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COO - Q1 2019 Cooper Companies Inc Earnings Call

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OVERVIEW:

Co. reported 1Q19 consolidated revenues of $628m and non-GAAP EPS of $2.88. Expects FY19 revenues to be $2.631-2.676b and non-GAAP EPS to be $11.85-12.15. Expects 2Q19 non-GAAP EPS to be $2.70-2.80.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2019 The Cooper Companies Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to introduce your host for today's call, Ms. Kim Duncan, Vice President, Investor Relations and Administration. Ms. Duncan, you may begin.

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

Good afternoon, and welcome to The Cooper Companies First Quarter 2019 Earnings Conference Call. During today's call, we will discuss the results included in the earnings release along with the updated guidance and then use the remaining time for Q&A.

Our presenters on today's call are Al White, President and Chief Executive Officer; Brian Andrews, Chief Financial Officer and Treasurer.

And before we begin, I'd like to remind you that this conference call contains the forward-looking statements including all revenue and earnings per share 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, all of which are available on our website at coopercos.com. Should you have any additional questions following the call, please call our investor line at (925) 460-3663 or e-mail ir@coopercos.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. Good afternoon, everyone. Welcome to our first quarter 2019 conference call.

We're off to a strong start this year as we continue successfully implementing our strategic objectives such as investing in key accounts, increasing promotional activity and investing in infrastructure. These efforts are all tied to producing strong, sustainable revenue growth and are paying off.

For the quarter, we reported $628 million in consolidated revenue, up 6% year-over-year, up 8% pro forma. Non-GAAP earnings per share were $2.88. CooperVision posted revenues of $470 million, up 6% as reported or up 8% pro forma. CooperSurgical posted revenues of $158 million, up 9% as reported or up 8% pro forma. I'm extremely pleased with these results as our focus on increasing our strategic partnership activity and supporting our market-leading products is producing strong results.

For CooperVision, strength was seen throughout the world. The Americas was up 4%, EMEA 9% and Asia Pac 13%, all pro forma. All 3 regions were led by continuing strength from our daily silicone hydrogel lenses, which grew 38% pro forma. The Americas, in particular, posted significant strength around daily silicones with both clariti and MyDay performing well. EMEA was very strong led by daily silicones, torics and multifocals, while Asia Pac posted another robust quarter led by daily silicones and Biofinity. So I'm happy to say strong and diverse growth around the world driven by strong products and exemplary sales and service.

Regarding product families, both our daily silicone hydrogel franchises, clariti and MyDay, are performing extremely well, and our focus will remain on these product families as the global contact lens market continues to shift in this direction. Outside of dailies, Biofinity and Avaira Vitality continued performing well, combining to grow 7%. As a reminder, these 2 silicone hydrogel product families comprised our focus in the FRP, or frequent replacement product, market which encompasses the 2-week and monthly modalities. Also included in this segment are unique products such as Biofinity Energys, which helps individuals deal with digital eye fatigue. We also saw strength in torics and multifocals this quarter, with torics growing 9% and multifocals up 8% growth, both pro forma.

Turning to the market, the global soft contact lens market grew 8% in calendar 2018 to roughly $8.7 billion. Within this, we grew 10%, and I'm extremely happy to report our market share increased to 24%, so we're now tied with Alcon in the #2 spot, while we estimate J&J's share at 40%, B&L's at 8% and then a few small manufacturers making up the rest. The primary growth driver for the market continues to be daily lenses, which grew 13% last year and now accounts for roughly $4.6 billion or 53% of the total market. Within the segment, silicone hydrogel lenses drove the growth, up 34%. It's important to note that although 53% of revenue dollars are in daily lenses, the percentage of actual wearers in dailies is much lower due to the price difference. We estimate daily wearers encompass somewhere in the low to mid 20% range of the overall market and thus offer very significant long-term trade-up opportunity for the entire contact lens industry. And regarding future market growth, you've heard me talk about the positive trends in the contact lens market, and these remain in place. Be it the increasing incidence of myopia around the world, the global transition to daily contact lenses, geographic expansion, our growth in torics and multifocals, the future looks very bright for our industry. I'm not sure the market will continue growing 8% as it did this past year, but I could certainly see it growing 5 to 6-plus-percent for several years in the future.

Turning to our strategy. I want to mention a few important points around our growth initiatives, silicone hydrogel 1-day lenses, key accounts and our efforts around customized product offerings. The shift to 1-day lenses from FRPs generates roughly 2 to 3x more revenue per patient, and within the 1-day market, the trade-up from a traditional hydrogel to a silicone hydrogel generates an additional roughly 20% premium. This is great for the industry, and I expect all contact lens manufacturers to continue sharing in these multiyear trade-up trend as a rising tide should lift all boats. Having said that, what's unique to Cooper is our current market share within dailies is only 18% compared to roughly 31% within the FRP space. This shows if we can get our fair share of new daily fits, we should post strong growth for years to come, and I'm confident we can do that based on our momentum, our strong product portfolio and the positive New Fit Data.

Regarding key accounts, we're continuing to strongly support these strategic partnerships with a focus on helping them grow and retain their customer base. These are extremely knowledgeable business people, and they understand the growth potential for contact lenses, and that it goes well beyond the shift to dailies. In particular, they appreciate the value of cross-selling contact lenses to their customers who wear glasses, working to reduce contact lens dropout rates, the value of fitting the best lenses for each situation, such as torics and multifocals, and the growth potential of expanding geographically. And we're here to help them in each of these areas driving growth in their businesses.

