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# EDITED TRANSCRIPT

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## PRESENTATION

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

Welcome, everyone. I'm Robbie Marcus, the med tech analyst at JPMorgan. Happy to introduce our next company. It's Cooper, and we're going to have Al White, the CEO, will be presenting here.

Just before we dive in, you should go to the JPMorgan Healthcare website and get the slide deck to follow along. And you could also go there to submit a question or e-mail me directly.

So with that, Al, why don't you take it away, and I'll join you for Q&A afterwards.

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

Excellent. Thank you. Great to see everyone virtually. Hopefully here in the near future, we'll be able to get together again.

But let me go ahead and run through this presentation. I'll try to touch on some of the high points that have come up in the one-on-one meetings that we've been having, and also do a little bit of a general overview for anyone who's newer to Cooper. With that, let's go ahead and we'll jump into it on Slide 3.

Cooper, for those who do not know, is a leading medical device company. We have 2 business units, CooperVision and CooperSurgical. CooperVision is our contact lens business. It's roughly 75% of our overall business. Then CooperSurgical, the other 25%. I'll talk about those 2 businesses and the dynamics within those 2 businesses as we walk through the presentation.

Just a couple of other quick highlights here. Global workforce, a little over 12,000 people. Global manufacturing, distribution locations, offices around the world. We've been a member of the S&P 500 since 2016 now. It seems like yesterday. Time flies.

Geographically, as you can tell on this pie chart, we're fairly well diversified between the Americas, Asia Pac and EMEA. Nice to finally have currency moving in our favor. It's much more ideal, if you're us, to be reporting as reported revenues higher than your constant currency numbers. Nice to see where currency is at right now.

We move to Slide 4. You can see the historical growth here since 2015 in the 2 business units. No different than anyone else, heavily impacted by COVID over the past year. But prior to that, you could see pretty consistent growth rates. Frankly, even incorporating some of the recent COVID-related challenges, still 6.2% CAGR. So as a company, we stay pretty focused on delivering consistent top line growth, and you could see that. That's through a number of different avenues, our own R&D and product development, product launches and so forth. Then also some acquisitions, you'll see us do some strategic acquisitions more likely along the kind of the tuck-in road than anything else.

Flip to Slide 5. We'll start with CooperVision. A global leader in contact lenses. These little boxes here highlight the things I'll talk about today and our focus areas as a company. MyDay, fantastic product that's out in the marketplace. We're really just launching MyDay toric right now. I know it seems like it's been out there for a little while. We've been talking about it, but that hasn't been the case. We haven't really been able to launch it. We finally got our manufacturing sufficiently ramped up last year that we were able to really get going on that. I would say we're in the earlier stages of launching MyDay toric right now. It's really exciting. Product is doing really, really well. That's not to take anything away from MyDay sphere, which is also doing well.

The next slide with the happy, astonished lady there. clariti, a great product, another daily silicone hydrogel product that we have out in

the marketplace. We have the widest product set out there, sphere, toric, multifocal. Really wide SKU range. Fantastic product, it's doing really well.

Biofinity. We've had Biofinity, our monthly silicone hydrogel lens, in the marketplace for a long time now. It's very successful, very large product for us. It's interesting that we're seeing a little bit of strength there on Biofinity. A lot of that coming from some of these products like Biofinity Energys, in particular, which is a really innovative lens. We launched it a couple of years ago with respect to digital eye fatigue, it was getting traction. With COVID and the amount of time that people are spending on screens these days, digital eye fatigue is becoming a much bigger deal. We've seen a fairly significant increase in interest in Biofinity Energys. That's helping lift that entire franchise. We've also expanded with multifocal, torics, a real made-to-order and unique offerings out there that are doing really well in the marketplace.

And then the young lady there with Brilliant Futures, which is exciting, and I love talking about it. I think most people listening know that the Brilliant Futures program is kind of an umbrella program. It includes our ortho-k lenses where we're a market leader and seeing a lot of growth, and it also includes MiSight, the only FDA-approved myopia management product in the market. Myopia management, getting a lot of attention right now, rightfully so. This is going to be a multibillion-dollar market, treating kids. Right now, the market is comprised of Cooper products. It's just us basically in this marketplace and certainly the only one with an FDA-approved product and the only one, frankly, that will have a product anytime soon, I think. Nice to see other people talking about it, bringing attention to it. The more attention, the better. We want to grow this marketplace. I'll talk about that a little bit more as we progress through the presentation.

