the guidance ranges for this earnings call, we took up the revenue ranges by \$6 million at Vision and \$1 million at Surgical, reflecting FX. But really, we kept the rates pretty similar to the rates from last earnings call, it's a little bit conservative. We're looking at tailwind to revenues of roughly 1% and also a tailwind to EPS of roughly 1%. So very, very similar to the last call.

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**Operator**

Robbie Marcus, JPMorgan.

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**Robbie Marcus** - *JPMorgan Chase & Co - Analyst*

Great. Thanks for taking the questions. Two for me. First, AI, I wanted to get your thoughts. First-quarter organic growth missed on CVI guide and overall. And it sounds like second quarter will still be maybe a little weaker than original expectations due to Asia Pac.

You talked about third and fourth quarter and a lot of the private label drive in fourth quarter, and you didn't flow that all through in the original guidance. How are you thinking about sort of the conservatism of the guide now with the slower start to the year? And does the slower start maybe take some of the upside off the table as you left the guidance the same.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

I would characterize that the exact same. Because where we had that softness in Japan, I can pinpoint that softness and talk about what happened there and we have good, good visibility around what happened and how we're correcting that. But we have more strength in the Americas and more strength in EMEA than I would have said back in December.

I net that out and say, yeah, we came in below our range and where we wanted to come in in fiscal Q1. But I would say that America is stronger than when we gave that guidance in December. EMEA is stronger than when we gave that guidance in December. Asia Pac probably pretty similar to where we gave that guidance because of a net positive of contract execution and product launches and wins offset by the negative of the stuff I talked about. So net-net, I would put the odds of us being able to post a good year and success in the back half pretty similar to what we had in December.

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**Robbie Marcus** - *JPMorgan Chase & Co - Analyst*

Great. I wanted to go back to the question on the Paragard competitor. I realize deal hasn't closed yet, and you're not ready to talk about the competitiveness here. But I'm guessing that wasn't included in the guidance. So did you include any competitive threats like that in the guidance for the year? I guess, that's the question as we think about it. Thanks a lot.

**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Yeah. When we gave initial guidance, I thought I mentioned it on the December call. But when we gave the initial guidance, we assumed a negative impact because of the competitive launch and that it would happen at the end of this year. It's probably more likely that we will not have a negative impact, meaning that was a little conservative. But we'll see. I don't know. I mean, that thing hasn't closed and we're in March already of our year. So, we're working obviously well into our year at this point in time. So we'll see. But to confirm, yes, we had included that in the initial guidance of assuming flat to up just a little bit.

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**Robbie Marcus** - *JPMorgan Chase & Co - Analyst*

Perfect. I appreciate you taking the questions.

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**Operator**

Brett Fishbin, KeyBanc Capital Markets.

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**Brett Fishbin** - *KeyBanc Capital Markets Inc - Equity Analyst*

All right. Thank you for fitting me in. Hopefully, there's not too much feedback. Just wanted to circle back on the 1Q operating margin performance, which I think you noted in the press release was better than expected and obviously is a top priority this year. I was just hoping you could unpack a little bit in terms of what went better than you thought and why you were able to call the operating margins as exceeding expectations this quarter.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Okay, financial details, of course. A big part of that was just good solid execution. We did all that work in Q4. And we knew the team was going to do a good job with it and they have organizationally, we've just done a really nice job. I would highlight AI, and I hate to sound like one more person talking about it. The reality is that our organization has embraced it. And this isn't our organization all of a sudden getting on and training. Our organization embraced it last summer. And we started implementing that as we were going through the year, and we're seeing positives come out of that type of work. The technology advancements at Cooper are fantastic. I'm super happy. And we have a lot more to do. This isn't a one-quarter thing. We saw some of it certainly in Q4. We're seeing those improvements in Q1, and we're going to continue to see the use of technology and AI advancements be a positive to us on our operating margins as we move through this year.

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**Brian Andrews** - *Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Yes. I guess not much to add to what AI just said. In Q4, we grew OpEx, it was basically flat year over year. And then here again in Q1 OpEx was roughly flat year over year. There's a lot that we're doing to drive synergies and efficiencies, leveraging prior investment activity, and we're just really being very disciplined about fixed costs in the back office. We want to leverage IT. We're doing that much, much more than ever before, as AI talked about. And this is just great operational execution. AI talked about it, and I talked about it in our prepared remarks and I expect that to continue through the year.

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**Brett Fishbin** - *KeyBanc Capital Markets Inc - Equity Analyst*

All right. Great. And then most of my questions were asked. Maybe I'll just ask one more on some of the new product launches. You mentioned several incremental launches that are really phased throughout this year, including MiSight in Japan, MyDay MiSight Europe, and in Asia, Energys, the toric multifocal. Are there one or two of these that you would call out as maybe the most exciting to you in terms of like just what they can do for company growth over the next year or two as they ramp? Thank you.

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

You could hear my excitement on [MiSight] (corrected by company after the call) in Japan and MyDay MiSight. I still believe that there is a fantastic market out there in pediatric optometry in treating kids' myopia progression. And we have the product. We got off to a little slower start than I would have liked, and China has turned out to be pretty small in the grand scheme of things. But the rest of the world is gaining traction and doing well.

