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PRESENTATION

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

Hi, everyone. Sorry for the technical difficulties. This is Steve Lichtman, medical devices analyst at Oppenheimer. Welcome to the 31st Annual Oppenheimer Healthcare Conference. I'm very happy to have with us up next CooperCompanies. With us today is Dan McBride, Executive Vice President, COO and President of CooperVision; and Kim Duncan, Vice President, Investor Relations and Risk Management.

We're going to do this in a fireside format. If you have any questions, please key them in, and I will get them over to Dan and Kim. But with that, thank you both for joining us today.

QUESTIONS AND ANSWERS

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

Dan, I thought maybe we could talk a little bit to start off about the underlying contact lens market dynamics. You guys have pegged the market pretty consistently at a mid-single-digit level. There's multiple drivers. And I'm wondering if you can talk about where we stand on 2 of them. First, the shift to dailies. And then second, the upshift to silicone hydrogel.

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. What's nice about 2021 is 2021 is really shaping out to be a decent baseline year, at least in terms of how we're seeing guidance, and we felt comfortable enough to put out full year guidance on there.

We've been looking for how do you measure the market going forward. When we talk about a 4% to 6% growing market, 2021 may not be perfect, but it is measuring out like a relatively normal year despite the pandemic, other than maybe the European market which has been a little bit slow.

When we think about the big trends within the market, the big trends are the shift to 1 Days and 1 Day silicone hydrogels, the shift to torics, the shift to multifocals, and a distant or more out there future trend is this shift to myopia management.

When we think about the 1 Day market, it's strong. You're really seeing it being the greater percentage of the revenue market. It's over 50%. When you look at 1 Day silicone hydrogel, if I were to go back, we've always been projecting that the move to 1 Day silicone hydrogel is accelerating. Three years ago, the market was around 35% 1 Day silicone hydrogel in the 1 Day market. It's now [around 46%] (corrected by company after the call) of the 1 Day market. You're seeing that trend go there.

When we think about where that's going to, the FRP market is now around 86%, 87% silicone hydrogel. There's this block of about \$2.4 billion of 1 Day hydrogel that is now accelerating into a shift into 1 Day silicone hydrogel.

For us, when I look at it, when we started this journey of pushing back into the 1 Day space, we were around a 14% [market] (added by company after the call) share, and now we're around a 19% [market] (added by company after the call) share in the 1 Day space. That's all being driven by

the push to 1 Day silicone hydrogel. We're capturing almost 30% of all 1 Day SiHy fits and the share in that space. It really is a transformative point for us going from being really a small player in the 1 Day space to being a major player in that space, and it's driven by 1 Day SiHy.

All those trends are progressing. If anything, the pandemic has been a little helpful to the 1 Day space because consumers are more interested in the healthiest modality. They don't want to do the cleaning. We're seeing that push. But it really is an extension of a trend that was there pre-pandemic and consumers going as a first choice into 1 Days as opposed to going to FRP and then shifting down into 1 Days.

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

Have you been surprised, Dan, by the relative performance of your 2 daily silicone hydrogels. In that, you're more premium product, MyDay, more recently seems to be outpacing clariti. Of course, you have offerings at both levels. But I think the thought, maybe a few years ago, was that you really needed that lower cost to lead the way. But it sounds like the premium product is even a bigger driver.

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. What's really accelerated that is MyDay toric, because Biofinity toric has such a loyal following to Biofinity toric, it's the #1 toric in the market and that's putting a lot of acceleration behind MyDay toric. It was capacity constrained. Now that it's unconstrained and able to expand into markets, it's allowing that bit of acceleration. Both products are doing well, but certainly MyDay toric is driving the MyDay franchise faster at this time.

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

And then you mentioned, Dan, toric and multifocals, where Cooper certainly has been and is a leader. What portion of the market are those segments today? And given the market dynamics and aging population, where do you think that's going to go over the next 3 to 5 years?

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. Currently, torics represent about 24% of the soft contact lens market. When we look at the amount of astigmatism in the population, it's around 30%. There is still a lot of room for torics to move up and take a greater percentage of the share of soft contact lenses, especially as you're starting to expand out the opportunities around torics, which is twofold. One, we're doing with Biofinity XR, which is really dramatically expanding the number of toric SKUs; over 200,000 additional SKUs that we can fit.

But also now, in terms of the 1 Day space, because we are pushing the outer limits of where 1 Days have been. They've always been more of a center of the bell curve toric product and we're pushing that out to be more full service to people with astigmatism.