Let's move to Slide 6, talk about the global soft contact lens market in total. You could see in the pie chart on the left the breakdown of competitors, CooperVision at 25% now. Happy to say we reached that milestone of 25%, moved into the second largest contact lens company recently. We're doing well. We're continuing to take market share. Our New Fit Data is strong. I'm really happy with that position. I think you'll continue to see us take share.

If we look at the market by category, about 2/3 of contact lenses sold are spheres. Then you get about 25% being torics, which are lenses for people who have astigmatism, so more of a specialty-type lens. Then multifocals, as we all get older and become presbyopic and need reading glasses, we have multifocals as an option to people.

If you look at the contact lens market in total, it's a great market to be in, happy oligopoly. As you could see, 3 players are 88% of the global contact lens market. So really, really nice market to be in. There's high barriers to entry to get in. It's a medical device product, so there's FDA and worldwide regulations. There's a lot of capital. We spent a lot of capital over the last several years getting into daily lenses and really building out our MyDay production. I'm happy to say we're on the tail end of that. We've got a very successful expansion program. We're going to start seeing CapEx come down. We're going to start seeing free cash flow go back up. I'm really happy about where we're at there. We continue to make progress on that side of things. But for someone else trying to get into the space, boy, it's not cheap.

Product innovation is another one. Silicone hydrogel lenses are now the driving force of the industry. There's a lot of IP around silicone hydrogel lenses and our unique manufacturing platforms. A lot of innovation there. We're proud of our R&D, and what we've developed over the years.

You go through some of the favorable industry characteristics that are on here. The limited reimbursement risk, clear recession-resistant products. If you look at prior recessions, you'll see that the contact lens industry still grew during those recessions. People want their contact lenses. There's a lot of things that drive that. When you look at geographic expansion and unique lenses and trade-up of lenses, contacts are an annuity business. Once someone gets in contact lenses and they like the lenses, they'll continue to wear those lenses. It's great to have a really strong annuity business. Underlying wearer growth. Last year, the market grew about 2%, or it was 2019 now. Now the number of wearers in contact lenses is growing. I'll talk about myopia and the growth of myopia around the world. But within that, is growth in core contact lens wearers, which is really, really nice. A lot of great strong fundamentals to the industry. It's a great business to be in or be part of.

If we look at the contact lens market drivers, I touched on these a little bit. COVID has caused disruptions everywhere. If we step away from COVID and look and say, what's the real true growth, the fundamental growth of the contact lens industry, I think it's in that 4% to 6% range and will be, we'll have to update this slide, but I think it probably will be for the next 5-plus years. We've been growing 7%. I would continue to expect us to grow faster than the market and put up that type of growth. I think we have the potential to grow a little bit faster with MiSight coming in. But supporting that growth is the global wearer base. I talked about the 2% growth. Growth drivers being daily silicone hydrogel lenses. Patients trading up to daily silicones. There's still a lot of that activity to go. Geographic expansion, markets like India are still very small contact lens market. A lot of growth opportunity around the world. Especially outside of the U.S., fittings are getting to be more specialized, you're seeing growth in torics, multifocals outside of the U.S., although there's still strong growth in the U.S. And higher net pricing. We saw some competitors recently take down their rebates. We've seen list pricing have a tendency to trend higher -- to improve. So that's another thing.

When you look at your underlying wearer base increasing, and you look at pricing increasing, and then you look at trading up and some of the other dynamics that are going on, it's just a nice overall growth market. We've been seeing contact lens growth of the 5% to 6% prior to COVID. We have 4% on here, but I really think it's probably in that 5% to 6% range. And again, I think we'll grow a little faster than that.

You look at the myopia epidemic that's out there. This is a great chart, and it's probably an unfortunate chart. But you look at it, and about 1/3 of the global population right now is Myopic. That's forecasted to go to 50%. If you look at myopia around the world, in some countries, it's really, really high. Children being as high as 90% myopic. That gets driven by things that are on here. Increased screen time. I have a 13-year-old and a 15-year-old. I swear they'd be on screens since the moment they wake up and the moment they go bed. Genetics, if mom or dad or both combined, are wearing glasses or myopic, there's a high likelihood the children will be. You get that kind of stuff, less time outdoors. Right now, you're talking about kids being on screens. You're talking about all of us having digital eye fatigue from looking at screens too much. That's all bad news. Not only is there visual correction that's needed, but it also puts people, especially high myopes, in higher risk of things like glaucoma, retinal detachment and other problems as they get older. This is a big deal, and it's really important. Part of that drives to why we're seeing growth in the marketplace, because the underlying factors are growing our industry. So an important key slide.