Regarding our customized product offerings, we're making excellent advancements within distribution, labeling and packaging to support our efforts around providing customers a diverse set of options to help them grow and retain their patient base. This includes opening new facilities, expanding others, upgrading systems and increasing our use of automation to become more efficient. All of these activity is very important in today's world, where customers expect premier, behind-the-scene support.

Finally, before moving to CooperSurgical, just a quick note to say we completed the acquisition of Blanchard in January, which is another specialty lens company with a strong position in scleral lenses. Although this is a small market focused on providing contact lenses to patients with concerns such as irregular corneas, hard-to-fit eyes or people with severe dry eye problems, this is another step in growing our specialty business, which we're excited about.

Moving to CooperSurgical. We reported revenues of $158 million, up 8% pro forma. Fertility posted strong results, growing 9% as last quarter's integration activity move behind us. We continue to believe the global fertility market has fantastic long-term growth potential, and we are a market leader in the space. As a reminder, this part of our business includes products like media, IVF medical devices and genomics, and these products are sold throughout the world.

Outside of fertility, our office and surgical business grew 7% pro forma with strength noted in PARAGARD, which is the only non-hormonal IUD or long-acting reversible contraceptive in the U.S. market. This product grew 10% even off an extremely strong fourth quarter, and we continue to believe it will do well going forward. Supporting this growth is an active advertising campaign, including TV ads in select geographies, print media and social media. Depending on the market that you would and you may have seen the TV ads. But if not, check out paragard.com, where you can see the commercial. Although early in the campaign, this promotional activity has generated significant interest, and we've seen dramatic increases in visits to our website and much greater discussion on social media. In conjunction with this activity, we've also been investing heavily in physician training to support practitioners as request for PARAGARD from their patients increases. We're closely monitoring these marketing efforts, evaluating the cost benefit, but early indications are very positive, and we've thus accelerated promotional activity that was planned for later this year into Q2 to allow us to concentrate this activity and obtain a more effective understanding of its impact. After this quarter, we plan to return promotional activity to more normal levels to allow time to analyze the data and determine an appropriate go-forward marketing investment strategy. Given PARAGARD has only roughly 17% market share in the USD 1 billion IUD market, we believe there exists significant opportunity for future growth if we can effectively communicate the advantages of the product. Outside of PARAGARD, our office and surgical business grew a solid 5% pro forma.

Lastly, on CooperSurgical, we have 2 small business development items I want to quickly mention. First, we acquired a small company named Incisive Surgical in January, which sells unique absorbable skin stapler called INSORB. Second, Utah Medical bought back their U.S. distribution rights from us for the Filshie Clip. The impact on revenues going forward is minimal as they offset one another.

So in conclusion, we're having a strong start to this year, and I continue to feel very positive about the direction of the company. I want to thank our employees for their hard work and dedication as that's what's driving our success, and I'll now 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. Al covered revenues, so I'll focus on the rest of the financials and guidance.

Consolidated gross margins in the quarter held steady at 67.5% year-over-year. CooperVision's gross margin was 66%, down from 67.1% last year with the entire decline being attributable to currency. Outside of currency, operational positives such as product mix were offset by items such as rebates and temporarily higher secondary handling costs. CooperSurgical's gross margin improved significantly to 72% from 68.8% last year, driven by product mix, including higher sales of PARAGARD and fertility products. Consolidated operating expenses grew 9.9% in the quarter driven by increased investing in sales and marketing in both CooperVision and CooperSurgical. This includes both businesses continuing to enhance their sales forces by selectively hiring around the world with a focus on key accounts. Within CooperVision, we also saw increased investments in distribution where we continue upgrading our infrastructure along with higher R&D including continued activity around myopia management. Within CooperSurgical, operating expenses grew mainly associated with higher sales and marketing costs related to PARAGARD.

Operating income improved year-over-year by roughly $2 million even in the face of currency headwinds, and the operating margin for the quarter was 26.2%. Below operating income, we reported $18.2 million of interest expense and an effective tax rate of 2.6%. This low tax rate was driven by several factors, including favorable internal restructuring activities, excess tax benefits received from the exercise of stock options and an audit settlement. Notably, regarding the audit settlement, we reached a final agreement with the U.K. tax authorities associated with our dispute over the transfer valuation of certain intellectual property associated with the Sauflon acquisition. The settlement resulted in a refund of $29 million from the $42 million we paid in Q1 of last year.

Non-GAAP EPS for the quarter was $2.88 with roughly 49.9 million average shares outstanding. Free cash flow was $22.6 million comprised of $101.8 million of operating cash flow offset by $79.2 million of CapEx. Net debt increased by $41 million to $1.989 billion. The increase is primarily attributable to the acquisitions of Incisive Surgical for $33 million and Blanchard for $31 million, offset by operating cash flow.

Moving to guidance. We are increasing our consolidated fiscal 2019 revenue guidance to $2.631 billion to $2.676 billion. This includes raising CooperVision to 6.5% to 8% pro forma growth or $1.968 billion to $1.995 billion, reflecting the strength we saw in Q1 and our belief that the rest of the year should be strong even against hard comps in the back half of the year. CooperSurgical's revenue guidance is also being increased slightly to a stronger 3% to 6% pro forma or $663 million to $681 million, reflecting our strong Q1. Outside of revenue, we continue to expect gross and operating margins to improve slightly year-over-year. Interest expense is expected to be slightly lower as we're now assuming only 1 additional 25 basis point rate hike, which we model to occur later this month.

