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COO.OQ - Cooper Companies Inc at Wells Fargo Healthcare Conference

EVENT DATE/TIME: SEPTEMBER 03, 2025 / 7:00PM GMT

OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

Larry Biegelsen *Wells Fargo Securities LLC - Analyst*

PRESENTATION

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

All right. Welcome back. I'm Larry Biegelsen, the Medical Device Analyst at Wells Fargo, and I am pleased to host the next fireside chat with the management team from CooperCompanies. With us, we have Al White, President and CEO; Kim Duncan, Vice President, Investor Relations and Risk Management. The format is fireside chat. If you have a question, raise your hand, and we will call on you. So Al, thanks so much for being here.

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

Yes, absolutely.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

You've been a big supporter of our conference. I appreciate it over the years.

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

Well, Boston.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

I thought it was me.

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

And you, of course.

QUESTIONS AND ANSWERS

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

All right. So we've got to start with the Q3 earnings, and I wanted to give you a chance to explain the issues you highlighted in CVI. Because, obviously, there's been some confusion since the quarter, organic growth 2% versus your expectation of about 5% or Street expectation. Talked about the two issues that you saw in the quarter. I think people are still confused about what happened with the e-commerce in China and why people were trading up to MyDay from clariti. Just help us better understand what happened, please?

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

Sure. Yes. Let me cover a few dynamics and then catch me if I missed something you want to talk about. If I look at this last fiscal quarter, we were moving along through the quarter, growing 5%. And things were looking pretty good because we had good margins and we had good free cash flow. So, we were feeling good as we proceeded through the quarter. We started getting a lot more MyDay out into the marketplace. And on the call, I put everything together when I talked about fitting sets, trial lenses, and new contracts. But I should break those up into two pieces because I think it's important to describe it that way.

If we look at MyDay and the fitting sets and the free lenses that we were putting out in the marketplace, and let's use an example, those go to an optometrist in the US. That optometrist gets, the MyDay fitting set and trial lenses, they fit a patient and here, take these home, try it, you'll like it, and you'll buy it. That's all been very successful. And MyDay grew double digits this quarter. We had MyDay multifocal grow 20%. We had a good quarter. And we have good positive fitting data and good positive revenues for the MyDay product that we have that's in the market being sold. So that's piece one.

If you look at the other side of it, this is the clariti piece, and this is the private label piece I was talking about. When we agree to a private label contract, and let's just assume you go to Japan, and we do a private label contract with somebody. From the time we signed that contract, where we negotiate the marketing activity, the launch activity, education activity, and this is an important one, the packaging and labeling for that customer, that period to where we're delivering them product is somewhere in the three- to six-month time frame. I talked about the 30-plus contracts that we've entered into and expansion of some other contracts, when we sign that, if you have a retailer who's out there who's currently fitting clariti and knows that they're going to be fitting their private label product, they'll stop ordering clariti because they want to [continue fitting clariti but](added by company after the call) take their clariti inventory levels lower [while they wait for their MyDay private label to arrive](added by company after the call). And they're doing that because we won't take the inventory back. So they intentionally stop ordering, they pull that down because they know that's going to get replaced with private label inventory. But we don't have anything to give them right now. We're not going to send them fitting sets. We're not sending them [MyDay private label](added by company after the call) product because we have to package and label that product and get it all done so that we can send it to them [with their own brand](added by company after the call). Now you don't see that activity normally because that would just happen during the quarter. Somebody orders less of one, they order more of another, and there's no impact, and there's no visibility to that. But what happened this quarter was we were more successful than we thought we were going to be in terms of the contracts that we were winning and the magnitude of those contracts. When that happened, and that happened faster than anticipated, we pulled forward into Q3, the drawdown of clariti, and we had nothing to replace it with.

Now as you sit here today and you move forward, we anticipated that was going to happen. We knew that was going to happen as you go through into Q4 and as you go into Q1 and Q2 of next year. What that does is put us in a little better position with respect to Q4, Q1 of next year because we don't have all that drawdown that's occurring there. That was the dynamic I was trying to explain. And I know I put those together and it got confusing for people. But that was the dynamic of what was negatively impacting the clariti inventory. That doesn't impact any of our competitors, or anyone else, or fit data, that just impacts that dynamic. So that's what happened with Q3. And then when I look at Q4 some of that is going to offset itself as we will start getting some of that private label inventory into the channel. We will get it to those customers. We will get them fitting sets and trial lenses, so they can start that activity and some revenue product that will happen there.