If we look at MiSight within that, fantastic product. As I mentioned, a lot of people talking about myopia management right now. Clearly, we're talking about myopia management. Normally, if you looked at an industry like this, it would probably start with glasses, and then it would start with one of the biggest players out there getting into contact lenses and others following. It hasn't played out that way. We took the correct step. We invested in R&D and so forth. We moved everything forward. We are the #1 company out there. We're the most innovative company by far when it comes to our industry in myopia management. We have MiSight out there, the only FDA-approved product, as a myopia management contact lens. You can read here, we sell it under the Brilliant Futures umbrella. Just a great product, great industry. We've talked about this becoming a multibillion-dollar industry. I do think that you're going to see glasses come into the market. As a matter of fact, you already see them in the market. You see some of the big players out there, including Essilor, as an example, who's out there with a product right now.

I think, ultimately, you will see FDA approval of glasses, and you'll see them hit the market, and that will also help it. But I think we would probably all agree that treating myopia at a young age, getting children and starting treating myopia and reducing the progression of myopia is a home run for everybody. It's something that's needed, and it's something that's going to happen. It's a multibillion-dollar industry that's being created. You see it with optometrists. You see retailers creating specific practices focused on myopia management. I have to tell you, I'm really proud of the team here, really happy that we're the true market leader here, and we'll continue to really aggressively drive this space. So good stuff there.

You move to CooperVision, we've had a history of success. You go back to us taking market share and us growing and everything that we've accomplished, it's not a new thing. For those who know us, this has been going on for many years. Even with this year and the COVID struggles, a CAGR that's still roughly 4.5%. Then we've been taking market share year in and year out for many, many years, going back to '15, where we were in the low 20s. This goes to 24% and most recently at a 25% global market share in contact lenses. When you layer on the excitement that we have of existing products in the marketplace, the launch of MyDay toric that's going on. Some products that were going to be launched. We've got a second base curve. We just launched in Japan for MyDay. That's a great product.

More products coming that we're going to launch this year. We're the most active contact lens company out there in terms of launching new products, and that's going to continue.

Then add MiSight on there. We did \$7 million of MiSight site last year. We're looking at \$25 million this year, going to \$50 million, going to \$100 million, going to \$200 million. But you can imagine what that will do, helping our overall growth rates and our market share. So exciting stuff. Long history of it. It's nothing new. It's something we've been doing a long time, and we plan to continue to do.

If you look at product category and geography, you could see our sales broken down at torics and the single-use sphere and so forth, as I mentioned before, kind of broken around the world.

Positioned for success. Again, we got great products, market-leading products, market-leading R&D. I think it's pretty clear when you look at Biofinity Energys and you look at some of the products we have like MiSight, most innovative company out there and the most aggressive launch in products and the most successful, frankly, right now. Great support. We've really upgraded our distribution networks so that we can do a much, much better job offering customized solutions. When we look at opportunities like we just launched with Essilor or Ray-Ban contact lens. Ray-Ban is the biggest name out there in the optometry space. They are now selling the Ray-Ban contact lens through a customized solution that we created with Essilor in terms of launching and selling that product around the world. We just started that at the end of last year. Really excited about that. That goes to relationships. We have a lot of great relationships out there. We're really excited.

Let me spend a couple of minutes on CooperSurgical. We have a fertility business there and our office and surgical products. If I look at the global fertility market, it's a great market, about \$850 million, growing 5% to 10%. CooperSurgical is the largest fertility player out there. If I exclude pharma, med device, we're the biggest player out there in the marketplace.

We're doing really well in an industry that's growing. This industry used to have some stigma attached to it. It does not anymore. You're seeing just a growing fertility need out there, and we are the market leader in that space. I remain passionate about growing fertility.