As for taxes, we're now expecting a full year effective tax rate around 11%, down from our previous expectation of around 14%. This reflects Q1 and our latest expectations for the remainder of the year. On FX, currency has moved slightly in our favor, and we're now forecasting a negative $0.47 of FX this year, $0.08 better than our initial guidance provided in December. Having said that, this $0.08 is offset by the Filshie Clip transaction, which resulted in the receipt of $21 million of cash but the loss of near-term earnings. Incorporating all of this, we're increasing our full year non-GAAP EPS guidance to $11.85 to $12.15, up $0.50 at the midpoint. This increase is roughly comprised of $0.40 from tax, $0.07 from operational improvements and $0.03 from lower interest expense.

With respect to quarterly gating, as Al mentioned, we're shifting marketing spend associated with PARAGARD from the end of this year into Q2 and now anticipate fiscal Q2 non-GAAP EPS in a range of $2.70 to $2.80. Q3 and Q4 are now expected to be slightly stronger than initially expected due to this.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Jeff Johnson with Baird.

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

Can you hear me okay?

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

Yes.

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

So just wanted to start maybe on CVI, on the European number, that number definitely came in a little bit better than we were expecting. I think it stayed sequentially kind of stable at 9% versus where it had been the quarter before, but the comp was about 500 basis points tougher. So just wondering, is that kind of a sign of some of that big retail business, some of the kind of big account wins? And is that -- is there some sustainability to that strength in Europe than even as comps get kind of tougher this year throughout the year?

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

Yes, I would say yes to both of those. I mean, it is attributable to strengths we're seeing in key accounts. We kind of talked generically or broadly about key accounts around the world as there are obviously key accounts in different regions and some span multiple regions. But when you look at the European region, there are a number of important key accounts there, and we've had success there, and we believe we're going to have success going forward. Part of the reason that we took our guidance up to 6.5% to 8% for CooperVision was to, one, reflect the success we had in the first quarter; but two, kind of just show the confidence we have in the CooperVision numbers in total including Europe even against a challenging comps in the back half of the year.

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

Yes, understood. And then maybe on PARAGARD, just as my follow-up question, that 10% number I know is a good number. It did come in maybe a little light of what we were expecting, and maybe we were just out of line with our expectations. But I thought you had some easy inventory comps there. So again, just want to do a reality check. Where was the PARAGARD performance this quarter relative to your expectations? And how is that performing at the profitability line as well?

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

Yes, a fair point. Q1 was a pretty easy comp because of PARAGARD. We had all that noise last year, it seemed like almost in every quarter with respect to channel inventory and trying to settle things down. But at the end of the day, the 10% growth that we had in Q1 for PARAGARD was in line with our expectations. So that's kind of the important thing. That product, as you know, is a very profitable product for us. Having said that, we are reinvesting a lot of those dollars. I touched on that a little bit. Brian actually quantified that to some degree in terms of some of the investment activity we're pulling into the second quarter. So I won't comment on direct profitability associated with it other than to say it is indeed a highly profitable product and one that we really truly want to try to drive growth out of.

Operator

And our next question comes from Larry Biegelsen with Wells Fargo.

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

Al, one geographic question, one tax/EPS question. So EMEA was very strong at 9%, but Al, Americas did dip to 4% from 8% last quarter, and actually, the comp was a bit easier. So I mean, we did hear some anecdotal feedback that late in the year, the U.S. market was a little soft. Can you provide any color on that and expectations going forward, and I have one follow-up.

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

Yes, I would agree with that. I think if you look at our results and the results of our competitors out there who -- with their numbers, it did show some of the weakness that was in the U.S. market. I don't think that there's anything particularly that needs to be pulled off out of that, right, like any true fundamental change in the business. I think it was just a little bit softer of a quarter, and that's okay. That happens sometimes. There's not too much we can do about that. I mean, we grew 4%, so we obviously believe that we continue to take market share there and are happy with that number in terms of putting it in the context of the overall market growth.

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

And then on EPS, Al, one, on the tax rate, that 11%, how should we think about that going forward? And I know it's early, but I just wanted to hear from you if you feel like you can get back to double-digit EPS growth in fiscal 2020. It's encouraging to see the guidance come up today for fiscal 2019 and how it's about mid-single digits at the midpoint, but how should we think about looking forward a little bit?

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

Yes. I mean, we have the low tax rates. There was a decent amount of activity this quarter that brought it down. I'm talking about Q1. Q2, 3 and 4 will be somewhat similar. In the low teens is our expectation. If you look at next year, most of this activity is directly associated with this fiscal year, meaning we would expect next year probably going to be closer to a more normalized rate at 14%. Again, that wouldn't include like stock option equity and some of that kind of stuff which could pull it lower. But I think we'll kind of go to that 14%-ish kind of rate that we talked about in the past. With respect to getting to double-digit EPS growth, I was pretty clear that I felt really strong about that, that we can do that. Now the effective tax rate coming in at 11% going to 14% next year means we need to hurdle that, but we'll see what we can do on that. I don't want to get into guidance yet for next fiscal year, but I continue to believe the fundamentals of the business are very strong. You can see that especially in the revenue growth. So I continue to be pretty optimistic about back half of the year and next year.

Operator

Our next question comes from Chris Cooley with Stephens.

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

Al, I just wanted to see if you could maybe give us a little bit of an update on MiSight and myopic control, a lot of interest in myopic control at SECO this past weekend on both the frame as well as the contact lens front but very limited data so far. So could you just maybe give us an update on how that's tracking from an R&D perspective and when we could start to see that here in the states? And then I've got one quick follow-up.