Now we looked at our guidance a little differently than we do historically. Because what we said for the Q4 quarter was, if we have the same stuff that happened in Q3, let's assume this scenario where channel inventory comes down in clariti in Asia Pac, MyDay for some reason, doesn't get there on the private label side of things, and you have the e-commerce issue. What would we do under that scenario? And what we would do is a very similar quarter to what we just did this quarter. Now we believe for a multitude of reasons, we can do better than that. But that's how we built our Q4 guidance.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And the e-commerce and China issue, I think you've said you started the year with like six months of inventory. It's down to two. What exactly happened? And six months just sounds high. I would say in the US, we would think two months is normal. So it just sounds like inventory was just high, too high coming into the year and that just flagged down, is it more complicated than that?

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

No. It's pretty straightforward. You ended up with a situation where we were selling products through that channel. We maintained our pricing or even increased our pricing around the world, including in that channel. And we lost business out of that channel. And you saw a 25% reduction in Q1 [for China](added by company after the call). It was flattish in Q2. In Q3, China down a similar amount [to Q1 as well as](added by company after the call) in some other countries that pulled that channel inventory down. To me, that's fine. What level of inventory do you need in that channel? Call it three months or something like that, it gets below that. But we're not going to go chase that back. If somebody wants to be more aggressive on pricing, they can be more aggressive on pricing. But we aren't going to have that happen again.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

So I have to ask, if the inventory was higher than it should have been, the obvious question is, well, it was inflated. Basically, the term people would use is they stuffed the channel a year ago. So I feel compelled to ask that question. Would that be a fair --?

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

No, no, no. Because you have channel inventory go up and down and different channels have different amounts of inventory associated with it. You will have a pure-play e-commerce channel. And keep in mind, that's what we're talking about, pure-play e-commerce over there. You'll have inventory levels move up fairly high or come down there on a frequent basis. This would be the lowest I think we've ever had it, but it would be higher than six months at times.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And you've alluded to price competition. Could you be more specific, please, what you're seeing there?

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

Yes. For quite a while we were seeing pricing that was lifting the industry, and I'm talking about pure pricing, not trade up over, but pure pricing that was running about 2% to 3%. And that was supporting contact lens growth that we were seeing at the time thatwas closer to 7%, 8%. You're still seeing positive pricing on a global basis. So let's be clear about that. You're seeing positive pricing in the US, we've seen some price increases in an inflationary environment. But when you look at pricing outside of the US and especially in Asia Pac, there is definitely situations where competitors are getting more aggressive on pricing. In some of those channels, pricing is actually coming down where people are being really aggressive. We've seen that on that pure-play e-commerce side of the business. Could we get a little bit more aggressive there if we wanted to? Of course, we could. But we've chosen not to do that. And as I said on the call, that is low-margin business. When you look at the quarters that we're reporting, I get the organic growth, but our profitability has been sound. Our cash flow is improving, all that stuff is improving. That channel is not a particularly great or profitable channel. Now you can move some older inventory through there, and we all have older hydrogels and we all have products that we'd like to move down a little bit in inventory. I don't begrudge anyone going in different ways and different strategies, but that's not really profitable business.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And you talked about the clariti issue bleeding into '26, a minute ago. The China e-commerce issues --

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

No, not into '26, into Q4.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Into Q4. The China issue, is that done? In other words, you were down 25% in Q1, you're flat in Q2. You said you were down a similar amount in Q3 to Q1. And where are we now?

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

Yes. Whether some of that impacts Q4 here, maybe it does, we got down to 2 months right now, unless that goes to 0, unless we exit that market entirely, then yes, we're done with it. We're not going to exit the market entirely. So yes, we'll be done with it.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. So taking a step back, you grew 2%. The two issues are you grew below market for the second time in three quarters, and we haven't seen that, Al for 10-plus years. And then the market slowed to 4% in the first half, to call it, 7% last year. Maybe help address, a, the confidence you're not losing share and b, the market is not challenged.