This snake here kind of shows you the cycle that you go through in terms of fertility. It's cool in that if you zoom in on it, those are all products that we have. We have offerings everywhere. From start to finish in the fertility product, we are there offering product. I'm also happy to say that we're accelerating on this. I mean, I've been excited about fertility, but even if we look over the last month, our fertility business has accelerated. We're seeing fertility clinics back opening. We're seeing an incredible amount of demand for fertility services. We've pulled together our fertility team, so our manufacturing, distribution, sales and marketing. We are a fine-tuned machine right now, taking market share and growing. This fertility space is exciting, and we're doing really well on it. I'm definitely excited about where we are right now in that business.

IUD market, we have PARAGARD, the only nonhormonal IUD in the marketplace. It's a good market. Underlying unit growth is about 2% to 3% in IUDs, and you're talking about price, 2% to 3%. You're kind of talking about a mid-single-digit market grower. Great margins, great product for us, fantastic cash flow.

The interesting thing as we move, and I'm now on Slide 17, by the way, is when we look at PARAGARD as the only nonhormonal IUD that's out in the marketplace, COVID's changed things a little bit. People are a little bit more concerned. Women are a little bit more concerned about hormones. We're all a little bit more concerned about our health and ensuring we're healthy and so forth. That shift over to people being cognizant of their health and their well-being is turning out to be a positive for PARAGARD since it's hormone-free, obviously. We've seen a little bit of improvement there. I feel confident now that we're going to grow this product year-over-year in Q1, in our fiscal Q1. So great to see things going again there and the momentum we're getting in CooperSurgical and specifically with respect to PARAGARD.

Office and surgical, I won't spend a lot of time on this one. I'll just say, similar to other people. We have some great products here led by Endosee Advance, kind of a visualization system hysteroscope that does really well; INSORB, our skin stapler product; and RUMI that are doing really well. Some good products there. We have some of the same challenges that other have, medical device products and where we sell them and COVID challenges. But the team is doing a nice job there, so I'm happy where things stand today.

Look at CooperSurgical, again, another business that's had a nice history of success in revenue growth.

ESG is important to us. I'm not going to be able to spend much time on this slide, but we are socially, environmentally responsible. We care about this stuff. It's important to me personally. Sustainability, taking care of our employees, diversity within our workforce, giving back to the communities, this is important to us, and it's a part of the fabric of our culture. I can spend a lot of time on this. I don't have time today, but I do want to just ensure people know and understand that ESG, in this part of our business, is very important. If anyone has any interest, reach out to me or reach out to our team, and we'd be happy to communicate with you with all the advancements we've been making.

I'm kind of talking fast here. We're at 20 minutes. Let me just take a minute here to just wrap things up. We're really well positioned for the future. We have 2 great business units. CooperVision is doing well. Recent performance is a little better than what I was thinking it was going to be. We moved through the holidays a little bit better than I thought we were going to. CooperSurgical has also, and certainly, fertility has.

Revenue growth, it's exceeding our markets. We're taking market share in our businesses. That's great to see. I believe that's going to continue.

We've invested in the infrastructure of our business, and it's going to start paying off more and more. I'm happy where we are, but we'll continue to invest, and we'll do some tuck-in acquisitions if it makes sense.

We maintain our focus on achieving our long-term objectives. We are going to continue to move that operating margin up. We'll get the operating margin back into the 30s. A product like MiSight is going to help pull that up. Continuing to focus on driving share gains, margin expansion and cash flow.

And again, a strong track record of success. That's been true for many, many years, and I remain pretty optimistic it's going to be true in the future.

With that, why don't I go ahead and stop here. Robbie, maybe turn it over to you. I know we have a little bit of time for Q&A.

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## QUESTIONS AND ANSWERS

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

Yes. Al, I just want to follow up. You made some comments at the end that things went a little better over the holidays than you thought. I don't want to make too much of it, but is that to imply that the current quarter is probably trending a little better than you thought when you provided guidance?

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

Yes. Yes. It's interesting. When we provided guidance, we thought about it, and you look at the number of COVID cases ramping up, I think what we've seen is underlying consumption in contact lenses has held steady. We've seen practitioner offices probably stay open a little bit more than we anticipated. Maybe that's because they were shut down for so long, but some optometrist offices stayed open. As we switched into the new year here, we've continued to see positive activity. That's obviously good news because there could have also been some insurance buying and so forth. When you see us move into the new year, that's good. Appointments still being filled up. I've talked to optometrists who are booked out until March.

Then I think the same with fertility. Because fertility clinics stayed open, we saw activity. We saw them reopening in places like India, where we were winning contracts. Some good momentum there.