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

Yes, definitely a fair question. I mean, we're excited about MiSight and the entire myopia management field here within CooperVision. There's no question about that, and we're doing a lot of work on that internally. Some of that, you obviously see in the R&D line, and then some of it is within our operating expense infrastructure right now. So we're excited about it. We believe in the future. We believe there's actually significant upside there, and I think that when you look at myopia management, you talk about getting kids into contact lenses who are maybe 8, 9, 10, 11, 12, 13-year-old, that type of thing, that expands the market for contact lenses that also obviously helps everyone with visual correction. Another interesting stat is the average contact lens wearer wears their lenses around 7 years, but if they're fit in a contact lens first as their first form of visual correction rather than glasses, they wore contact lenses, on average, 14 years. So getting a wearer into contact lenses to start is a significant advantage for the contact lens industry. Having said all that, it's still a little early. I've kind of held off a little bit of the myopia management side and MiSight, and I'm excited, as you could tell, about it, but I don't want to get into too many details on it yet. We're working through the approval process in the U.S. market. We have the lens in the market in select countries around the world, so we're making progress. At the right point in time, I'll kind of get into that in more detail.

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

And then if I could just follow up on Jeff's earlier question on PARAGARD. I know in the past, you've talked about the incremental spend, the marketing effort and needing to see that requisite margin drop through. Can you just give us maybe some broad strokes around what you saw in those markets where you rolled out the dancing in the streets market -- marketing initiative there? What types of pull-through are you seeing at the OB/GYN level with kind of script conversion? Just trying to get an idea of some metrics that when we see this incremental spend in the 2Q, what type of growth we should kind of model thereafter.

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

Yes, Chris, that's a great question. It's kind of same question that I have right now. So what we've seen is we went into those markets, we did the TV commercials, and the reaction has been very positive. We've seen a very significant increase in traffic on our sites, on PARAGARD-related sites, whether it's blogs or anything along those lines in the social media side, definitely much higher in those markets where we've done the TV advertising. How does that TV advertising and that significant increase in activity relate to or translate to actual product sales? That's a little bit more of the question. So that's what we're doing right now. We're going to continue that type of activity for several more months here, and we ran it through February, March, April. Those dollars are fairly large, but it's really a matter right now of saying, "Okay, how does that translate?" There's a lot of activity. There's a lot of excitement. There's a lot of positive energy and discussion around the positive attributes of PARAGARD. Does that translate to actual wearer -- the wearer base increasing? So that's a little bit of a question mark right now. I mean, we're doing the work. We're tracking it carefully. I think we're doing everything right. I have 100% confidence in the team who's working on that. For now, we haven't really changed our guidance with respect to PARAGARD. I think because of the comps, PARAGARD has kind of a challenge back half of the year, but we'll see, maybe we can do a little bit better. I'll give you -- I'll be able to definitely give you more information on the next earnings call as to how some of that's translated into actual sales though.

Operator

Our next question comes from Steve Willoughby with Cleveland Research.

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

One for Al, and one for Brian. Maybe Brian, first, if you could just provide a little bit more color on the tax audit that you broke out or the refund you broke out. Could you just clarify the $42 million charge a year ago and then the $29 million refund this year? It wasn't clear to me in your P&L whether those were included or excluded in non-GAAP results in both periods. And then secondly for Al, maybe Al, if you could just provide a little bit more color as it relates to some of the strategic accounts, what the customers are finding most interested as you're partnering with these people, is it inventory, pricing, private label, distribution or kind of all of the above?

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

Sure. So Steve, I'll handle the first one. As far as the DPT payment we made in Q1 of last year, in Q1, that impacted our free cash flow and took us down. The $29 million that we received as a result of the tax settlement actually was received -- the cash was received in Q2, so it'll improve our free cash flow in Q2. But the impact from the settlement resulted in our tax rate -- that was part of -- 1 of the 3 reasons -- the primary drivers of our tax rate going down to 2.6% in Q1.

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

If I could just follow up on that real quick, Brian. So not to belabor on the tax question on the call, but a year ago then, was -- the $42 million, was that charge included or excluded in non-GAAP numbers?

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

That was included in Q1 of last year.

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

And quickly on strategic accounts, Steve, I can say it's all about the things that you mentioned. I think whether it's the ability to offer customer brands kind of as we historically talked about as private label, like the ability to offer customer brands, the ability to shift direct in many cases, our willingness and ability to do customized labeling and packaging, all of that stuff, and you combine that with our desire and our willingness to offer better marketing and promotional support and having all that kind of be tied to supporting the key account. Like it's the key accounts relationship. We're here to support that key account and help them grow their wearer base and retain their wearer base. That's what we focus on, and that's key, and that entire message is being received really well by key accounts. So I'm not sure I would necessarily call out one thing, but I would say the whole gamut of what we're offering from a customized solution perspective is what intrigues those key accounts.

Operator

Our next question comes from Jonathan Block with Stifel.

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

I apologize in advance if the questions were already asked, but maybe 2 for me. First, just on some of the investments in CVI from a shipping perspective. Do you think those investments become leverageable so to say in 2020? Or do you believe there's going to be sort of a long tail or a longer tail of that as fulfillment remains a big priority for the company? And then I've got a quick follow-up.

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

I don't think where we are today that we'll leverage those distribution items next fiscal year. My guess is the distribution expenses kind of grow in line with revenues, that's what I would expect. I mean we're doing a lot of distribution expansion right now, a lot of upgrade work and so forth, so the expenses are heightened. I think that gets better next year, again growing kind of equal to revenues. And then I would expect that we'll probably see leverage from the distribution expense line in fiscal 2021.

