Co. reported 1Q23 consolidated revenue of $858m and non-GAAP EPS of $2.90. Expects FY23 consolidated revenue to be $3.50-3.55b and non-GAAP EPS to be $12.60-12.90.
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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q1 2023 Cooper Companies Earnings Conference Call. I would now like to turn the call over to Kim Duncan, VP, Investor Relations and Risk Management. Please go ahead.

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

Good afternoon, and welcome to Cooper Companies First Quarter 2023 Earnings Conference Call. During today's call, we will discuss the results and guidance included in the earnings release and then use the remaining time for questions. Our presenters on today's call are Al White, President and Chief Executive Officer; and Brian Andrews, Chief Financial Officer and Treasurer.

Before we begin, I'd like to remind you that this conference call contains forward-looking statements, including all revenue and earnings per share guidance and other statements regarding anticipated results of operations, market or regulatory conditions or trends, product launches, operational initiatives, regulatory submissions and closing or integration of any acquisitions or their anticipated benefits. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Events that could cause our actual results and future actions of the company to differ materially from those described in forward-looking statements are set forth under the caption forward-looking statements in today's earnings release and are described in our SEC filings, including Cooper's Form 10-K and Form 10-Q filings, all of which are available on our website at cooperco.com.

Also, as a reminder, the non-GAAP financial information we will provide on this call is provided as a supplement to our GAAP information. We encourage you to consider our results under GAAP as well as non-GAAP and refer to the reconciliations provided in our earnings release, which is available on the Investor Relations section of our website under quarterly results. Should you have any additional questions following the call, please e-mail ir@cooperco.com. And now I'll turn the call over to Al for his opening remarks.
Albert G. White - The Cooper Companies, Inc. - President, CEO & Non-Independent Director

Thank you, Kim, and welcome, everyone, to Cooper Companies First Quarter Fiscal 2023 Conference Call. We started this year on a positive note with strong operational performances at both CooperVision and CooperSurgical. For CooperVision, we reported record quarterly revenues in our eighth consecutive quarter of double-digit organic revenue growth. For CooperSurgical, we posted strong results, including fertility reporting its ninth consecutive quarter of double-digit organic revenue growth. Earnings exceeded expectations, driven by the strength in revenues and investment activities yielding operational efficiencies faster than expected.

This is exactly how we wanted to start the year, and we’ll continue balancing investment activity with prudent operational management to deliver solid results. Moving to the numbers. Consolidated quarterly revenue reached an all-time high of $858 million. CooperVision posted record quarterly revenues of $581 million, up 10% organically and CooperSurgical posted revenues of $277 million, up 10% organically. CooperVision’s growth was led by our daily silicone hydrogel portfolio, and myopia management and CooperSurgical’s growth was broad-based with strength in many areas. Non-GAAP earnings per share were $2.90.

For CooperVision in Q1 and reporting all percentages on an organic basis, revenue growth was strong and diversified. The Americas grew 9%, EMEA grew 12% and Asia Pac grew 10%. This performance was driven by new product launches, expanded product ranges, market-leading flexibility through our customized offerings and growth in key accounts. Regarding product details, daily silicone hydrogel lenses grew 17% with especially strong growth from MyDay.

Daily silicone hydrogel lenses continue to be the main driver of growth for the contact lens industry, and we offer the broadest portfolio with MyDay and clariti available on a wide range of spheres, torics and multifocals. Our silicone hydrogel monthly and 2-week lenses, Biofinity and Avaira Vitality reported another solid quarter of 9% growth.

Turning to product news. We remain extremely busy. Our MyDay multifocal rollout is going incredibly well, and we expect strong growth to continue as the product becomes more readily available in EMEA and Asia Pac. Feedback from customers and practitioners remains outstanding, and we continue taking share. Our MyDay toric parameter expansion rollout in the U.S. and Canada is also going well, and we’ll be launching the expanded range in EMEA this quarter. With over 4,000 SKUs, our MyDay toric has the widest daily toric range in the market by a wide margin and it’s opening the door to many 2-week and monthly toric wearers to enjoy the freedom of wearing a daily contact lens for the first time ever.

All this activity is having a positive halo impact on the MyDay sphere, which is also performing well. And lastly, on our MyDay franchise, I’m excited to announce we started the national rollout of MyDay Energys in the U.S. This premium lens uses the same innovative digital boost technology as Biofinity Energys to alleviate the impacts of digital eye strain. Studies show that adults are now spending more than 7 hours a day on screens, resulting in eyes feeling strained and uncomfortable. Energys with its boost technology is the perfect solution to address this digital eye fatigue and our survey work clearly shows that practitioners and customers are excited to get this technology in a daily offering.

All this MyDay activity is exciting, and we remain dedicated to developing and rolling out technologically superior MyDay products for many years to come. Lastly, within the daily segment, clariti is performing well. Its mass market price point is allowing eye care practitioners to continue utilizing the clariti franchise as a great way to bring wearers into the daily silicone hydrogel space.