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

Great. Maybe shifting over to MiSight. You started talking about myopia management before the approval at the end of 2019. But all I've heard now the past 12 months is myopia management. It seems like it's not just a fad. It's here to stay. You're in the lead. So maybe let's spend a little bit of time here.

COVID was a positive and negative, in my view, for myopia management. On the one hand, sales probably lagged a little bit of what you thought you could do in the year without COVID, yet you had the opportunity to train way more doctors than you could have probably without COVID, as you had a captive audience of professionals who weren't filled with patients. So how do you feel now going into the next fiscal year as it relates to MiSight and myopia management opportunity?

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

Yes, that's a great question. You go back before COVID, we were talking about \$10 million in revenues that last fiscal year. As we were finishing up the quarter and we were getting close to reporting, we were actually looking at probably being about \$12 million, \$13 million is where we thought we were going to be, because things were going well. Then all of a sudden, COVID hit. We finished the year a little bit over \$7 million.

But to your point, it's interesting that once we shifted the training online and started doing everything, optometrists had a little bit of extra time in order to be able to train and get certified. We saw a big ramp in terms of the interest in the product and the certifications. At the beginning of December, we reported earnings. We had a little over 2,000 optometrists certified. We're up probably 20% in terms of certified docs in the last 6 weeks, and that includes over the Christmas season. So that's great.

We decided to make a change there. We were giving the first 2 fits away for free. Here in the U.S. market, we came out and said, "Okay, anybody starting January 1 onward, you don't get the 2 free fits for free. And anyone who's certified, you get the 2 free fits up until January 31." Because we've been giving a lot of free fits away here, and we don't need to anymore in the market. The demand is there. The excitement is there. We took price up, if you will, so to speak.

But continuing strong demand, continuing interest. I know there's people out there who have been questioning the growth, thinking, "Hey, you'll be down sequentially in Q1, of course, because of the holidays and the COVID and what's going on." That's not going to be the case. We're going to grow sequentially. I think we're going to put up some good numbers. I might be the only one thinking we're going to do \$25 million in revenues this year, but I continue to think that. When I look at 50 to 100 to 200, I believe it's out there.

I think you're right. We were the only ones talking about it. It sounded like it was just Cooper. It's just AI talking about it, right? But now you are getting everybody coming out and saying, "No, this is going to be a multibillion-dollar industry, guys. This is huge." We're going to be fast followers. We're going to get in there, and we're going to do it. Well, it's our responsibility as the true leader and having a runway in front of us to capitalize on these opportunities. We're working really hard to do that.

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

Well, AI, it's like they tell us at the year-end reviews. If you don't give yourself a good review, no one else is going to. So if you as the CEO aren't at least optimistic about one of your most promising pipeline products, then I wouldn't expect investors to be.

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

Yes. You got it.

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

So let me ask you, contact lenses and just vision correction, contacts, glasses, they both do the same thing. Myopia management, you can make the argument that this is more of a medical management type of device here. Is there a potential to get reimbursement from insurance companies for myopia management? And how does that change the paradigm for a company like Cooper?



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

Yes, no question. Insurance reimbursement will happen at some point in time. And you're right, this is a treatment. Everything else, contact lenses or glasses, all you're doing is addressing the visual problem. This is a treatment. This is FDA-approved for 8 to 12 year olds outside of the U.S. It runs all age brackets. We see a lot of teenagers in the product.

But I think as you move forward and you get glasses out there, you get more people talking about it. You get glasses out there because they're in the market now. You're going to see them become more prevalent. We're already working on the insurance side of things. But as the industry builds, you're going to see the organizations come out and say, "This should be standard of care." Because they're not doing that right now. As AOA, as BCLA come out and say, "Hey, this should be standard of care, and we're promoting this activity," you're going to see insurance coverage on this. That has the potential to significantly increase the market. Same as getting regulatory approval in a place like China. China, 90% of kids are myopic. We're working hard to get approval in China. Japan is another great market. But those are massive markets in comparison to other markets.

I do think as it becomes more prevalent, as you get regulatory approval and the products are launched and sold and glasses come in, you are going to see us move to a point of insurance reimbursement. That's just going to be another step on top of everything else to ensure that this is the multibillion-dollar market I talked about.