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

Okay. And then if I can ask sort of the part B to that, just to go throughout the P&L. I would think that's obviously a huge investment for you guys this year, [another one is] a lot of the reps that you brought on, on the CSI side specific to your initiatives around PARAGARD. So is there a way to think about maybe that item if the DTC initiatives are successful that, that might be a more leverageable line item next year because you brought in the reps, you'll have some success arguably with the TV initiatives, and maybe that's one where you start to see some leverage work that's going through the P&L next year?

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

Yes, I would absolutely agree with that. I mean, we have around 60 direct sales reps right now in PARAGARD, about 20 reps internally. We hired those individuals kind of over the last year or so. So as we annualize that, that makes life a little bit easier, right? But as we get into next fiscal year, you're absolutely correct, right, we'll be able to leverage that some. I still believe that at some point in the future, we'll be able to combine those sales reps to some degree with our existing sales -- or our sales reps doing our in-office medical devices now. We're not, obviously, doing that now, but we will in the future. So I do believe there are some leverage opportunities within CooperSurgical. It's just now is not the time to do that. We're really working on driving revenue growth in that business, and we'll continue to for the foreseeable future.

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

Okay. And hate to [bury one] here, based on Steve's prior comments, I guess I missed the color on the call. But maybe if you can just help me out, the tax rate going forward, is this step-down specific to fiscal '19? It sounds like, per your prior comments, it may be because there might have been a specific credit or refund. Or do we sort of when we look out, and I think many of us had assumed that 14-ish percent tax rate was the new level set going forward, does that still take hold? Or do we lower it going forward as well?

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

Yes. I think the 14% would be, for now, the correct way to look at next year. This activity will be -- it was in Q1, it will all be within this fiscal year. So I think next year, 14% will be the appropriate rate to use.

Operator

Our next question comes from Anthony Petrone with Jefferies.

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

Maybe one on my side, one on PARAGARD, just to maybe get an idea of market opportunities. Just on MiSight, is there anything you could share just on exactly what the opportunity is within the U.S. for myopia control for pediatric patients? So that would be in dollars, if you have that information. That'll be the first question. And the second on PARAGARD would be just do you have any information on sort of the number of active prescribers today and sort of where you think that can go with the direct-to-consumer advertising campaign?

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

Yes. Let me touch on PARAGARD. When we look at PARAGARD, some of the stuff that we've learned is that it's important to get some brand awareness out in the marketplace. The physicians know that PARAGARD exists. It's been out there for a little while. They know it exists, and if a patient walks in the door and ask about it or specifically ask for it, then the doc discusses it with them, and frequently, that's the product that they walk away with. So the feedback that we received from all the work that we've been doing is create -- and including from the physicians is create some brand awareness about this. Let's talk about this. Let's have a discussion around the nonhormonal advantages associated with this product. That's why you hear us talking more about the branding side and the advertising and social media marketing side of things. We are also doing the training with the doctor. A lot of that activity is more just a reminder to the doctor, hey, this product was not being supported or was not being heavily supported, marketed and so forth. It's still here. It still exists. As a company, we're obviously, dedicated to this space. It's a very important space to us, and we're going to continue to support this. So as individuals come in and ask for this product, doc, let them know that it's here. And as a reminder, do you hear the advantage of it, advantages of it? So that kind of gives you a little bit of color around that. On MiSight or myopia management in general, I'm not going to get into any numbers yet. The only thing I would point you to on that is myopia management really when we get into it, is you're talking about kind of kids, let's call it 8 years old to 13 years old, right? I mean, children start going into contact lenses on their own around 13, 14, and it's not myopia management lenses, but they're still going -- starting visual correction in the form of contact lenses. How big is that 8 to 13-year old marketplace? It could be pretty significant. And I mean, it could certainly be fairly significant in the U.S., and it could be on a global basis also. But there's still a lot of work to do there, so I don't want to get over our skis here. There's still a lot of work that we need to do, and I don't want to start quoting numbers yet on it.

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*

Al, I'm going to risk embarrassing myself with some poor math on the call here, and this is probably also why you moved away from these numbers, giving them every quarter. But I have 8% pro forma growth for CooperVision last year for year 2018. I believe you said calendar year, that growth was 10%. Does that mean that November and December would've been much stronger than January? Did I get that math, right?

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

Yes. So you got 2 things that go in there. One is the fact that it's calendar versus fiscal. The other is the market data that we quote ends up being manufacturer sales data. It's our data, but it's on a gross basis versus a net basis. So that was one of the reasons we pulled that out, is because it was a little confusing, right? So you have to look at it a little bit more in a directional basis. That's probably the easiest answer to give you on that. You're exactly right. That's why we pulled some of those numbers out, because the market data is great directionally but when you really peel specifically into the numbers, it gets a little more challenging.

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

Okay, fair enough. And I'm just trying to understand the legs of the key account strategy you have. I realized that key account is a broad term. But how should I think about how many more are there to sign? Is it a matter of kind of increasing penetration with them or maybe them like taking share in the market and you kind of growing with them?

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

Yes. I think there's a few different ways that we look at that in terms of opportunities. There's no question that higher penetration rates within existing key accounts is very important. And we look at that from the context of saying we have a great relationship with someone, we like to sell more lenses to that company. The other way to look at it is to say we have key accounts where we have strong relationships with them, where the relationship is stronger on the FRP side, the 2-week or the monthly side, and we really want to expand that relationship to the daily side. Now that would be -- you can look at that in terms of improved penetration rates also. But it's really to say, hey, we have a great relationship with you. Guys, we love you. You love us. We have a great strategic partnership. Let's expand that into daily silicone hydrogels, as an example, where in a lot of cases we're underpenetrated there. So you get that, and then you do get some situations where we do have either really low penetrations or kind of minimal relationships with people as they grow. And we're trying to get in the door to ensure that we're offering our full suite of products there. So I think it, depending upon how you look at it, comes from a few different angles.