When we look at multifocals, that's about 10% of the market. The multifocal ceiling is hard to predict because you have a large population of soft contact lens wearers that are aging. Everybody is getting presbyopia. There's no avoiding it, whether it's in your mid-40s or your early 50s, and people are loyal and want to stay in contact lenses.

We're seeing that grow. It's hard to predict how big it could get because you have to estimate how many of those people choose to stay within contact lenses. Also, it's a new entry point for people to come into contact lenses that previously had no vision correction, but they don't want to wear glasses and then they go into contact lenses. But that 10% is definitely a growing number, and there is no theoretical ceiling on it. But we're encouraged by the growth. It's all a matter of continuing to put out products into that piece of the marketplace and reducing the amount of compromise that you take with a multifocal lens.

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

Got it. So I want to shift the course to myopia management, which is obviously a key focus currently for Cooper. I think we all know the size of the myopia market and the outlook there. Maybe if you could talk to investors that don't know, why MiSight? I mean maybe talk a little bit about the journey in terms of the data collection and what that shows in terms of being able to slow the progression for kids?

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. What's driven this company's growth and our above-market growth really for the past 15 years has been the growth of Biofinity in the FRP space. In the last 3 or 4 years, we've seen another S-curve of growth, which is the 1 Day silicone hydrogel space. What myopia management represents to us is that next third wave of growth that we bring in by expanding the category, bringing younger wearers into contact lenses and also changing the mission of what it means to have vision correction at a young age.

When I was growing up, it was really still the genetic lottery of what vision was. You didn't have any choice. Your vision was going to decline over a period of time, usually between ages around 5 to 17, and there was really nothing you could do about it. We started investing in this field about a little over 10 years ago because the science was becoming pretty clear that there is a lot of environmental factors that influence the growth in the progression of the eye and that those environmental factors could mechanically be stopped.

We brought in MiSight into the market. We bought into the technology about 10 years ago. What we realized was that while the science was developing there, clinicians and opticians really hadn't bought into that. They didn't really know that you could look at myopia as a progressive disease. And I think that now is what we've gone over that hump now, and it's pretty accepted universally within the optometry community that this is a progressive disease. It is treatable.

We invested in MiSight in a long-term clinical study. We just finished our 6-year data and we'll be wrapping up the study because the participants are now graduating out of myopia management. They are past the age where their eyes are growing and what we found out of that, which was really super exciting and led to the FDA approval, was we had 60% control, a reduction of 60% of the progression of myopia.

What's more exciting underlying the data though, is about 40% of the participants had very little to no progression of their myopia. So, clinically stable eyes over that full 6-year period, and that's really exciting because then you're talking about not only slowing the progression of the myopic population, you're stopping the progression. It's basically almost a cure. You can't reverse the growth of the eye, but you can definitely stop it.

Now the step forward really is a lot more about execution. The science is clearly there. Optometry is buying into the science. It becomes almost obvious that this should be standard of care treatment for children. Why would you allow a child who's come in to your office who was a minus 1, has progressed to a minus 1.5, why would you let them progress further if you have any ability to stop the progression of the myopia with standard tools that you're using to treat the child anyway?

That's why we're excited about it because it's opening a really big new category. It's a new mission for optics. It's not just about correcting vision. It's actually about reducing myopia. We're starting to see all of the players in the category taking active steps to be involved in the market.

On the large spectacle side, you have Hoya and Essilor introducing products into the market. You have us with the only U.S. FDA approved product in the market. You have J&J actively working on programs and they put out a paper around how we should clinically manage myopia.

It really is just at the very early stages of that build and right now, the effort around ours is how quickly can we push that ramp.

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

And I want to get to spectacles in a second because, of course, you now have a play there as well. But just for now sticking on MiSight, you've been pretty consistent with your guidance for this fiscal year of about \$25 million in revenue. What portion of that will be outside of the U.S. in your

mind? And outside the U.S. where MiSight has been on the market, of course, longer, how much of the growth that we are seeing is same-store versus you going into new countries or new markets?

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. It's a good story all around. Because MiSight has been in the market longer, and we launched it 10 years ago, it took a while to really get off the ground, largely due to the lack of clinical data and the need to really get opticians to believe that myopia management was the type of treatment you should be doing with children.