Moving outside of dailies. Demand for Biofinity remains strong, led by our torics, multifocal and extended range offerings. We continue to be capacity constrained in some of these areas, especially around our extremely high demand made-to-order products such as extended range torics and toric multifocal but the continued ramp up of our manufacturing facilities is allowing us to address the significant demand. And lastly, we had a nice quarter with Avaira Vitality, especially in Asia Pac.

Moving to myopia management. We posted revenues of $25 million, up 32% with MiSight up 50%. This was in line with expectations and keeps us on track to reach our goal of $120 million to $130 million in sales this year. Regarding MiSight, we’re expanding availability in numerous key accounts, actively launching our expanded parameter range and making great progress on numerous R&D efforts.
To conclude our CooperSurgical, I want to mention something that I’m really proud of. Our media campaign has been very positive and we’re excited to see how it progresses and delivers value through the year. Chrissy Teigen leading our latest educational efforts around the importance of preserving newborn stem cells. The early reaction to this social media campaign has been incredibly well received by contact lens wearers and eye care professionals, and we’re extremely proud of its success.

To finish on CooperSurgical, the contact lens market grew roughly 9% in calendar 2022, with CooperVision growing faster at 11%, and we expect 2023 to be another robust year supported by the macro growth trend of more people needing vision correction. It’s estimated that 50% of the global population will have myopia or nearsightedness by the year 2050, up from roughly 34% today. This is driven by a variety of factors, including greater screen time. And when combined with the ongoing to silicone hydrogel dailies, the increasing focus on higher-value products such as torics and multifocals and higher pricing, we expect many years of strong growth for the industry, and we expect to remain a leader with our robust product portfolio, ongoing product launches, fast-growing myopia management business and leading New Fit Data.

Moving to CooperSurgical. This was an excellent start to the fiscal year. Our fertility business posted sales of $112 million, up 10% organically for its ninth consecutive quarter of double-digit organic growth. Success was broad-based with strong results throughout the product portfolio and around the world. The global fertility market remains a very exciting space with strong macro trends supporting significant long-term growth potential.

There are multiple drivers in this industry, beginning with women delaying childbirth. The average age of women’s first birth in the U.S. and within several other developed countries now stands at a record 30 years old, an age is a key factor contributing to the need for fertility assistance. Other growth drivers include improving access to treatment, increasing patient awareness, improved product offerings, increasing fertility benefit coverage and technology improvements for both male and female and fertility challenges.

It’s estimated that roughly 50% of reproductive age couples have fertility challenges and that over 750,000 babies are born annually through fertility assisted measures and these numbers are growing. Within the broader fertility space, we compete in a market that’s roughly $2 billion in annual sales, and we forecast growth of 5% to 10% for many years to come. Our positioning is excellent with the broadest portfolio in the industry, a solid commercial footprint and strength in key accounts. We’re also investing in our team and in our product portfolio, which includes consumables, capital equipment and reproductive genetic testing, and we’re expanding geographically. Demand remains very strong, especially within our key accounts, so we need to keep building infrastructure by investing in our people and delivering the products and services required in this high-growth market.

Moving to office and surgical products, which includes OB-GYN medical devices, PARAGARD and stem cell storage, we posted sales of $165 million, up 10% organically. Within this, OB-GYN medical devices grew 10% with strength seen in several of our core products. This team is doing a great job managing strong demand with ongoing supply chain challenges, and I’m proud of the hard work and success we’re having. PARAGARD grew 11%, driven by buy-in activity from a price increase of roughly 8% implemented at the end of the quarter. We’ll see a natural offset to this in Q2, but it’s nice to get the year off to a good start.

And lastly, our stem cell storage business grew 5% organically. We’ve owned this business for just over a year now, and I’m happy to report that we’re seeing improving traction. The synergies we expected as part of the transaction are occurring and the business is in a good position. As part of our focus in this space and ongoing investment activity, and I’m happy to report we recently kicked off an exciting marketing campaign with Chrissy Teigen leading our latest educational efforts around the importance of preserving newborn stem cells. The early reaction to this social media campaign has been very positive and we’re excited to see how it progresses and delivers value through the year.

To conclude our CooperSurgical. I want to mention something that I’m really proud of.
Worldwide, every minute, a baby is now born using CooperSurgical products. I just love that, and it truly shows what a fantastic and meaningful business CooperSurgical is. So to summarize, let me again say this is exactly how we wanted to start this fiscal year. Our operational performance was excellent. Our momentum is strong, and we’re executing on our investments to drive long-term sustainable growth. And with that, let me turn the call over to Brian.

Brian G. Andrews - The Cooper Companies, Inc. - Executive 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 our earnings release for a reconciliation of GAAP to non-GAAP results. First quarter consolidated revenues were $858 million, up 9% as reported or up 10% organically. Consolidated gross margin was 65.7%, down 1.2% from last year, primarily due to currency and product mix.