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

And so let's spend a minute on where you are with MiSight and where the competition is, because you could take 2 approaches here. One is that having someone like J&J come in is a threat to Cooper. You can take the other approach that, look, this is -- you're starting from the ground up, and having a company like J&J come in only validates it and helps educate doctors more. So how are you approaching it? And how do you feel about MiSight versus where your competition -- their products and where they stand right now?

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

Yes. Well, first of all, they don't have it. No one else even has the same product. That would be all pure speculation as to when they're going to have a product and what that product will look like.

J&J just did some management stuff here in the last couple of days, and we've received a ton of inbound interest. Because I think if you're a J&J guy and you have J&J now saying, "Hey, this is legit. You really need to get involved in this," it doesn't take more than a second, Google search it, if you're not already certified to know that, to pick up the phone and call Cooper and say, "All right, hey, this whole thing has been validated by someone beside you, right?" And that's a fair point. Like, "Hey, you guys found it. Okay. Now it's J&J validating it. Yes, I got to jump on it."

To me, great news. J&J getting out, talking about it, validates the market, expands the market. I think when Essilor comes out with their product, validates the market, talks about it, it's all positive. At the end of the day, we're not going to have 100% market share. You look at the contact lens industry, I think we had J&J 39% and Essilor 25%. You talk about what I think will be contact lens wise, ultimately, a couple of billion dollars in annual sales or so, there is plenty of room for top companies to get in there and offer solutions.

So yes, I welcome the involvement. I welcome the communication. I welcome the education. I welcome the validation. I think it's all steps in the right direction.

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

Al, couple of questions here from the audience. They're not really connected, but I'll just throw them right at you. Can you speak to how you see the distribution of the lenses evolving between eye care professionals versus direct-to-consumer retailers, like 1 (800) contacts? And is there any margin mix shift associated with that?

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

Yes. Well, pre-COVID, we were seeing a slow shift to direct shipments, directly shipping to people's homes. But it was slow. Then COVID hit, and you saw the big move online. You saw the big 1 (800) activity, all that ordering online activity.



As things have settled back down now, we've seen things go back to normal, back to pre-COVID levels. But having said that, all companies, including us, we've done a lot of advancement work. We now are very open with all of our customers saying, "Hey, we're happy to ship product directly to you." So, doc, you worry about the fit, you worry about selling it. When they need additional lenses, they can order from us, we'll pay you. We're still going to cover you. We'll ship the product directly to their homes.

I think you're seeing continual development in trends in that direction. There's no reason to have a lot of channel inventory in doctors' offices necessarily. You're seeing growth in a lot of the big powerful chains out there. You've got Specsavers. And I mentioned the guys at Essilor, and America's best contacts, National Vision, some of the great companies out there. I think you'll see a soft trend continuing in that direction. I don't think there's a big margin impact at the end of the day.

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

Got it. Next question here, kind of tied to MiSight a little bit, but what do you think the ortho-k product can grow sustainably post-COVID? And to what extent will MiSight cannibalize this?

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

Yes. So good question. We're a market leader in ortho-k, that's for sure. We've acquired a number of the companies out there. In my opinion, it's pretty clear we have the best ortho-k products in the marketplace. A lot of that activity being in a place like China.

I think that we've been seeing double-digit growth. I think we'll continue to see double-digit growth within our ortho-k franchise. I won't go into how much double growth. Just saying double digit growth is probably sufficient.

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

Probably more than 10%. More than what we're trying to imply. Got you.

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

It's a different product than MiSight. MiSight, FDA-approved, contact lens worn during the day, ortho-k, worn at night, hard lens, basically compresses the cornea. You wake up, you can see all day. It's much more popular in a place like China. From what we see and the research we've done, the two are going to continue both grow pretty dramatically. But yes, 10% plus consistent growth out of ortho-k.

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

Got it. I feel like I get this question a lot, but how do you justify having the surgical business within Cooper? Great free cash flow, but totally unrelated to contact lenses and what you do. So what's the rationale for having it under 1 house?

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

Yes. It came from years and years and years ago. You fast forward to today and you go, "Okay, 2 businesses with pretty similar growth rates right now, both with similar margins." The margins are a little higher at CooperSurgical, driven by PARAGARD. The cash flow is a little better at Surgical. They're both medical device products.