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

Yes. Let me break that into two pieces. If you look at the market from a share perspective, we have probably lost a little bit of share, where we don't have MyDay. MyDay is our premier product. It's the product that everybody wants. It's the product that we're successful in the daily space. That's the product that people want from us. Will they take clariti and do they fit clariti? Yes. And do people like clariti as an entry-level product? Yes. And it does well there. clariti grew in EMEA this quarter and clariti grew in the Americas this quarter. But if we have a market where we don't have MyDay and we can't really compete, that's a share pressure market. Look at Europe. We report as EMEA under our numbers. If you look at EMEA, that's a market where we're pretty much operating with our full set of products, with our full capabilities. Now they don't have everything. They don't have MyDay Energys, as an example, but they have pretty much everything, and they have it positioned that way. They have MyDay as a more premium product in private label. They have clariti as the entrance level product. And look at our growth rates in EMEA, look at the market where we're really doing well. If you get outside of that area where we've had less MyDay to be able to sell, you get pressure on share. We have good competitors, good smart competitors who do a good job with good products, and that's where we've been struggling, where we haven't had the MyDay capacity.

So I think you have that piece. When you talk about the market, market is in pretty good shape. I mentioned it on the last quarter's call and I would say there's been a little bit of consumer purchasing behavior and a little bit of movement there. But I don't put too much weight on that.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

What is the change in consumer behavior you've seen?

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

Yes. It ends up going to purchase behavior. Where we haven't seen a change is when someone goes into the optometrist and the optometrist recommends or prescribes a more premium product, a silicone hydrogel daily, a toric or multifocal, we're continuing to see wearers purchase those products. That's the good positive side of it. When you look at purchase behavior, does someone buy a year's supply or a three-month supply, that kind of activity. There's still a little bit of noise about that. Not a lot, but there's a little bit of noise about that.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And Al, maybe talk about the market growth drivers. You were asked about it on the Q3 call, but I'm looking for more specifics. So for example, where are we in the shift to dailies, where are we in the penetration of silicone hydrogel in both frequent replacement lenses and dailies? I'm trying to understand is the trade-up those drivers, the dailies and silicone hydrogel have plateaued.

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

Okay. Yes, from a market perspective.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

You use to give that data, right? You used to get some of that market color.

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

Yes, because there's a lot of numbers that can come out there and get confusing fast. Let me see if I can just give you some good numbers there. If you look at the FRP market, about 90% of that is silicone hydrogels.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Dollars or volume?

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

Dollars. Yes, I'm trying to go dollars, I'll keep it in dollars. Because dollars to wearers can get a little confusing.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay, just so we understand.

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

Yes. So, if we do it that way, we say about 90% of that. If we look at the daily silicone hydrogels are about 65% of that market.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

So frequent replacement?

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

90%.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Silicone hydrogel 90%. Dailies silicone hydrogel 65%.

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

65%.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay.

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

Right. And there's no reason to believe that, that 65% won't go to 90%. It's just a matter of time of how it's going to get there. That's probably the easiest way.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And what about the conversion to dailies? Like in the US and major markets, is there still this conversion opportunity?

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

Absolutely. Yes, absolutely. Because you're seeing that in those numbers themselves. But you're also seeing it within dailies. Dailies continue to become a bigger part of the overall market.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Any numbers you can share?

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

You're probably about 40% of wearers are daily wearers right now, and that should clearly be 50% plus.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

That's a US or global number?

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

That would be a global number.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. I'm just trying to understand if the tailwinds are still there.

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

Yes, I absolutely think the tailwinds are still there. If I looked at the market this year and I look at the market maybe even next year, where we sit today, I think you're going to get about 1% from net price. That's what we saw pre-COVID, the market was running there. And I think we'll see that again moving forward because there is positive pricing in a number of markets. If I look at wearers, 1% of the market growth will come from wearers, and we continue to see that. That was similar to pre-COVID number. And if we say 4% to 6% for the market, that remaining 2% to 4% will come because of trade up to dailies, daily silicones, torics, multifocals, all that stuff. But I think that the days where we were growing 6%, 7%, 8% as a market, those are probably behind us because you pulled that pure pricing side out of that.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

When you talk about the myopia opportunity globally, not myopia management, but just the explosion of myopia, why aren't wearers growing more than 1% globally for contact lenses?

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

I think it's just the slow progression of how it's working out. Because right now, you have about 34%, 35% of people around the world are myopic. The forecast is 50% of people will be myopic in the year 2050. So that's a big number that just continues to shift over time. I don't see that changing. People seem to keep reinforcing those numbers. So could you see a greater number? You could. As we went through COVID and came out of COVID, we were talking about how that was 2%. But right now, it seems to be just a slow, consistent progression of people needing visual correction.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And the other thing I wanted to ask about is your share in the silicone hydrogel daily disposable market. Because really, when I've looked at the number, that's driving a large part of the market growth, that subsegment, if you will. So you said you had a $1 billion total MyDay, clariti sales in fiscal '25 or you will, on the call. Can you talk about your share position in silicone hydrogel dailies. I'm trying to understand if you're gaining or losing share?