Operating expenses grew 11% to 43.1% of revenues, and consolidated operating margin was 22.6%, down from 24.6% last year, primarily due to currency. To add some color, I'm happy to report that many of the freight and distribution challenges that we experienced in Q4 that continued into Q1 have now been resolved. And these financial results exceeded our expectations due to the strength at the end of the quarter. Below operating income, interest expense was $26 million, and our effective tax rate was 14.4%. Non-GAAP EPS was $2.90, with roughly 49.7 million average shares outstanding.

FX negatively impacted earnings by roughly $0.30 year-over-year, which is $0.05 better than we were forecasting when we provided guidance in December. Free cash flow was $84 million, including CapEx of $83 million. CapEx continues to be heavily driven by capacity expansion, and we expect that to continue. Net debt decreased by $48 million to $2.56 billion.

Turning to fiscal 2023 guidance. We’re increasing expectations for revenues and earnings by incorporating our Q1 beat, improved operational performance and slightly better FX rates. This results in consolidated revenues of $3.5 billion to $3.55 billion, up 7% to 9% organically, with CooperVision revenues of $2.35 billion to $2.39 billion, up 8% to 9% organically and CooperSurgical revenues of $1.14 billion to $1.17 billion, up 5% to 7% organically. Non-GAAP EPS is expected to be in the range of $12.60 to $12.90.

Within this, interest expense is expected to be slightly higher at around $110 million, but our effective tax rate is forecasted to be around 14.5%, offsetting this. For interest expense, we’re assuming 3 future Fed moves, a 25-basis point rate increase this month, another 25 basis point increase in May and then an additional 25 basis point increase in June. For currency using updated rates, we are now expecting a slightly more positive impact to the P&L, which we’re fully passing along. And from an operational perspective, we’re raising expectations tied to actions we’ve taken to drive efficiencies.

To summarize this, we’re raising the midpoint of our earnings guidance by $0.30 with $0.20 coming from our Q1 beat, $0.05 coming from operational improvements that we’re expecting in Q2 to Q4 and $0.05 for better FX in Q2 to Q4. The increase in our revenue guidance is similar, incorporating the Q1 beat, stronger expected performance in Q2 to Q4 and better FX.

Regarding the operational improvements, in addition to addressing the supply chain challenges from Q4, we've taken further steps to improve our operational efficiencies. One such example would be the consolidation of our specialty lens business into our core lens franchise. Over the past several years, CooperVision has created the world’s most comprehensive specialty contact lens portfolio comprised of products such as leading Ortho-K and scleral lenses to treat myopia and more severe cases of a regular accordion. This part of our business has grown nicely, and it’s now time to consolidate it into our core operations and leverage our infrastructure.

In the meantime, we're continuing to invest in our product launches, manufacturing footprint, and distribution capabilities to support our long-term growth objectives. Demand is strong and long-term growth trends are very positive, so we’re investing prudently but accordingly. There are a lot of positives to take away from this activity. Our capabilities are expanding. Our operations are becoming more efficient, and the numbers are looking better.

That being said, we remain cautious regarding recession risk and continued inefficiencies tied to supply chain challenges and have incorporated that into our expectations. To conclude on guidance, note that it does not include the pending acquisition of Cook Medical’s reproductive health
business. We’re exploring all options related to this transaction in order to obtain regulatory approval, including the potential sale of certain Cook assets. And we expect the transaction to be resolved by August of this year.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jon Block from Stifel.

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

Brian, maybe I’ll just start with some clarifying questions. So the update from FX, I think previously it was a 2.5% drag to revs and net neutral for EPS. That was prior quarter. How has that changed? So is there a new FX number on revenues from the 2.5% drag? And then the impact to EPS, I want to make sure I heard you right. Is that improved by $0.10, $0.05 is embedded in the 1Q outperformance and then $0.05 is sort of the balance of fiscal 2Q to 4Q? Maybe if you can just clear that up a little bit.

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

Sure, sure. Yes. So you're right. So on the prior guidance, we had a 2.5% headwind to revenues. It's a little bit better. I'd say it's just on the margin. It's still kind of rounds to 2.5%, it's a stronger 2.5%, I'd say, for revenues, but still a headwind. And then on EPS, where we were saying neutral to EPS before from FX for the year were about 1%. When it comes to the updated guidance, just to recap, we beat Q1 by $0.20. $0.05 is from FX, the other $0.15 operational. The rest of the year, Q2 through Q4, we're raising by $0.10, half of which coming from FX, that's the $0.05, and then the other half from operational performance.

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

Yes. Okay. Perfect. I think I got you. And that certainly helps. Maybe, Al, just with the second question, I’ll just ask a big picture. There's certainly been a lot of chatter about supply concerns within the contact lens industry. You guys certainly seem to be fairly okay. But maybe just talk about where you guys sit. I know you mentioned a little bit around some of your product lines, but broadly speaking, where you guys sit? And your confidence or comfort level that you're broadly going to be able to stay ahead of the demand curve, especially with hitting the gas and getting the MyDay Energys launch off the ground?

