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PRESENTATION

Operator

Thank you for standing by, and welcome to CooperCompanies First Quarter 2022 Earnings Conference Call. (Operator Instructions) As a reminder, today's program is being recorded. And now I'd like to introduce your host for today's program, Kim Duncan, Vice President, Investor Relations and Risk Management.

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

Good afternoon, and welcome to CooperCompanies' First Quarter 2022 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 and acquisitions, 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 coopercos.com. Should you have any additional questions following the call, please call our investor line at (925) 460-3663 or 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***

Great. Thank you, Kim, and welcome, everyone, to Cooper Companies' Fiscal First Quarter Conference Call. Before I turn to our business, let me say the escalation of the devastating crisis in Ukraine is top of mind. The event caused great concern for everyone in that region, including our employees, partners and their families. Our thoughts are with everyone who is being affected, and we certainly hope peace prevails soon.

Moving to our business, I'm pleased to report a strong start to the fiscal year, led by a fantastic quarter at CooperVision and another solid quarter at CooperSurgical. Within vision, our daily silicone hydrogel and myopia management portfolios continued posting strong results, leading to share gains around the world. Within surgical, our fertility business posted great numbers and the integration of Generate Life Sciences is going really well with that business off to a fast start as part of Cooper. We also recently announced the pending acquisition of Cook Medical's reproductive health business, which will be a great addition to our surgical franchise.

Regarding first quarter financial results, consolidated revenues were $787 million with CooperVision at $561 million, up 11%; and CooperSurgical reaching a new all-time high of $226 million, up 30%. Non-GAAP earnings per share were $3.24.

Moving to the details and reporting all percentages on an organic basis, our CooperVision growth of 14% was strong and diversified. We grew nicely in all product categories, spheres, torics and multifocals, and all 3 regions posted great results with the Americas up 8%, EMEA up 17% and Asia Pac up 19%. This resulted in nice share gains, and we remain well positioned to capitalize on the reopening of economies around the world as COVID subsides.

All of this is driven by our multifaceted commercial strategy that we began deploying years ago, which has proven to be extremely successful. This includes a consistent cadence of launching new products and product extensions around the world, providing customers with market-leading flexibility through our customized solutions, executing on key account relationships, and delivering fantastic customer service. We're continuing these efforts while also enhancing our business through sales force expansions and targeted marketing and infrastructure investments.

Regarding products, our daily silicone hydrogel lenses, MyDay and clariti, posted strong results, growing 25%. Daily silicones continue to lead the market and we offer the broadest portfolio of products to meet customers' needs. This includes MyDay, our premium offering, which is available in a sphere, toric and, most recently, a multifocal. And speaking of the multifocal, the launch is going incredibly well.

The feedback from eye care practitioners regarding use of our breakthrough Binocular Progressive Fitting System, that simplifies the fit process while providing optimal visual acuity at all levels, has been fantastic. And we're continuing to receive feedback from patients that MyDay provides the best multifocal they've ever worn for exceptional near, intermediate, and distant vision. This success is having a nice halo effect on our already successful MyDay torics and spheres, so we remain very optimistic about this brand.

The other brand in our daily silicone hydrogel portfolio is clariti. This lens is also available as a sphere, toric and multifocal, and is sold as more of a mass market product. We've seen nice growth with this brand, especially in our Asia Pac region, where we just posted an extremely strong quarter.

For our FRPs, we reported another solid quarter of 10% growth for Avaira and Biofinity, our silicone hydrogel 2-week and monthly lenses. This was led by improved product availability and our unique offerings such as Biofinity toric multifocal and Energys, the most innovative product in the monthly space.

To finish on products, we're continuing to see nice strength in torics and multifocals as we expand parameter ranges and increase availability around the world. When you combine this with the success we're having in key accounts, it's resulting in nice share gains, and we expect that to continue.

Moving to myopia management, we posted revenues of $20 million, and within this, MiSight grew 172%. This growth rate was an acceleration from Q4 which is impressive given the general market challenges around new fits. Overall, as a global leader in the myopia management space, our portfolio is the broadest in the industry comprised of MiSight, the only FDA-approved myopia control product, our broad range of market-leading Ortho K lenses, and our innovative SightGlass Vision glasses.