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

We're about 25% global market share in daily silicone hydrogels right now. We're about 21% share of dailies in total. So higher in daily silicones than in daily. So as the market continues to shift to daily silicone hydrogels, that's a clear positive for us. And we were better and growing faster for a number of years when we had the MyDay capacity. So I think we've held up fairly well in the grand scheme of things over the last year, 1.5 years with pretty limited MyDay relatively speaking. But I think we probably have lost a little bit of share in the daily SiHy space over the last couple of years, and I think we'll be recouping it now. And I think these private label deals that we're doing right now are going to be the biggest driver that's going to pick back up.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

One question I've gotten is, you've been spending a lot on CapEx. How can you not be in a good position on MyDay supply yet?

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

Yes, so we are. So, we are. But it was literally the month of May when we went out and told our salespeople, hey, you can go sell MyDay now. You can sell it, we'll have fitting sets for you, we have trial lenses for you, you can win private label business. You can go out there. Now I'm sure our competition did the same thing we do. You hear somebody is constrained, you're out there going hard core doing everything you can against them. That's fine. We do the exact same thing. But we finally got in a position only a few months ago where we could go out there and aggressively sell that product.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

So Al, on 2026, you got a lot of questions on the call, and we talked afterwards just to understand if I heard your comments correctly, you expect the market to grow 4% to 6%, despite only growing 4% in the first half of the year.

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

Yes.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

You expect core CVI to grow in line with the market, 4% to 6%, plus 100 basis points from MiSight, which would be 5% to 7%. That's how I interpreted your comments on the Q3 call. My question is, a, well, just confirm that's the right way to think about it; and b, why not be more conservative right now?

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

Yes, directionally, I would agree with everything you said. When we get on the December call, which is our fiscal Q4, when we give guidance, we'll give the numbers and details behind it. But I do think the market is going to be fine. I think the market will grow 4% to 6%. And you're right, we've been 4% and 4% here to start this year out. But there's enough underlying characteristics that are going to continue to drive the market mid-single digits. And I think it will be a little bit better than the 4%, we've been running at. I think that we'll take share against that. If nothing else, candidly, we've had a couple of things here that are maybe transitory, maybe they're not, when you look at some of the inventory pull downs, but we're comping against that activity and we should be able to put up better growth rates comping against that activity. Plus, I would say, most importantly, is MyDay capacity. I've been talking, Larry, I think for years, I could go back and look at the transcript at this conference, talking about being capacity constrained on MyDay and being able to sell it once we can make it. Being capacity constrained has been a challenge for us for a number of years. I feel really good sitting here for the first time in years saying that we can supply that product. And you're going to see it because that's how we're going to finish up the CapEx payments. You pay for these big lines roughly 1/3 when you order it, 1/3 upon delivery, 1/3 upon completion. And that's what we're paying right now is the completion orders. That’s why Brian talked about the $2 billion of cash flow. I know it's been a tough process working through some of this, but I feel good where we are right now. And I think we'll capitalize on that. And when I look at the MyDay growth that I referenced earlier, double-digit growth this quarter, that's a precursor to what's to come, on a bigger number.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Switching gears, because there's a lot to cover. I mean, I'd love to drill that on MiSight. Maybe we'll come back to it. So it's a lot to cover. So fertility, when does that market turn?

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

That market is turning now. We're seeing it get a little bit better. There was probably three things that really were impacting that market a little bit, and it fell off relatively quickly and for anyone unaware, we reported double-digit revenue growth in fertility 14 out of 15 quarters. It was a long time. And then our growth rates came way down. We've been seeing that underlying market starting to get a little bit better and starting to get a little bit healthier as the year of the snake moves behind us and some cycle activity starts to pick up a little bit. I think all of that is a positive. We have a really hard comp in Q4, but I think you're going to see mid single-digit growth starting to come from that market in the near future.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And you still think this is a high single-digit market long term?

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

I think it's at least a mid-single-digit market long term.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

So that's a change. Is that fair? You used to think it was probably more of a high single-digit market.