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

Sure. Yes. I mean there's still supply chain challenges in the market, if you will. And we still see those also. And some of our competitors have talked about that and have had some challenges. I feel pretty good about where we're at. As I mentioned, we do have some capacity constraints, if you will, within Biofinity and a couple of other spots that we're working pretty aggressively at right now to resolve. But at a high level, I feel pretty good about where we're at.

We're in a good spot with MyDay. We've got the Energys rolling out right now. We're in a good position with that from a production perspective and distribution perspective. We're in a good spot with clariti. We're in a good spot with Biofinity. We're in a good spot with Avaira Vitality. So pockets of challenges. But for us, at least from a supply chain perspective, we're getting -- we're definitely getting in a better position.
Operator

Our next question comes from the line of Larry Biegelsen from Wells Fargo.

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

Congrats on a really nice quarter here, guys. So I wanted to start, Al, on the contact lens market. And then I had one margin question for Brian. So Al, the guidance implies roughly 8% organic growth the rest of the year. Alcon called out some softness in the contact lens market on their call this week. What are you assuming for the contact lens market for 2023? Have you seen any changes in consumer behavior? And how does your private label business help insulate you?

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

Yes. So we've had a good start to the year. We had a good January. February was definitely a good month. So we're seeing positive momentum. I'm speaking for Cooper. So I think we're in a good place from that perspective, and you see that build into our guidance. If I think about the market a little bit more broadly, I would say we're taking share similar to what we've taken historically. So not a massive amount of share, but 1 point to 2 points, something like that over what the market is growing, kind of similar to last year. So I think the market is going to have another good year, frankly.

At this point in time, the way the year is starting off and the visibility we have, I think the overall contact lens market is going to be certainly mid-single digits and probably on the higher end of the mid-single digits. When you look at our portfolio, we have the broadest portfolio in the market. We also manage a lot of customer brands and that definitely helps. When you look at retailers right now in some of our bigger accounts who are looking at their own profitability and managing their own supply chain issues and so forth.

One of the areas that they'll have a tendency to turn around and focus on is their own store brands. Those are products that we have a tendency to support to them, and we take a lot of pride in that, and we work very closely with our key accounts and have strong relationships with them to continue to supply their customer brands. So I think that does help us, and I think it will help us as we move through this year.

We have not really seen much in terms of any wearing habit changes in terms of trade down or anything along those lines. We're still seeing success driven heavily by products like MyDay frankly, within our franchise. We are having success with clariti. That's more of a mass market price point. I think that if you do see any moves associated with consumers being a little bit more concerned about the cost of things, and we have a great option in clariti, and I think we'll continue to do well with that. So yes, net-net, at the end of the day, I'd say I'm envisioning a strong market this year and us taking a little bit of share of it.

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

That's super helpful. Brian, on the margins, they peaked the operating margin in 2019, call it, 27.6%. And the past 2 quarters have been kind of in the low to mid-22% range. Can you help us understand the decline -- the bridge to decline, call it, 500 basis points? And what's the path back to 27.6%? And embedded in 2023 is the margin -- operating margin embedded in the it's about 24%?

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

Yes, Larry, good question. So yes, since 2019, FX has had obviously a fairly decent headwind to us. So that's been about 1.5%. The other sort of 2%, I would kind of bucketize into 3 parts, kind of 1/3 each. One of them is just equity. That's share-based comp. We moved a few -- a couple of years ago from 5 years to 4 years vesting and that's created a headwind for us. So that's about 1/3 of the delta.

Supply chain and distribution, no surprise. We've got about 1/3 tied to that, and that's just all the things we've been thinking about recently here. And then, of course, the infrastructure investments that we've been putting into our business, and I kind of focus largely on IT, that includes the...
automation work that we’re doing, but also just ERP and other sort of IT upgrades we've been making over the years. So I’d say that we're going
to -- we're eventually going to hurdle those -- the equity piece, and we'll continue to grow into our infrastructure.

But your operating margin comment for the year is directionally is in the neighborhood of where we think we’re going to land. And I would say
that all of the moves that we're making from an efficiency effort, the cost containment exercises and one example I gave in my prepared remarks
is just one of the many. But we're going to continue to go after some structural changes to centralize and automate and leverage our infrastructure.
But I expect that we'll continue to get leverage as we look forward. The only thing I'd also say is just from an operating income perspective, the
midpoint of our guidance is taken up by 1% on a constant currency basis. So you would expect this year, we're already getting leverage. We're
going to get around 10.5% constant currency OI growth at the midpoint of our guidance.

Operator

Our next question comes from the line of Jeff Johnson from Baird.


Al, maybe starting on the contact lens business. Just what do you see from a pricing standpoint this quarter? Do you still feel like this year could
be a little bit better pricing environment for you specifically given some of those larger retail contracts? And should we expect MyDay Energys to
come out at a price premium? I know Biofinity Energys kind of was back and forth, whether it's a premium or just a premium value that were got
value out of it at the same price. So what are you planning on MyDay Energys?