For MiSight, we're continuing to make progress around the world, including in China where we're preparing for a broader launch with our partner, Essilor. Our team in China is strong and our advisory board of key opinion leaders, that are affiliated with hospitals representing over 50% of myopia management contact lens volume in China, has us positioned for success in a market where childhood myopia rates are estimated to be over 80%, and where reducing myopia as a priority for the government.

Lastly, on MiSight, our industry-leading 7-year clinical data has been getting a lot of exposure as it highlights that MiSight works for nearly all myopic children, it cuts myopia progression by roughly 59% on average, it works at any age a child starts treatment, it works for as long as the child wears it, and there's no rebound if treatment is stopped.

Moving to SightGlass myopia management glasses, following our co-launch in the Netherlands with Essilor in November, we started early launches in additional markets, including the U.K. and Canada. Within Canada, we've launched the product under the MiSight name which is an exciting step in combining our myopia management glasses and contact lenses under one brand name. We've also accelerated activity in China and plan to launch the product later this fiscal year.

To conclude on myopia management, our momentum is strong, and we're still targeting roughly $100 million in sales for this fiscal year.

To wrap up on CooperVision, for calendar Q4 we estimate the global contact lens market grew 10% with CooperVision growing 16%. Within this, COVID-related challenges did negatively impact optometry offices around the world. Combining this with heightened patient demand as myopia rates continue to rise, is resulting in many eye care offices having full calendars of appointments.

This demand is great, but it's still impacting fit activities such as in the U.S. where new fits are still roughly 8% below pre-COVID levels. Having said that, progress is being made, and we expect to continue seeing positive trends as COVID subsides and economies around the world reopen with people returning to the office and becoming more active in social settings.

Meanwhile, long-term macro growth trends remain intact with roughly 1/3 of the world being myopic today, and that's expected to increase to 50% by 2050. For CooperVision, we have a robust product portfolio, ongoing product launches, a fast-growing myopia management business, and our fit data remains strong, so we remain very bullish on our business.

Moving to CooperSurgical, we're extremely busy integrating Generate, which we just closed in mid-December. In the meantime, we had another strong quarter with organic growth of 9%.

Before getting into the details, let's cover Generate. We recognized roughly $34 million of revenues in the quarter as this was a stub period with only roughly 1.5 months of revenue. Of this, $23 million was in stem cell storage and $11 million in fertility. It's tough to get exact growth rates for a stub period, but growth for the business for the full equivalent fiscal quarter was 10%.

Moving to our fertility business, we posted sales of $97 million, up a very healthy 27% when excluding Generate and the small acquisition of Embryo Options from last January. Strength was seen on a global basis and throughout our product portfolio, including consumables, capital equipment and genomics.

Within our office and surgical unit, we posted sales of $129 million, up 24% as reported, but down 3% when excluding Generate and other acquisitions. This was due to the negative impact of COVID on sales of PARAGARD as well as certain surgical products. Having said that, we did see growth in many areas such as our laparoscopic surgery closure products, and our acquired businesses grew nicely, especially Fetal Pillow in our labor and delivery area which grew 160%. Based on current trends, we expect office and surgical sales to improve and show organic growth in Q2.

To wrap up on CooperSurgical, let me touch on some market information. For fertility, we're largely back to pre-COVID levels. Some markets like the U.S. are stronger, while others outside the U.S. are still dealing with COVID-related challenges, but net-net, the market is in a good place. This industry continues to grow nicely, and we estimate our addressable market is approaching $2 billion with 5% to 10% long-term annual growth. It's estimated that 1 in 8 couples has trouble getting pregnant due to a variety of factors, such as increasing maternal age, and that more than 100 million individuals worldwide suffer from infertility.

Given the improving access to treatments, increasing patient awareness, greater comfort discussing IVF, and increasing global disposable income, we expect this industry to grow nicely for many years to come. Within office and surgical, as mentioned earlier, we expect growth to return in Q2 as the market fundamentals are improving.