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

I would not say that it can't get back up there, but look at what happened. You had Trump come back out in February and said, hey, we're going to cover IVF or we're going to require insurance companies to cover IVF. You had people wait for that. You've had people wait to go through that process because of that comment. Now obviously, the government is not covering it and reimbursing it and they probably won't. But you had some cycle activity softness because of that. You had some cycle activity softness in Asia Pac. You have some consumer concern there because unlike a lot of products, if there's consumer concern the economy, this isn't like you're buying something and you're stopping. When you go through a fertility process, you have a baby at the end of it. Which you have to pay for and take care of. So there's a greater hit when it comes to any economic concern. Do I think fertility can get back up to the upper single digits? There's enough indications in the world around birth rates declining, that there's a lot of positive underlying fundamentals. As we get in the near term, saying it's a mid-single-digit grower is where it should return to.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. As soon as next year?

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

Yes.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. So while we're on CSI, the question I probably ask you every time we talk publicly, the reason to keep these two together, what's transpired the last few weeks, or week make you rethink having these together. And the way I see it is, if I look back with the exception of the Sauflon acquisition, you've largely used cash flow from CVI to do CSI deals. Most people own the stock for CVI. If you separate these two, you could basically return cash. People own both these separately, you return cash to CVI shareholders. It's just different, why keep them together?

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

Well, a couple of things. One, we have never held back on any CooperVision investment activity because of something that's happened in CooperSurgical. We have always and will always invest in CooperVision first and foremost. There's been nothing that's negatively impacted Vision because of that activity. When I look at our stock, we were $110 a year ago roughly. And we had a forward multiple that was based off the success of the contact lens industry and the success of the fertility space. And that multiple was in our entire earnings, and that was good. And we were plugging along just fine. You fast forward a year later to today, and you've got the negatives on both sides of that. I look at it and say, okay, I do believe very passionately that our contact lens market is going to be growing better. And we won't ratchet up in the snap of a finger. But are we going to take steps there as consistent improvement? Are you going to see better Q1, Q2, Q3? Yes. So as that plays out, we'll get the better forward multiples. People get more comfortable that this isn’t some strange, weird dynamic. The fundamentals are still sound in the industry, and our position with the industry is still just as good as it's always been. That's going to play out. I do believe fertility is going to get back to mid-single-digit growth, and we'll get strength on that side of things. And there's a few positives within our med device business. As we move that forward, I envision our multiple returning at least closer to market levels and everything gets pulled up. If all that happens and we don't get that return, if the multiple doesn't happen, if there's something holding us back, it has not happened historically, but if it does, and it holds us back from our ability to get the maximum shareholder value, then yes, we would take a look at it and we'd say, okay, maybe we do need to split these businesses. There's dyssynergies that happen when you split these two businesses. And you have to have somebody that's interested in both assets at a slightly lower earnings rate. But we will make that move if we're not getting the valuation multiple we deserve.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. Fair enough. I was going to ask you a follow-up question on that, and I forgot. I'm so interested in your answer to that one. I'm sure I'll think of it.

Okay. '26, I have a long list of questions on the P&L stuff you gave. But at the end of the day, the Street came out at about $4.43, implying 8% year-over-year reported growth. We took all the pieces you've given, and we got to call it $4.41, so pretty close. I guess before asking all the specific questions on tariffs, et cetera, is the Street properly calibrated based on the pieces that you gave for '26 on EPS?

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

Yes. I'm trying to avoid giving guidance for next year, but I think if you took all the components, and I'm sure you have all the components there, how we get there, I think you're probably looking at it fairly. We need to get to the point where we give guidance and we look at current FX rates and taxes, tariffs, all the stuff that you highlighted there. The one I would add that people don't really know yet, but it will be an important one, will be this reorganization work that we're doing. Brian mentioned it on this last call. If you look at the CooperSurgical business, let's start there. We were doing probably three acquisitions a year. We probably did 30 or 40 acquisitions over 10 years. The last one we did was in August of last year. And we have done a lot of work in that business over the last year to finish the integration activity that we've been working on. We put a new ERP in there. We've automated a lot of stuff. That CooperSurgical business is not as efficient as it should be from an OI perspective, and we're doing a lot of work on that. Now we also have other related corporate work that we're doing. But we have an inefficient structure there. We still have good operating margin, certainly. We need to transfer it more to cash flow, but we also need to leverage our revenue growth to a greater degree. We're spending quite a bit of time on that right now internally. There's a heavy focus. Brian is doing an amazing job on that and drilling down into those details to say, okay, what can we do? What makes sense? Not impacting revenues. But what makes sense. Now the timing of this happens to coincide with what we're talking about, but this process was started quarters and quarters and quarters ago. This is all playing out under the strategy that we had envisioned. But we have not given numbers or details associated with that other than Brian made a comment it would offset tariffs. That restructuring activity or reorg activity, that's important for us right now because that's how we're going to leverage a lot of our earnings going forward. Because when you look at next year, we've made some good improvements in gross margins, and we pulled our gross margins up higher. Everything we're talking about with MyDay and the daily growth pulls those gross margins down. That's pressure on gross margins. Now we've got improvements, manufacturing improvements, and everything else to work hard to keep gross margins where they're at, but we need to do a better job leveraging the revenues that come through the P&L. And that's what we're going to focus on.