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

Yes. So MyDay Energys will be a price premium to the MyDay sphere. I'm not sure exactly where the number will settle out, but it will be somewhere
around a 20% price premium to the regular MyDay lens. On pricing, in general, yes, I think that this will be a decent year from a pricing perspective
for us. 2% plus pricing will get this year. As an industry, you're seeing positive pricing and it's probably in that 2%-plus range, same thing. And I'm
talking about net pricing, right, because a lot of people are putting price increases through, but then you'll run programs kind of behind the scene
rebate programs or whatever else, right? But net pricing, looking at that 2% to maybe as high as even 3% range. So a pretty good market from that
perspective.


Yes. That's helpful. And then I think one of the numbers that set out the most of me was at 9% constant currency in your SiHy FRP business. I know
there's different data sources out there. One of your competitors talked about that FRP market being flat in the fourth quarter. I don't know if you
agree with that, but to beat the market by 9 points. Does that speak to some of the private label benefits that Larry was asking about or how else
to think about kind of that outperformance?

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

Yes. I don't believe the market was flat, but the market was up -- was not up a lot. We are definitely taking share and growing when you look at
that space. A big part of that ends up just being the magnitude of our product offering, right? Because I mean you have a really good product in
Biofinity and a really good product in Avaira Vitality. But you're getting an add-on in growth from a product like Biofinity from things like the
extended range sphere and the extended range torics that we have, the multifocal toric that's out in the marketplace. A lot of that kind of stuff is
driving pretty nice growth.
And then I think when you put it all together, that entire franchise together and you put it under some of these retailers store brands that are out there that now they're probably focusing a little bit more on and we'll frankly probably continue to focus a little bit more on. Yes, that's going to be beneficial for us.

And that monthly price point is a really good price point for a lot of contact lens wear. So if you believe anything -- if you believe the economy is going to move in that direction, then the likelihood is you're going to see things continue to move more towards store brands and probably not surprisingly, a little bit more towards a product like a monthly, and Biofinity is just perfectly placed for that.

Operator

Our next question comes from the line of Anthony Petrone from Mizuho Securities.

Bradley Thomas Bowers - Mizuho Securities USA LLC, Research Division - Senior Associate

This is Brad Bowers on for Anthony. I just wanted to kind of hear about progress on my side. It sounds like the myopia management basis was strong in the quarter. Just wanted to kind of see where you're seeing the growth and kind of where you're on track there?

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

Sure. Yes. Myopia management was, I would say, was solid this quarter. The reason I wouldn't say it was strong, so to speak, really is China, that's where we ran in difficulty. So if you're outside of China, whether it's my side or whether it's our Ortho-K products, we had a really good quarter, and we've got good momentum. We're expanding those offerings. We're seeing MiSight in more big retailers and more big accounts as they're rolling it out and getting more active on their myopia control practices. So things going fairly well with respect to my side. Again, I would say the one clear negative within that space and the challenge that we had this quarter, frankly, was in China, that market just has not returned. So if it does start to return, we'll see some upside from that. We don't have a lot build into our expectations around that. So hopefully, we'll see that.

Bradley Thomas Bowers - Mizuho Securities USA LLC, Research Division - Senior Associate

Got it. That's helpful. And then just a little -- switching gears a little bit on this one, but I do understand that there is probably not much that you can say on that, but just wanted to hear if there is any contemplation of additional strategic options to kind of get the Cook Medical deal across the goal line? Or just any real update that you could provide on that?

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

Yes, Brad, Unfortunately, there's not really much I can add other than just kind of repeating what we said, which is we're working through that process right now. There's a lot of regulatory implications there. So we're evaluating our different alternatives, kind of have everything on the table to see if we can figure something out. And as I mentioned, we'll have a resolution to that no later than August of this year.

Operator

Our next question comes from the line of Jason Bednar from Piper Sandler.

Jason M. Bednar - Piper Sandler & Co., Research Division - VP & Senior Research Analyst

I'd like to congrats you on a real nice start to fiscal '23. I wanted to maybe start in the Americas, that 9% growth, and I think it's some of the best growth we've seen from the region in several years, really outside of the COVID period when comps are really easy. Can you talk about the dynamics
there? Help us understand how much this Americas strength is a function of whether it’s new products or if the price there is any different from the 2 to 3 points you’re talking about there or just if volume is really just kicking it?

And then maybe to follow up on some prior questions. I want to clarify that you haven’t really seen any trade down or softening in the consumer, at least within your portfolio, but your guidance still embed some cautiousness around that -- around the economy, I just want to make sure I have that all correct?

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

Yes. Let me hit that second one. So no, we have not really seen anything with respect to a trade down or softness in the contact lens marketplace at this point in time. As a matter of fact, we’re continuing to hear from some of the big retailers and buying groups out there, including in the U.S. and around the world, challenges they’re having with respect to staffing and whether that’s staffing as office workers or even optometrists finding optometrists and getting optometrists to work enough hours.