Operator

Our next question comes from Joanne Wuensch with BMO.

Joanne Karen Wuensch - *BMO Capital Markets Equity Research - MD & Research Analyst*

It looks like the market accelerated the growth rate at the end of 2018. What do you think drove it to that 8% versus the historical 4% to 6% range? And how do you think that's sustainable or not?

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

Yes. A lot of that growth, and obviously, it's always a little challenging by quarter, right, and you look at everyone's performance, and then you have to look at prior years and comps and so forth. But you're right, there is strength in the marketplace right now. A lot of that strength is getting driven by the factors that I was talking about, be it geographic expansion, be it growth in torics, multifocals, and it's heavily being driven by the shift to dailies. And within that, the subsegment, the silicone hydrogel daily component of the market. There is a lot of growth potential, in my opinion, with those areas for many years. I mean, I believe that the shift to daily silicone hydrogels themselves has 5, 6, 7 years, something like that in front of us, of pretty solid trade-up growth from that. And then when I look at geographic expansion, as an example, I mean, some markets like India are tiny. They're almost nonexistent. I mean, they offer fantastic growth potential. Same with China and a number of other markets that are out there. And then when you look at markets where they are more developed, where you're having fits for like torics and multifocals, like the U.S. and some other developed markets, the penetration rates of those types of lenses are significantly higher than they are in more underdeveloped countries. And over the years, we've always seen, as countries develop, contact lens usage increases, and the fitting of "the correct lens" or the proper lens increases. So I really believe we have many, many years in front of us of strong growth in the contact lens industry.

Joanne Karen Wuensch - *BMO Capital Markets Equity Research - MD & Research Analyst*

My second question has to do with SG&A spend, which increased year-over-year. Some of it is going to the PARAGARD campaign, but some of it is going into the key account strategy. Is it 50-50? I mean, how do I think about how you decide which lever to pull for which franchise?

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

Yes. It varies by quarter. As Brian highlighted kind of at the end there, we are pulling some pretty decent promotional activity forward on CooperSurgical, and that means that in Q2, you're going to have heightened activity associated with PARAGARD, and that'll go back to normal. I would say at the end of the day, like, we're investing in both of them. Like, we're not afraid to invest in both of them. Obviously, within CooperVision, we're doing everything we can. That business is incredibly important to us, so whether it's investing in infrastructure, manufacturing capacity, key accounts, salespeople and so forth, we're driving everything. We're pulling every lever we believe we can that provides a good return by investing in that business. Within CooperSurgical, from a key accounts perspective, we're also doing that. But as I discussed on PARAGARD, we're being a little bit more selective here as we look at the cost benefit of that and coming up with the correct strategy.

Operator

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

Matthew Oliver O'Brien - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

I guess, Al, just for starters, on the CVI performance. It's been very, very good. Dailies is quite good. It seems like you're pointing a lot towards the key accounts really driving a lot of that. Is there anything underlying the -- in that business that's also doing well that we're not asking about? And then back on the key partnerships side of things, is there any kind of meaningful competitive response that you're seeing? I'm assuming that your bigger competitors are also targeting these accounts. I mean, how are they responding to what you're doing in some of these accounts as you're taking share so quickly there.

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

Yes. I think, I mean, I kind of maybe answered both of those to some degree in the same way. I mean, we are the only company out there with the full and broad daily silicone hydrogel offering, right, the broadest. Like, we have MyDay in the premium side. We have clariti in the mass-market side. We have a full swath of clariti, either toric and multifocal. So we're out there. The products are out there in the marketplace. Obviously, we have competitors who have some products out in the marketplace. But for now, we need to capitalize on the fact that we have a great, broad product portfolio, and that's what we're doing, and we're out selling that hard right now. Now, yes, competitors are going to come out with new products. Of course, they are. I mean, this is a highly competitive industry, and it's not like some of the medical devices with heart valves or something like that. I mean, we're 24% of the market. Alcon is, J&J is, Bausch is. So people come out with new products all the time. We have new products in our back pockets, some stuff that we'll be launching over time. But for now, the key on both of those is that we have a great product portfolio and a highly energized team, and that's the key behind our success, so we're anticipating competitors continuing to want to get back in and take share, and we'll do -- through new products, and we'll do the same through new products, and we'll move the market. Now one of the key points on this though, and it's important to remember, is that as the market shift to daily silicone hydrogel, the market growth improves. And that's why I keep kind of going back to saying, this is not one guy wins, one guy loses kind of thing. This is the shift to daily silicone hydrogels, and this trade-up and this geographic expansion and so forth is lifting all competitors. Everybody is getting better numbers. I mean, the market grew 8% last year. I continue to believe we're going to see strong growth in the marketplace. Everyone is going to grow as long as they're acting intelligently within the marketplace. So I don't view this as kind of a win-loss with competitors. I view this as a win-win. I think that we have a better product offering and some better capabilities than our competitors in the areas that we're focused on. We don't do the heavy branding like J&J does. In the areas we're focused on, we have a great product set and a great skill set, and we're executing and doing really well there, so I think we'll continue to. But that does not kind of disparage our competitors who will, I believe, continue to put up pretty good numbers.

Matthew Oliver O'Brien - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

As a follow-up, and you started to touch on this a little bit, just the Asia Pac growth continues to be very good. I'm assuming most of that is Japan at this point, but China was an area that you guys have been talking about for years now. Are we getting to any kind of an inflection point in that geography? And what kind of resource are you putting behind in that geography to deliver some upsized growth over the next couple of years?