To summarize, this was a really strong start to our fiscal year. CooperVision posted a great quarter and we're well positioned to continue delivering success with the best team in the industry and the broadest product portfolio on the market. Our fertility business is growing nicely and taking share, and the Generate business is integrating really well with some exciting potential as we incorporate stem cell storage into our labor and delivery product portfolio.

And with that, I'll 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 $787 million, up 16%, and up 13% organically. Consolidated gross margin decreased year-over-year by 90 basis points to 66.9%, driven primarily by currency, but also lower sales of PARAGARD, partially offset by lower manufacturing costs at CooperVision.

Operating expenses grew 19% to 42.3% of revenues with the addition of Generate and higher investment activity. Consolidated operating margins were 24.6%, down from 26.9% last year, due to the negative impact of FX and higher investing. In addition, we did see higher freight, secondary handling, and distribution costs within cost of goods and OpEx, and expect this to continue, although price increases are helping to offset the impact.

Interest expense was $6.6 million on higher average debt, partially offset by lower interest rates. The effective tax rate was 13.3%, higher primarily due to the Generate acquisition.

Non-GAAP EPS was $3.24 with roughly 49.9 million average shares outstanding. FX negatively impacted us by $0.37 in the quarter, which was $0.02 worse than we forecasted at the time of our last earnings call.

Free cash flow was solid at $109 million, comprised of $166 million of operating cash flow offset by $57 million of CapEx. Net debt increased by $1.6 billion to $3 billion, driven by the acquisition of Generate and our adjusted leverage ratio increased to 2.71x.

During the quarter, we repurchased roughly 191,200 shares of the company's common stock for $78.5 million, at an average purchase price of $410.41 per share. Roughly $256 million remains authorized for repurchase under our program.

Moving to [2022] (added by company after the call) guidance, we've updated our numbers to reflect our outperformance in Q1, the addition of Generate, new currency rates and the assumption of a 25-basis point rate increase by the Fed next week. Prior to the Russian invasion of Ukraine this would have meant the midpoint for EPS would have been roughly $14.35, but currency has moved significantly against us over the past week. We're increasing prices to offset the negative impact, and hopefully the currency moves are temporary, but we're taking a conservative approach and fully incorporating negative currency into our guidance, noting that the scope, degree, and duration of the crisis on the global economy is an evolving risk.

With this, the new consolidated revenue range is $3.261 billion to $3.329 billion, up 6.5% to 8.5% organically. Within this, CooperVision revenue guidance is $2.221 billion to $2.264 billion, up 7% to 9% organically. CooperSurgical revenues are expected to be between $1.04 billion and $1.065 billion, up 35% to 38% as reported or 5% to 7% organically. Non-GAAP EPS is expected to be in the range of $13.70 to $14.20.

We estimate interest expense around $42 million, which assumes a 25-basis point rate increase, remembering that $1 billion of our debt is at fixed rates. We estimate the full year tax rate to be around 14%. Regarding currency, on a year-over-year basis, the negative FX headwind is now roughly 3.5% to revenues and roughly 10% negative impact to EPS.

Note this guidance does not include our pending Cook Medical Reproductive Health acquisition as the transaction has not yet closed. Regarding Cook, we announced this acquisition on February 7, for $875 million. This is a really nice strategic fit as they manufacture and sell minimally invasive medical devices focused on the fertility and gynecology markets. With this acquisition, we'll be improving our international fertility footprint, especially within the Asia Pac region, and will be adding highly synergistic and respected labor and delivery medical devices. From a financial perspective, this business had roughly $158 million in sales in calendar 2021 and we expect long-term growth in the range of 5% to 9%. Additionally, we expect year 1 non-GAAP EPS accretion of roughly $0.60. For more information, please visit our IR website, where there is a presentation.

In summary, we're pleased with this quarter's performance and believe our momentum will continue, driven by strategic investments in both businesses that will support share gains and durable long-term revenue and earnings growth. And with that, I'll hand it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Matthew Mishan from KeyBanc.

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

Just first on the Cook acquisition, I mean, it's a little bit difficult because you guys have been guiding right before closing an acquisition and then having an update, and we're going to have to do the same thing again when Cook closes. Just first, can you give an update on when you think that might close? And then given $0.60 in year 1, Cook is probably going to be half and half. How should we phase that first half of year 1 versus the second half of year 1?