You kind of step back and you go, "Okay. 2 medical device businesses, 2 similar growth rates, 2 similar margin profiles, 2 pretty ultimately similar type businesses," End user, yes, very different. But at the end of the day, do you split them up or pull them apart for some reason? No, you just don't need to. 1 plus 1 is not going to equal 3 here. We can have the 2 businesses together and drive success in both of them.

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

Great. One more from the audience here. China priority review for MiSight. What's the expected time to approval, time to revenue? And what do you need to do to scale that opportunity in China?

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

Yes. Good question. Because we are working very hard on that approval. Now as a reminder to everyone, MiSight is a Proclear lens. It's manufactured on the Proclear platform. As Proclear declines, like all traditional hydrogel lenses do, that increases our capacity. We don't need to be spending money on capital or anything for MiSight. We can ramp MiSight up very, very quickly and very cost efficiently. As a

matter of fact, a lot of lines are already fully depreciated. The margins are pretty high.

We're working right now with China very actively to get approval. Normally, a product would need in-country clinicals. In this case, with the FDA approval and with the efficacy of the product, we're in discussions with them about hopefully trying to accelerate that and maybe get approval sooner. I won't necessarily speculate, but I'm hoping it's somewhat in the near future. We will be able to ramp fairly quickly with that product in China once we do get approval. That's going to be a big deal, by the way, because China is clearly the biggest market.

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

And how do we -- is that a 24-month-from-now type of time frame, beyond that time frame? When should we expect that and then start baking it into the model?

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

Yes. It would be basically a 3-year clinical if we had to go that path. It would be out a number of years. If we don't need to go that path, and we do get quicker regulatory approval, that, I believe, has the potential to even happen this year in 2021. I'm keeping my fingers crossed here. I'm an optimist. We've had good discussions with them. That's for sure.

The clinical data behind MiSight is very strong. We released a 6-year clinical data. One thing we have is incredibly strong clinical data. At the end of the day, that's incredibly powerful. When a regulatory agency is looking at it, they're really looking at that clinical data. That gives me some optimism. Fingers crossed, man. You'll know because we'll come out and say something about it.

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

I'm sure -- well, my fingers are crossed for you. I hope it works out.

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

Thank you.

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

I remember back several years, I used to love getting the market slides from you every year at the JPMorgan conference. I know it's been a little bit. Maybe just refresh everyone, because silicone hydrogel and daily lenses, I kept seeing as 50% on a dollar basis, yet it's still much, much smaller on a volume basis. So maybe just to close out the session here, how do you see the growth drivers of both the market and CooperVision and Cooper overall over the next several years evolving just as we continue to move through the early stages here of the mix and material shift?

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

Yes, that's a really good question. Because you've been seeing it for a little while. We used to spend a lot of time talking about it. It seems like there's so much going on out there, COVID and myopia management and so forth. Maybe we don't spend as much time talking about the strength of the core business and the underlying drivers. But you look at the 2-week monthly space right now, it's probably 87%, 88% silicone hydrogel. Dailies are probably 65%, 66% over the last year. Silicone hydrogel, clearly, the market's moving in that direction. There's no question. The market's going to be heavily, heavily silicones or dailies. People are concerned about wellness and eye health. All that moves you towards daily silicone hydrogel lenses. You're just going to continue to see that trend happen. And we still have a good 5 years as an industry and maybe longer than that of trading up that legacy -- a couple of billion dollars in revenue of legacy hydrogel daily wearers.

Some of our competitors are coming out with new products. They'll trade up some of their base. New wearers coming in, where we're abnormally strong, exceptionally strong, picking up new wearers. And we're picking those up in a very high percentage in our daily silicone hydrogel franchises.

I think you're just going to continue to see that continue. More of a shift to silicone hydrogels, more of a shift to dailies. We probably have combined 5 to 10 years of that type of activity. When you layer that trade-up on the underlying wearer growth, that's why you get to a 5% to 6% growth for an industry.

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

Well, Al, I know you always sound upbeat, but I got to be honest, things sound like they're doing really well. I'm happy for you. It sounds like moving into calendar '21, things are really improving at Cooper. And fingers crossed for you in China this year with MiSight. I'd love to see you beat that \$25 million, and everybody say, that guy knows something.

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

I would love that also. I appreciate that.

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

Well, we're out of time. I really appreciate all the thoughtful commentary and discussion, and thanks for everybody watching, for joining. Hope you have a good rest of your day.

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

Thank you. Thanks, everybody.

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