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

Yes, you're right. Japan is probably still around 2/3 of that market, somewhere in that kind of range, maybe 60%, 65% of that market. So it's an important driver there. The other countries that are there are also important. You mentioned China. There's a number of other countries there. So we are seeing diverse growth throughout that entire region. We're under-indexed there. There's no question about that. So it's incumbent upon us to invest there, and we are investing there. We are putting a focus on key accounts and salespeople and marketing and advertising efforts, and we need to continue to do that. That team has done a very, very nice job over there, and they've done it for many years. And frankly, we continue to believe they'll do that for the foreseeable future. So I won't get necessarily in particulars on that, but I would say that that's a very important region for us, and we are investing dollars there, and we will continue to invest dollars there.

Operator

Our next question comes from Brian Weinstein with William Blair.

Andrew Frederick Brackmann - *William Blair & Company L.L.C., Research Division - Associate*

And this is Andrew Brackmann on for Brian today. Al, maybe a strategic question for you. A lot of the discussion has been sort of around the trade-up in the dailies but new wearers here sort of in the developed markets. How do you sort of grow that new wearer base in those markets? Is that still around key accounts? Is there anything else that you guys can do there?

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

Yes. We are seeing some growth in new wearers on a global basis. It's not much, certainly, low-single digits, but we are seeing some growth there. One of the things that we'll talk to some of the big retailers about and our key accounts about in -- we talk to them, but I think this is true for the entire industry, is we need to do a better job with dropouts. There's a lot of people that will go into contact lenses. They'll get fitted because they want them. They'll get some free lenses. They'll take them home. They'll try them. Maybe they have a hard time inserting the lens or there's something that's causing them a little bit of problem, and then they don't stick with the lenses, and they go back to glasses. And we get too much dropout there within that first week or 2 weeks. So we've been talking about that with people and say, hey, we need to do a better job with follow-up here, right? We'd fit somebody in contact lenses, let's give them a text or give them a phone call, something where we reach out to them 2 days later or 3 days later or 4 days later, hey, how is it going, what can we help you with, how's the insertion going, how's the comfort going and so forth. I think we need to do a better job there. I mean, there are some interesting stats out there, and they're kind of big numbers. But if you look at -- right now, there's like 140 million contact lens wearers in the world, and there's like 200 million contact lens wearer dropouts. And that includes people who just initially started wearing them and dropped out, and it could be people who have gotten [ocular] and stopped wearing them. But if we can just do a better job capturing the dropouts and working with these key accounts and these big retailers and reaching out to patients and saying, I know you want contact lenses, I know when you were in the store, you like them and wanted to keep wearing them, why aren't you buying more of them? That's a key way for us to grow this industry. I mean we can literally double the size of the industry by just keeping people in contact lenses that want to be in contact lenses. So I think that's an area where all of us can improve. I mean we can improve on that, J&J, and our friends at Alcon, Bausch and the big retailers, I mean, we can all do a better job of growing the wearer base.

Andrew Frederick Brackmann - *William Blair & Company L.L.C., Research Division - Associate*

Got it, very helpful. And then, Brian, maybe a question for you. Could you maybe provide an update on where you're at with daily silicone hydrogel margins here? I think you're adding some capacity. So is it safe to assume that those might be under a little bit of margin pressure here in the near term versus long term?

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

Yes. I mean, I'm not going to get into the specifics about where those margins are landing, but suffice it to say, the margins on our daily silicones are -- put a little pressure on our margins overall, but that being said, we said that gross margins are going to be up slightly year-over-year, operating margins up slightly. So we try to manage this business to the operating margin level, whether you're talking about key accounts or just our business in general, and so we'll work through it. And as we get more volume to our plants and as we continue to improve our sales in those products, our cost premiums go down and our gross margins go up. So that's been the story historically for Cooper.

Operator

Our next question comes from Chris Pasquale with Guggenheim.

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

Al or maybe Brian, can you quantify the spending that you're pulling forward into the second quarter? I just want to get a sense for the EPS impact because you called that out as the reason for the below consensus guide in 2Q.

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

Yes. I mean, we talked about kind of $2.70 to $2.80 in the quarter, and then I know everybody kind of had their expectations out there. For us, it's a fairly decent pull forward, as you can imagine. It'll depend on a couple of different factors, but we're certainly could be talking $5 million, $6 million, $7 million, in that type of range.

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

That's helpful. And Al, can you give us any color on the relative strength of your 2 daily silicone hydrogel franchises these days? Is MyDay still growing faster than clariti off of a smaller base? Or has that moderated now given clariti's addressing maybe a larger market segment?

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

Yes, it's still -- that's still the same. Both lenses are doing really well, both product families are doing really well. MyDay is growing faster than clariti, but it's still a decent amount smaller than clariti.

Operator

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

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

Maybe a housekeeping question. Can you go through some of the pro forma adjustments in the quarter, maybe what FX was on the top and bottom line and how you're thinking about FX [going through the] year?

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

Brian?

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

Okay. So FX for the quarter was about $16 million negative, $0.20 detriment to EPS for the year. We've got the detriment from revenue around $55 million and a $0.47 negative to EPS.

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

Were there any other pro forma adjustments that you can give us in the quarter?

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

There wasn't really much. We have Blanchard, and we had Incisive, but both of those, having closed in January, there were really -- there was really no adjustment for that. Really wasn't much there, no.

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

Okay, maybe -- and then Al, just to follow up on your comments before, about getting all of those patients who have dropped out back into the system. Can you talk about maybe the pathway to do that? Is that something you, as Cooper and J&J, have a database to do? Or is that going to have to be driven from the doctor level?