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

Yes. No update on that. We're working through the regulatory approval processes right now that we have here in the U.S. and then some work councils in Europe. So, no real update on that. With respect to the $0.60 when we do close, that should be pretty stable. Not a lot of seasonality in that business. So, you could almost just say $0.15 a quarter as probably an easy way to look at it. But yes, we seem to be closing these in the middle of the quarter, which I appreciate, makes things a little bit more difficult.

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

Excellent. And then the second question is just on phasing of CooperVision. You really had an excellent quarter in the first quarter. But as I look at the previous history prior to COVID, the second quarter is usually above the first quarter, seasonally speaking. Is there any reason why that shouldn't be the case this year? If 2Q is better than 1Q, what would be driving the second half deceleration in the growth?

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

Yes, that's a good question. I think that Q2, if we look at CooperVision, is going to end up being fairly similar to Q1, which is different than it usually is because usually Q2 is a little bit stronger. We did see a nice rebound in activity certainly in Europe and Asia Pac. We didn't get stocking, it was just an increase in activity. So that was a good sign. We had some good trends going.

The situation with Russia and the Ukraine and how that impacts Europe, is a little bit of a question mark right now. And then the impact of currency. We've had a situation here where the dollar has strengthened against all currencies across the board, so that's taken a bite out of our earnings and out of our revenue. We'll see how that plays out. But I think that fiscal Q2 will be somewhat similar from a revenue perspective for CooperVision as Q1.

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 the strong quarter here. Al, just a follow-up on that last question. The same question for CVI and CSI. So 14% organically in Q1, the guide implied like 5% to 7% for Q2 to Q4. The same thing for CSI, 9% growth organically. And again, Q2 to Q4, it looks like implied about 5% to 7%.

So Brian will correct me on the math. But obviously, it implies a pretty steep deceleration. So FX, that's organic. So I guess my question is, how much are you baking in for Russia and Ukraine in both those businesses? And is there anything else that might be leading to that deceleration?

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

Yes. So the way I look at it ends up being more on a comp basis. We're starting to be in a situation here in 2022 where we're comping against a more traditional marketplace where we didn't have a lot of the COVID swings or the COVID weaker quarters. So when I look at, for instance, the contact lens market and I think about something in maybe the 4% to 6% growth range and we're at the high end of that or should arguably be a little bit above that.

But then I do ratchet it back and think a little bit about what's going on around the world with supply chain and trade disruptions and that type of activity and try to incorporate a little bit of that. Brian and I were just talking about that. It's tough timing with what's going on in the world right now to try to incorporate the guidance on that. I certainly hope that we're being a little conservative on that guidance. But for right now, I think it's probably pretty reasonable.

In other words, Larry, one takeaway is I don't want to imply in any way that our business isn't strong, that there's not great momentum because there was. What we saw in Q1 was continuing in this quarter, and we feel pretty optimistic about things across the board. But a little bit more conservative, certainly based on what's transpired over the last week.

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

And just for my follow-up, Al, maybe I'll ask about SightGlass. What's the timing on the approval or launch in China? And then in the U.S., what's your expectation? How do you feel about approval in 2022?

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

Sure. Yes. On SightGlass in the U.S., I think we're in a situation where we'll just wait and we'll give the 3-year data. We've been having conversations with the FDA about approval for that. But we're closing in on a point where we'll get the 3-year data in a couple of months, be able to pull that together and submit that to them. I'm still optimistic that we'll get something during 2022, but my guess is it's probably more towards the latter part.

With respect to China, TBD on the date, you don't have the same regulatory restrictions there that you do here. So it's a matter of working out the agreements with Essilor and lining up the distribution and so forth.. I do think that one happens, but I'll hold back for right now, at least on the timing of that one.

Operator

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

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

Al, if we're talking sequentially stable CVI revenue in the fiscal Q2 with Q1, you'd be talking probably a little north of double-digit organic growth for CVI in this quarter. You're a month in, you obviously see what's going on in your numbers that you feel good with that. Just want to make sure I understand that.

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

I'm looking at Brian on that. You're talking about...

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

In Q2 organic growth?