We're still driving towards low double-digit constant currency OI growth every year. That's what we strive for. And we're still striving for that. In order to accomplish that, when you're looking at tariffs, we said tariffs were $24 million.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

$24 million, yes.

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

$24 million. To get over that and to hurdle that, continue to put those numbers up, we need to do a better job running a little bit more efficiently. We haven't given any numbers around that. That's why I was just saying that was the one pause factor on that.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

But it sounds like you still expect to be double-digit constant currency OI growth, excluding tariffs. Is that there or not?

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

I'm not giving guidance yet.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

This program we talked about could make it difficult to achieve that excluding the tariffs.

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

Well, the program I'm talking about is a beneficial program. You take the earnings hit or you take the charge, but you get the benefits. So that provides upside to our results for next year. But I don't want to get into specific numbers or guidance around it yet. What the Street is looking at, what you're looking at as we sit here today, is probably a fair way to look at it.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. And free cash flow, by our math, your guidance, you're a little bit shy of $400 million this year for free cash flow. Is that fair? So, the $2 billion over the next three years, apply $650 million a year. That's a lot. How do you get there?

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

It's not a lot today, to be honest with you. You go back in time, we have generated, in one year we had 22% of revenues in free cash flow. We had many years in the upper teens and 20% as a free cash flow yield, if you look at it as a percentage of revenues. We have been down for a number of different reasons. But we're in the uptrend on that right now. We're going to have CapEx come down. Our investment cycle has come in. We're at the very end of that. You're going to have CapEx come down and you're going to have your operating cash flow continue to improve. We'll stay focused on working capital metrics. But to me, that's a consistent improvement. That's not like some big bulbus and then we stay flat. '25 will be a better free cash flow year than '24, '26 will be better, '27 will be better. We'll get a step improvement as we move over the coming years.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And, so two follow-up questions. One, I remember my question before, the insider buying, we saw some yesterday, but not everyone bought. You haven't bought. You talked about the start being depressed, the multiple being depressed, why not?

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

Well, that somebody bought yesterday. I haven't had much time tostop. I flew here yesterday. So don't be surprised if you don't see something.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And what are you going to do with the free cash flow, with the increase?

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

Twofold. We've talked about paying down debt and we talked about stock buybacks. We didn't do stock buybacks for a number of years. We did a little bit in the first quarter, in our fiscal second quarter, we did a little bit more , 52% tip our hat, but no reason to me we won't be more aggressive on share repurchases. We're more comfortable with our free cash flow today than we've been over the last couple of years. So as we look at that $2 billion of free cash flow, and I look at the multiple of the stock right now and where things sit, the best return that we can get on our money right now is reinvesting in ourselves and that's returning money to shareholders through stock buybacks. So we'll likely be a little bit more active there.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

And Al, we've got a little over a minute left. We covered a lot of ground. I know we skipped over MiSight, but you've talked to a lot of investors over the last week, I'm sure. What else? What do you want to highlight during this fireside chat that we didn't cover that you're hearing from investors.

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

Yes. Well, I definitely think we covered it. We covered the hot topics on it. We have a good handle on our business, and we run it well, and you see that from an EPS perspective, and you're seeing it from a cash flow perspective. Where we've fallen short here recently has been on the organic growth side. And I really firmly believe that we've corrected that with MyDay and you're going to see the improvements on that in the coming years and the upswing from that. And the challenges that we've had here in Q3 and that we're finishing this year with will be in the rearview mirror in the very near future. Somebody said it to me yesterday or the day before, they were like, damn, the future is super bright. We just have to get there.

Larry Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. Good. Perfect way to end it. Thank you again for being here.

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

Yes. Absolutely. Thank you.