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

Yes, it has to be driven by someone, so to speak. So if I use my example that a patient comes in and says, "Hey, I want to try contact lenses." The practitioners says, "Here, try clariti. It's a great product. You're going to love this, and here's 5 days' worth of lenses." What needs to happen is at some point, at least once during those 5 days, someone needs to reach out, and it could be a text, right, it could be a phone call, but someone needs to reach out to that patient and say, "How is it going? You like those lenses, everything okay with the visual acuity and the comfort," and so forth. So whether that's coming from us or whether that's coming from the practitioner themselves, like, it's important to reach out. So the ideal one is obviously it's the practitioner or the practitioner's office is reaching out, inquiring with the patient how things are going. But we can work with them on that. I mean, automation itself is important. I mean, when you think about some of the stuff that we do with Eye Care Prime and reaching out to patients and letting them know, "Hey, it's time for you to come in for your annual checkup," and that kind of stuff. If we can link some of those IT platforms together where it says, "Hey, someone was fitting lenses, let's send them a quick text and ask them how it's going," and so forth, that would be us working to help the physician themselves. So I think however we do it as an industry, it's something we need to continue to focus on improving.

Operator

And our next question comes from Steven Lichtman with Oppenheimer.

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

In Asia Pac, Al, obviously, Cooper results remain strong. You mentioned, of course, that you're under-indexed there. So what do you think the underlying market is growing in Asia Pac? Just trying to tease out how much you're growing ahead of the market probably in that region. How do you think about the sustainability of that market growth looking ahead?

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

Yes. I think that, that market's going to continue to grow nicely. I believe that. I mean, when you end up looking at the Asia part -- Asia Pac market, if you will, for the last calendar year, it grew 7%, and we grew 13%. I'm talking about calendar quarter data now. I'm going to market data. If you look at the fourth quarter, that market grew 9%, and we grew 16%. So I think you're getting a number of different factors there. One, as I was saying, we're under-indexed. We're hitting the market hard with some great products, so I think our chances of growing faster than the market are good. But the market itself is strong. The shift to dailies that we talked about is not as dramatic there because a larger percentage of population is already dailies, but you are getting a shift to daily silicones. And then you're getting the geographic expansion, the new wearer base. That's where you're getting a lot of your new wearers. So when I talk about low single digits, let's call it 1% globally of wearers, that is a higher percentage in Asia Pac. So I think when you combine all the things I talk about there, the excitement around torics, multifocals, the excitement around geographic expansion, that kind of stuff is driving the growth in Asia Pac and will, frankly, for quite a while. I think that, that region probably has the best, best long-term growth dynamics of the industry.

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

Got it. And then Brian, I apologize if I missed this, but I know you talked about some gross margin headwinds this year on the last call and some of the proactive work you're doing on distribution center expansion, some legacy product write-offs. Overall, any change in your thoughts and the impact there either way this year on gross margin?

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

Yes. I mean, as far as gross margins go, I mean, what we said is gross margins will be up slightly year-over-year. I mean, I think when you look at the impact to FX, I mean, you've got that headwind from FX really kind of impacting us mostly in Q1 and Q2.

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

He's talking about the secondary handling.

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

My bad. Yes. So secondary handling, that was a bit of a drag for us in Q1, but it was what we expected. We kind of gave a little bit of a range and built that into our guidance last quarter. No real change and update there. We certainly are going to have some elevated freight and secondary handling, some inventory obsolescence that will flow through the year. But it's baked into our guidance and expect some of that stuff to fall away as we get towards the end of the year and certainly into next year.

Operator

And our next question comes from Isaac Ro with Goldman Sachs.

Isaac Ro - *Goldman Sachs Group Inc., Research Division - VP*

Two questions, one on growth and one on margins. On the growth side, can you talk a little bit about your expectations in the Americas? Just given all your comments about global market growth, that 4% number, I was interested if that was sort of the new normal you expect for the near to medium term.

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

No. I think that we saw some weakness, be it us or kind of the marketplace, in the Americas, in the U.S. marketplace here. But there are still a lot of positive underlying fundamentals, especially the shift to dailies. We talked about the shift to dailies and daily silicones, but both of those are happening in the U.S. market. So I would envision the U.S. market posting better numbers.

Isaac Ro - *Goldman Sachs Group Inc., Research Division - VP*

Okay, helpful. And then on the margin question, just there are some details you guys gave us on the investments you made this quarter and then kind of what to expect from the pull forward. Can you just maybe quantify the incremental investments year-on-year that you guys made this quarter just to help reconcile the year-on-year margin performance if we separate the investments versus FX and other items?

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

Yes. We gave some numbers on that last quarter. I think, in particular, we talked about like $0.14, if I'm remembering right, from kind of some elevated inventory and secondary handling charges and so forth. And then we built that into our guidance this year, and we're not going to break out any more numbers or detail on that. It's already built into the numbers. And I'd echo Brian's comments that we did have heightened costs here. Those are reduced as we move through the year. We'll still have some stuff probably with inventory obsolescence depending upon how we move through things even into next year, but they're all wrapped into the numbers now.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Mr. Al White for any closing remarks.

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

Thank you. I don't really think I have much to add. A good solid quarter. Appreciate the interest. Appreciate the questions and so forth. We're continuing to execute on our strategy, and we look forward to reporting to everyone again. When is our next earnings call? It's a little earlier than usual. I think it's May 30th is the date to mark for our next earnings call. So with that, thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect, and have a wonderful day.