MiSight is back, and it is doing well. And with MyDay MiSight and the products that we have [in R&D] (corrected by company after the call), it's going to continue to do well for a number of years. I'm really excited about that.

On the MyDay side, it's execution. I mean, that's what it is. Like I said, we got full product availability last summer. And we finally got out there. We're executing on contract wins, branded, private label getting product launches done, all that stuff probably takes a little bit longer than you want it to take, but it's execution and that's what we're doing right now.

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**Operator**

Chris Pasquale, Nephron Research.

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**Chris Pasquale** - *Nephron Research LLC - Analyst*

Thank you. I had a couple of questions. One on fertility. You talked about improving cycles in the US and Europe. You didn't mention China, which I think was a big piece of the weakness last year. So what are you seeing in that market? And are you still confident that it can bounce back to where it was historically?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

I highlighted the Americas and Europe, but Asia Pac and China, in particular, is still continuing to be not the greatest market in the world. I wouldn't say it's getting worse, –but we're not seeing the improvements that we are in other markets around the world.

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**Chris Pasquale** - *Nephron Research LLC - Analyst*

Okay. And then just on the capital allocation front, your debt leverage ratio is lower now than it's been in a few years. It's going to go down even further when you repay that portion of the term loan. As you think about your priorities and the pace of buybacks, is there a target leverage ratio that you think is appropriate for the business that would dictate how quickly you go, you've still got, I think, close to \$1 billion in authorization available?

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**Albert White** - *Cooper Companies Inc - President, Chief Executive Officer, Director*

Well, share buybacks are a high priority of ours right now, given where our stock is trading. So I would envision us continuing to do share buybacks. And depending upon what happens with the stock price after this and the next quarter and so forth, especially with our belief, our visibility in the back half of the year, I think you could see us get quite a bit more aggressive on stock buybacks.

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**Operator**

Issie Kirby, Redburn.

**Issie Kirby** - Redburn Partners LLP - Analyst

Hi, thanks so much for squeezing me in. You made an interesting comment at the end around looking at sort of next-generation manufacturing and production, obviously appreciate it's early, but would love any more color around that. Do you think this puts you really ahead of your peers in terms of manufacturing capabilities. And then is this factored in, I guess, to the CapEx and free cash flow guidance over the next few years? Thanks.

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

[Our manufacturing teams are best-in-class] (corrected by company after the call). They've been spending a lot of time and energy, especially in CooperVision over the last number of years, expanding facilities, starting new lines up and so forth. To be able to now take a breather and work with our great R&D team to look at next-generation work in deploying that and optimizing our infrastructure, there's a lot of exciting stuff that we can do there. It takes time. But there's a lot of exciting stuff that we can do there as our CapEx comes down. I'll turn it to Brian because I think that's all factored in and how we looked at free cash flow.

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**Brian Andrews** - Cooper Companies Inc - Chief Financial Officer, Executive Vice President, Treasurer

Yeah, certainly. We have a 3-year, 5-year, 10-year view on things. And so when we gave the free cash flow commentary and we reiterated again today over \$2.2 billion. That factors that in. But we've talked over the years as we're building, building, building to support more supply and capacity, it's hard for us to work on continuous improvement and these optimization things. And now we've got a breather, and we can do that. But there's lots of great ideas and lots of opportunities to drive success into the future.

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**Issie Kirby** - Redburn Partners LLP - Analyst

Great, thank you. And then just really quickly, if I may, on SightGlass and the FDA approval. Any updates there? I know it seems to be performing well with Essilor in Asia. So I'd just love to hear thoughts on SightGlass?

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

Yeah. It's performing well in Asia, you're exactly right. We still love that product, and it's doing really well in Asia and a number of other markets around the world. So we love it, and we think it's going to be fantastic long term, no update on FDA approval.

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**Operator**

David Roman, Goldman Sachs.

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**David Roman** - Goldman Sachs - Analyst

Thank you. Good afternoon. I'll keep it to one here given where we are in the time of the call. I think in your prepared remarks, you talked about some of the specifics you were seeing on OpEx efficiency. And I think you called out operating expense declines in CSI, which I know we'll see when the Q comes out here. But can you maybe just help us think through how you are reflecting on some of the G&A savings that you're realizing here from the restructuring you announced last year, to what extent you're contemplating reinvesting that and whether that is showing up in the P&L now? And then in a scenario you did go down a path of reinvestment, where would you be looking to deploy those resources?

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

We are doing that. We're doing that already. I was talking about how aggressively we're doing that certainly in the MiSight side of things, and we certainly saw that in Q1. That's just putting dollars back into sales and marketing. That's where it's going.

So leverage G&A, put dollars into sales and marketing, and we're getting enough savings through all of our work that we're able to do those reinvestments and still put up stronger earnings than people were expecting. So the combination has come together very, very nicely for us.

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**David Roman** - Goldman Sachs - Analyst

Okay, thank you.

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**Operator**

And with no further questions in queue, I will turn the call back over to Al White for closing remarks.

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**Albert White** - Cooper Companies Inc - President, Chief Executive Officer, Director

Great. Thank you, operator, and thank you, everyone, for taking the time on this call. We look forward to talking to everybody in three months and continuing to make progress and having a good call then.

So thank you, and have a good night.

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**Operator**

Thank you again for joining us today. This does conclude today's conference call. You may now disconnect.

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