So no, we’re in a good spot from that. We haven’t seen that activity per what Brian said, yes, we are trying to incorporate some of that just to be a little conservative within our guidance. I think that makes sense. On the Americas, yes, we had a good quarter. Alex is running that business for us now. He’s doing a really, really nice job. We’ve just got some great people on our Americas sales team that are executing really well. So we were kind of growing in line with market there for a while. Maybe we’re kind of shaking that loose a little bit and starting to get rolling -- getting -- sorry, MyDay Energys into the market is going to be another step forward. So it’s only 1 quarter. I don’t want to touch too much to it, but certainly, you can’t have a second good quarter without a first one, so a step in the right direction.

**Jason M. Bednar** - Piper Sandler & Co., Research Division - VP & Senior Research Analyst

Yes. No, well said. I appreciate that. Maybe just a -- another maybe follow-up to clarifying point from some earlier questions. Al, I don’t think you typically bifurcate the growth that you see in different channels. But can you talk about directionally how much stronger your private label business is relative to sales that are going into private practices? Is the delta between those groups, 1 to 2 points, 3 to 4 points. How should we think about that?

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

Yes. Actually, they’re probably pretty even right now. We did see a little bit more strength in our branded products for several quarters there last year. A lot of that tied to MyDay and a lot of success we were seeing in MyDay. But right now, from the numbers, there’s not a big difference. We’re getting kind of similar growth, if you will, from our -- what I have a tendency called customized solutions, right? All the customer brands and so forth that are out there and the direct sales, if you will, the optometrist offices and so forth. So I wouldn’t -- at this point in time, I wouldn’t highlight really a swing in any direction from that.

**Operator**

Our next question comes from the line of Matthew Mishan from KeyBanc.

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

I guess this is for Brian. Could you elaborate further on kind of operational efficiency, kind of where that’s coming from? Is that more of a gross margin type driver for you? And kind of how should we think about gross margin year-over-year now?
Brian G. Andrews - The Cooper Companies, Inc. - Executive VP, CFO & Treasurer

Yes. I mean the -- we're going after several different costs containment initiatives. I mentioned in my prepared remarks, the consolidation of our Specialty eye care division into our core. Long term, that will be a gross margin benefit. But for the short term, that's going to be more OpEx benefit. We've gone after some other centralization activities, including consolidating our high-growth kind of a subregion within Eastern Europe and Middle East Africa into our European region. And so that will drive some better efficiencies. So I would say it's probably more of an OpEx play than anything else. Within gross margin, our guidance still is -- implied in our guidance is gross margins up year-over-year, a little bit more from currency than on a constant currency basis.

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

Okay. That's fair. And then for AI, I think one of the things we've heard is that some of your competitors did pull back on some of the extended parameters or extended ranges that may not be kind of higher volume, but could add up for you. I guess is that enough to help you kind of drive some shift or is that just something that just has like increased relevance for Cooper with ECP?

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

I think that, that does drive share gains for us. And I think in longer term, it will drive share gains for us. Yes, some of our competitors have pulled back on something like the extended range or I shouldn't even call it extended range in our world, they would kind of be more regular toric ranges that are out there. But some of the broader toric ranges. We haven't really seen much impact from that yet because a lot of that activity is fairly new in the marketplace. But I do think one of the differentiators for us and one of the reasons we take share and have taken share consistently for a long time is the breadth of our product portfolio. It's very difficult to manage those wide parameter ranges.

I mean, it just is. From a production perspective, all the way through distribution and all your packaging and labeling and inventory management and so forth. As you can imagine, when you get those really wide SKU ranges, it just creates a much more complex environment. So we're pretty good at that. We've invested a lot of money at that over the years. As I said, that's a differentiator for us, and I think it will continue to put us in a position to help us gain a little bit of share. So like you said, I wouldn't overdo that because the dollar amounts aren't that big. But any time you can get something to differentiate you in a positive way, that's a good thing. And I would say that's one of those things.

Operator

Our next question comes from the line of Robbie Marcus from JPMorgan.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Great. Nice quarter. Maybe to start, are you able to quantify, if at all, any of the share you think you gained as competitors seem to have had more supply chain issues than you did around the world and the impact on the different product lines?

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

I don't think, frankly, very much. Some of the issues that competitors have had around supply chain are relatively recent. We've had some of our own challenges around supply chain. I don't want to act like we haven't. So frankly, I don't think there's very much that it's come from supply chain challenges. They haven't been significant or long enough to really start moving market share at this point in time. If they hold and they continue to be a challenge, I do think that could provide positive upside to us. But I wouldn't put much on it for the results that we're reporting right now.
Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Got it. Okay. Great. And maybe, I know you're not assuming that the Cook deal closes in guidance, but hopefully, we'll know by later in the year. Do you have any thoughts on where it might be either accretive or dilutive at this point if it goes through as is? And what it might look like if you have to divest any of the assets? Do you think it would still be accretive?

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

Yes. I mean, as you can imagine, highly dependent upon what we have to sell off and what price we would get for what we have to sell off. At this point in time, I just can't answer that question. If I could, I would. But yes, at this point, I just can't give you color on that one.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Okay. Do you think you'd still do the deal if it's going to be dilutive at this point?