Buy what we're seeing, in terms of the growth that we're projecting is that more than half is coming from outside the U.S. Of that, the existing markets are growing strong. You saw around an 80% growth outside the U.S. in the last quarter. But that growth is split between 2 things. It is the existing markets that are pushing up that growth. But we are also entering into new markets. We're entering Taiwan. We've talked about entering into Russia. We're going into those markets as they open up. The big markets to enter will be China and Japan, when those show up, but we're not projecting either of those markets in 2021. I would say it's probably 60-40 of that growth, 60% of it coming from the existing markets continuing to grow and penetrate more deeply and about 40% of it coming from new markets entering in for the ROW sales.

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

Got it. So in the U.S., you've updated us on the calls on the number of fitters who have gone through the training on MiSight. Wondering if you could talk a little bit about post training and what's happening on the field after the fitters are getting MiSight in their hands and what kind of reorder rates you're seeing? Anything you can talk about in terms of the initial receptivity in the launch?

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. We did a lot of targeting at the beginning. We're having a pretty good uptake with the initial fitters that we've brought in. But really what it is, pushing them first to adopt which, is getting 2 people fit into the lens so that we know that they're comfortable having that conversation with the parent, having got a child in there, and then starting to get some experience with it. Then it's pushing beyond that to becoming a regular part of their practice.

We're seeing the typical spread that we would see where you have people who have adopted, but they haven't yet fully adopted it into their practice. Then we have, what we call, myopia management specialists to work with them and get them comfortable to where they are regularly fitting children every month. Then for them, it's more around support around how do we accelerate that? How do we get more children into their practices? What are the tools that they need?

Then there's those ones that are like, "Hey, I'm in the middle of the pandemic. I do plan to bring this in. But right now, I'm really more focused on my limited chair time servicing the patients that I have."

We're seeing all of that. The biggest limitation that we're really seeing right now tends to be pandemic-oriented, which is either time to get staff training done or staffing shortages within there, just chair time available. So it's sort of like the momentum is there, the energy is there, but it's about figuring out which ones are ready to go now and can get active quickly and then what are the barriers for those that have gone through the training and are just saying, "You know what, yes, I want to do this, but I'm not yet ready to do it." And mostly what we're hearing on that tends to be pandemic-related reasons, which is that it's just not a great time when they're trying to get their practice fully up and get the revenue streams back in play.

We saw a bit north of 80% growth in the U.S. as well, which is great, but this is all early days. None of the numbers are terribly meaningful because it's all about the ramp, and it's about getting those power users in place and solving the problems of those that are going through. We expect to see pretty high-growth rates all the way through. But what we're more concerned about is figuring out, making sure we're breaking down the barriers of those practices to be able to get into the field.

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

So given sort of where you're at with MiSight in the ramp, interestingly, you did do this deal with Essilor, an acquisition and sort of collaboration on a myopia management spectacle. So can you talk a little bit about, why now? And then secondly, where you think spectacles fit in the armamentarium versus MiSight?

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. So the why now, we've been talking about spectacles for a long period of time. We obviously did an investment in SightGlass a few years back because we saw that as a really exciting technology. The reason why we get excited about spectacles in the space is that it's just how the progression of myopia occurs.

You have many children starting at ages 4, 5 and 6 years old. These are not children that are going to be put into contact lenses. Once they lose a certain amount of vision, you don't ever get that back. The eye grows and the eye doesn't shrink back. If you can capture that child at the earliest age, the amount of progression of myopia you can reduce is almost double what you can do if you're capturing the child at age 10 or 11 or 12.

The level of benefit is tremendous by getting a child at a much lower cohort. We've always viewed spectacles as being the solution to that problem. It wasn't convincing practitioners and parents that they're going to put contact lenses on a 5-year old, that wasn't the solution.

That's what's exciting to us. Once you get somebody into a treatment regimen, now you have them captured into a journey for 10 to 12 years, that's massively beneficial to them, but it's also very beneficial to the practice as well. We know that contact lenses are highly desirable to children at a certain point in time. Right now, that tends to be between 14 to 16 years old. But we also know that they're not easy to defeat in terms of the treatment.

If you're a minus 1 as a child, you can just take your spectacles off and you probably can spend almost your whole day without any need whatsoever. It's only going to be the blackboard or a few other things that you can't accommodate with your eyes. But if you're not wearing the spectacles 10 hours a day, 6 days a week, you're not getting any treatment.

That's why contact lenses will still be the superior solution because they're not easy to defeat. But the idea of getting people on a myopia management journey as early as possible is really what excited us.