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

Well, you know what, I'll refrain from answering that one. I mean, I'm a believer in accretive transactions. They need to be strategic, and they need to be accretive, and they need to make sense for your company short and long term. I guess that's how I would answer it. There's enough moving parts on that one behind the scenes that I just don't want to get into details on that.

Operator

Our next question comes from the line of David Saxon from Needham.

David Joshua Saxon - Needham & Company, LLC, Research Division - Senior Analyst

Congrats on the quarter. Maybe starting on surgical. You called out some pull-forward buying for PARAGARD in front of some pricing. Just wanted to see if you could quantify that impact and talk about kind of what the underlying demand looks like with PARAGARD?

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

Yes. For PARAGARD, I think we probably had about $3 million if we had to put a number on it that was pulled in from what would be Q2 here into Q1. And that's -- I was talking about like a little bit more positive in this quarter, that will result in a little bigger hurdle, if you will, in Q2 from that. From a unit perspective, if you will, I would stand by the statements that I made last quarter, which I think we're going to have a hard time getting unit growth this year. There are still patient flow challenges with respect to the OB-GYN marketplace and definitely with respect to IUD.

So I think for this year, we grow some. But it's not driven by units, it's driven by price. That's -- I still think we're kind of there. I hope I'm wrong. I hope I'm being too conservative on that one, but that's kind of where we're at right now.

David Joshua Saxon - Needham & Company, LLC, Research Division - Senior Analyst

Okay. Got it. And then you've talked about some contact lens capacity expansion projects happening this year. Just wondering if you could give an update there and how we should think about the impact to gross margin this year?
Albert G. White  - The Cooper Companies, Inc. - President, CEO & Non-Independent Director

Yes. We won't have much of an impact on gross margins this year. I think Brian was spot on. We'll see a little bit of improvement in gross margins. I think we've got the potential for more expansion in gross margins in the coming years. But if I -- if you look at capacity expansion right now, we've been busy. We were busy last year, certainly busy in Q4. I talked about that last quarter, and we start the year, but doing some expansion in Puerto Rico and Costa Rica in our U.S. facilities, doing work in the U.K. So there's a lot of facilities around the world where we're doing expansion right now. And a lot of that's tied to capacity expansion.

I mean the long-term growth dynamics within the contact lens industry are pretty damn good right now. So we're looking at mid upper single-digit growth, I think, for 10 years or something like that. So we need to put some capacity in to support that. So we're doing that kind of intelligently, if you will.

David Joshua Saxon  - Needham & Company, LLC, Research Division - Senior Analyst

Got it. And if I could just follow up on that last comment about mid- to upper single digit growth. I guess you had a peer talk about kind of flattish to down unit growth. A lot of it is driven by pricing and mix. So I just wanted to ask if you're thinking about mid- to high single digit growth, how much of that is units versus price and mix?

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

Yes. Well, and I talk about this kind of every quarter, but somewhere around 1/3 of the world is myopic today. And by the year 2050, half the world is going to be myopic. I mean that's where the current trends are. So the macro trends are saying that more and more people are going to need visual correction, and that's going to continue year in and year out for a long time. And that's no surprise to anyone on the phone, and we all know how much people are staring at screens and how much kids are staring at screens and so forth.

So at the end of the day, you're going to have an expansion of wearers that need visual correction and a percentage of those are going to want contact lenses. So you are going to continue to see more and more people needing visual correction and contact lenses. Certainly, here in the near term, you're going to see price. I don't think anybody is raising prices like crazy, but I think I'll speak for ourselves, and I'll say, we're not trying to gouge anybody by any means. I mean, we're raising price because price of raw materials and other costs are going up for us.

And we're not raising any prices to cover all that stuff because part of our responsibility is to drive efficiencies to cover part of that. But at the end of the day, you're going to see pricing. So when you look at pricing, when you look at expansion of the wearer base, when you look at better fitting and by better fitting, I mean more toric and more multifocals, higher-priced products, all that kind of activity, all that's going to continue to drive growth.

So if we look back 10 years from today and the contact lens industry grew, let's say, 6% a year, I would be comfortable talking about that kind of growth rate. And I think half of that could certainly be driven, if not more than that, ultimately, by expansion in terms of number of wearers.

Operator

Our next question comes from the line of Chris Pascal from Nephron.

Unidentified Analyst

Congrats on a solid quarter, guys. I was curious, the CooperVision upside really came at least relative to our numbers outside of the core SiHy or myopia management segments that get all the attention. Is there any unusual in that non-SiHy part of the portfolio? I know there was a lot of noise last year with lens solutions coming out, and we thought you had at least one more tough comp before you lap that?
Albert G. White - The Cooper Companies, Inc. - President, CEO & Non-Independent Director

Yes. I'm not sure there was anything too unusual in there. I will say that it's interesting you mentioned that because we did have strength, obviously, within areas like our daily silicones and our Biofinity and Avaira product. But there's still demand for our products out there like Proclear and some of the older products that we have out there. Those are all declining products, but they're maybe not declining as fast as they were.

So we're kind of seeing across the board decent demand, including in some of the areas you're talking about that we don't highlight or discuss anymore.

Unidentified Analyst

Okay. And then any update on SightGlass timing of next milestones there? What we should be looking for as we go through '23?

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

SightGlass, we're continuing to work on that. We're moving through the fourth year of that clinical data, which we'll get later this year. We'll take a look at it and hopefully get that back in the FDA's hands and knock on we'll get an approval of that. We still have work to do there. In the meantime, the products launched in several markets around the world. We're selling that product. As you know, we have a great joint venture with EssilorLuxottica, a great team there that we're really, really happy about and excited about. And I think a bright future with that product, that's, I guess, what I would say about it right now.

Operator

Our next question comes from the line of Steven Lichtman from Oppenheimer.

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

Al was wondering if you could talk on MiSight relative specifically to the U.S. Any color you can provide in terms of how that ramp is going? What you're hearing from customers? Any feedback on that would be helpful.

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

Sure. I would say here in the U.S., it's kind of the same old, same old, good, strong, consistent performance. it's not ratcheting up. It hasn't turned and all of a sudden, we've hit a point where it's escalating higher at a faster trajectory. It's just good, solid, consistent performance. And we're seeing that in a number of markets around the world. Now a lot of markets have much higher incidences in myopia than the U.S. does. But if you're talking specifically the U.S. market, I would say good, solid, consistent performance. And I think, frankly, that's what we're going to continue to see, right?

I mean, as I sit here today, that's what we've seen, which is more independent optometry offices utilizing the product, more retailers buying groups, getting in, evaluating the product, starting to use it. We haven't hit an inflection point, if you will, where it shoots up, but we certainly have not slowed down on it. So I would just say a good, solid, strong, consistent growth.

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

Got it. Great. And then I think last quarter, you guys talked about some increased investments this year overall on the OpEx line. I apologize if you mentioned this already, but is that still consistent this quarter, still expecting an elevated investment on that front? And can you just update us in terms of what some of those investments are?
Sure. Yes. I mean we're continuing no question to have investment activity whether it's the infrastructure of the business or whether it's commercially based around product launches. I mean Obviously, in a product like MyDay Energys, we're putting dollars behind the launch on that product, and we'll continue to do that. When you look at some of the other products we have, MyDay multifocal as we roll it out in different spots around the world, we have promotional campaigns, marketing campaigns supporting those products. So we'll continue to do that. I would say we did that in Q1, and we're going to continue to do that.

I think that what Brian's talked about here that he's really spearheaded of driving efficiencies within our business, that's a different story. So that's not a matter of like cutting back on investment activities that we need to do and that are part of driving the growth of our business. That's about operating our business or businesses more efficiently than we've done in the past. And I think that's great. And in today's world, that's something we have to do.

So I can tell you that's a focus and maybe a relatively newer focus, if you will, within the organization, but a focus within this organization is driving strong, efficient growth.

Navann Ty Dietschi - BNP Paribas Exane, Research Division - Analyst

My first question is what is your outlook on OB-GYN visits in 2023? And do you foresee a sustainable recovery of PARAGARD longer term and volume market share opportunities in addition to price increases?

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

Yes. I mean I might be more conservative than many people on that, but I'm still concerned about patient traffic within the OB-GYN office. We've seen some improvements there, but we haven't seen a lot of improvement there. And I think that might be the case as we roll through this year. Now I'm not saying that's necessarily true on all areas of the OB-GYN world, but in the areas where we operate and we compete, that's true in a lot of those spaces. One of those areas where that's true would be in the IUD market.

We just haven't seen that foot traffic, if you will, the patient flow return at the levels that I've been hoping. And that's one of the reasons I was saying that I think at the end of the day, PARAGARD unit volume ends up being relatively flat this year, so that growth comes from price. Again, I hope I'm wrong on that. I hope we see the traffic because that would certainly be upside. But right now, not anticipating that.

Navann Ty Dietschi - BNP Paribas Exane, Research Division - Analyst

And maybe one on Cook if I may. So if the FTC requires disposal of the Cook business you'd like to keep. Could you redirect M&A in other women's health acquisitions?

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

Well, we could. Right now, I would say that from a capital perspective, our focus is on paying down debt. I mean, obviously, the Cook transaction is out there, and we're going to evaluate that Cook transaction and come to a resolution on it. But outside of that, I would say the majority of our focus from a capital perspective right now is on paying down debt.
Operator

I would now like to turn the call over to Al White for closing remarks.

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

Great. Well, thank you. Thank you, everyone, for your time and for joining the call today. As I mentioned earlier, this is exactly how we wanted to start this fiscal year off on a good basis. So good revenue growth at vision, good revenue growth at Surgical efficiencies within the company, driving earnings upside. And I think we're well positioned to have a good Q2 to Q4. So I look forward to seeing you guys during the quarter and certainly to our next quarterly conference call. Thank you.

Operator

Thank you, ladies and gentlemen. This does conclude today's call. Thank you for your participation. You may now disconnect.