As to Essilor, they are our partner in China. When we bought into Paragon with Ortho K, and China is a massive myopia management market with OrthoK, the distributor for that product is Essilor. We are in conversations with Essilor about MiSight going into China. Certainly, when we acquired SightGlass, about that, and Essilor because they are a spectacle manufacturer. They were excited about the opportunity, and they wanted to have a piece of the opportunity as opposed to just being a supplier of the product.

And given that that is more their space than our space, it seemed like a great collaboration. Essilor on top of all of that, they have a track record around myopia management that's even longer than ours. They're very committed to it. It's been a top priority there. The idea of getting 2 companies in the space that are major players in their respective fields, both who are very, very committed to myopia management, both committed to pushing and creating the field, it just seemed like a great opportunity.

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

Thanks, Dan. Just thinking about the broader vision business. Cooper, of course, has been a share taker on the new product cycles that you mentioned earlier. You do have competitors who seem to be picking up the pace a bit as well in terms of some new product flows. So obviously, you're confident in continuing to take share.

How much of a part does MiSight play in that? How much of a part do your other ongoing products play a part in it? Talk to us about what are the key drivers in your mind to continue to grow ahead of the market.

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Yes. When I think about share taking, I view MiSight is just as a plus. It's an upside. When I think about share taking, we have an incredible business in Biofinity and clariti and MyDay and both the FRP SiHy space and the 1 Day SiHy space. We try and keep the company very focused on those because those opportunities are still running, even though we're at what seems to be the tail end of the Biofinity S-curve of growth, it's still growing extremely strong.

The FRP category as a whole is slightly declining. Biofinity, reported 6% growth. It's partly because we keep adding new features, new ranges that Biofinity can reach. We remain excited in that segment. But the real segment that we're focused on is 1 Day SiHy, because when you look at our overall share of around 25% of the market, our FRP share is closer to 30%, and our 1 Day share is at 19%. There's tremendous potential right there. There's \$2.4 billion in standard hydrogel product that's going to largely move into silicone hydrogel product over the next 5-plus years, and we're over indexing in how much of that we take.

When I look at what competition is doing, they're doing some smart things. Bausch just launched their INFUSE lens. That's fine. The difficulty there for them is the same difficulty we face, which is they don't have a big 1 Day install base. It's difficult to capture share when you don't have an install base.

Our advantage was we were earlier to market, and we had full families of products. That allowed us to get that edge in there. They have a tougher road to haul just because they can't just look at their own family and trade that up.

If you look at what Alcon is doing with PECESSION1, really nice move, getting the PECESSION1 toric was a smart thing to do as well. They have a lot of work to do. They have about \$1 billion of DACP that's in play. That provides some share to us, but it definitely provides a lot of growth opportunity for them so I think they're well positioned.

The one we're still waiting on what their solution is, is J&J because they have the largest family with MOIST and they haven't really introduced into market an answer to the distance between the premium 1 Day SiHy they have in the market and MOIST, which is a very fine hydrogel in the market. That continues to be the biggest share giver area. Eventually, they'll correct that as well.

While they're catching up to those positions, we're advancing our portfolio. We have 1 full family of product with clariti. We're going to be launching the MyDay multifocal later this year, so we'll have 2 full families of SiHy product. And within those families too when you look at the SKU range of toric that we're providing, we're providing a much bigger range of toric, and they'll eventually expand their range of toric as well. But we're going to continually push those boundaries. That gives us a lot of traction and a lot of ability to continue to sell our story to ECPs.

When I think about selling that story, I'm not selling it into a market that's hostile to us. I'm selling it into a market on the FRP side, we have close to above a 30% share. These are customers that have made decisions to work with us in 1 segment of the market and have pushed more of their business to maybe Alcon and J&J in another segment of the market. It's pretty fluid, and if you have a competitive product range, it's a good market to be able to sell into.

We feel comfortable and very focused that, that's the main purpose of what we're doing over the next 5 years, is really pushing that change. I cannot be more excited about myopia management. I love talking about it, but the real mission of the company over the next 3 to 5 years is to capture a fair share of that 1 Day SiHy space because then we're talking about tens of millions, hundreds of millions of dollars. By the time we capture that, then we can start talking about those numbers really existing on the myopia management side.

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

Well, we hit end of time. We didn't even get to the surgical business, which had a strong F 1Q as well. But we'll save that for another day. But thank you so much, Dan and Kim, for joining us today. Thanks, everyone, for dialing in, and hope you have a great rest of the day.

Thanks a lot.

Daniel G. McBride - *The Cooper Companies, Inc. - Executive VP & COO*

Thank you. Take care.

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