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

The way my model works. If I go to $561 million CVI in the second quarter, that's probably right around 10%, 10.5% organic CVI growth, I think, unless my model is screwy.

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

I think you're right.

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

Yes, that's about right.

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

Okay. It wasn't a trick question. I just want to make sure my math is right. Okay. We good?

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

Yes. No, that's right, Jeff. I just pulled the sheet out. You're right.

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

Okay. And then just on the MyDay multifocal especially, we've been getting good feedback here in the U.S. But just talk to us maybe where is that lens at from a global launch standpoint? Where are the tailwinds coming over the next few quarters from that launch? And how to think about MyDay multifocal?

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

Yes. That's a really good question because that product is doing really well. And as you know, there's some competitive products in the marketplace that have been launched. So we've been really happy with the reception. We have it in the U.S. and are still launching it. We did launch it in some other larger markets around the world. But there's still numerous markets to launch into, and we still have to finish launches in a number of markets, including rolling out more fitting sets here in the U.S. So, we're going to continue to put up strong MyDay multifocal growth through the year. I would imagine every earnings call you'll have me making a statement around that, based on the momentum that we have right now.

Operator

Our next question comes from the line of Chris Pasquale from Guggenheim.

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

Congrats on a great start to the year. Al, what's left to do before you transition to the full MiSight launch in China? And how are you thinking about the ramp there?

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

Yes. So, there's a big conference at the end of March time frame, into the beginning of April. It's a big optical conference in China. That's really the target. The product is available now. We're starting to launch the product, get it into hospitals, and docs are getting their hands on it. Certainly, we've done seminars and other things.

The true big launch will be at that optical conference. So, no delays, no problems, no issues, nothing along those lines. I just think that it will really get rolling towards the end of this fiscal quarter and then in the back half of our year.

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

Okay. And then I don't think I heard a PARAGARD revenue number. Could you just give us how that performed in the quarter?

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

Yes, it was down 10%?

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

Yes.

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

Down 10%, yes.

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

And is that just related to some of the issues with getting patients into office, you think? Or was there something mechanical around purchasing?

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

No. I think it was foot traffic. We heard some of that commentary from some of our competitors, and I would agree with that. That's what we've seen because we haven't seen anything else associated with that. Based on current trends, when I look at what's going on, how January went and how February is, and our expectations, I expect us to be back to posting growth in Q2 on that one.

But I do think that was due to 2 things. One was staffing shortages associated with COVID. And then the other was just some reduced foot traffic due to Omicron-related issues.

Operator

Our next question comes from the line of Jon Block from Stifel.

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

Maybe for CVI to start out, I think to kick off your fiscal year, you were talking about market growth of 4% to 6%. You guys, CVI were going to grow 6% to 8%. Now I believe you've upped that to 7% to 9% for CVI. So, would just love your thoughts on the underlying market?

In other words, has that moved up as well? Or is it just sort of your share gains that have expanded? And when we think about the extra 100 bps for CVI, what do you attribute that to? How much of that is price that I believe you alluded to that you're taking to help offset some of the FX movements?

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

Yes. So basically, what we did was took the 6% to 8% guidance that we had beforehand, we increased it to 7% to 9% to reflect the strong performance in Q1. We didn't really move it outside of just incorporating that. If you look at the numbers, it's almost like you can think on an as-reported basis, we had a nice beat and then currency took the delta away there. So, from that perspective, holding our expectations where they are for Q2 to Q4, even in the face of some of the global uncertainty.

A lot of that came from outperformance in Europe and in Asia Pac, where we're over-indexed. We're #1 in Europe, and we have a really strong presence in Japan. So, as we've seen those markets start to come back and get closer to where the U.S. is at, we have a tendency to outperform in those areas. So that's what you saw.

Yes, there's a little bit of price. Everyone has taken a little bit of price, so that's a little component of it. But I think it was more starting to see global economies, really economies outside of the U.S. start to return to normal. And as they did, and they catch up to the U.S. contact lens market, we're a greater recipient of that type of positive activity.

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

Got it. Helpful. And second question, I think on an earlier question, you mentioned Cook somewhat linear, if you would, when we think about the accretion of the $0.60. What about Generate? I don't know if I missed it, Brian. But is Generate still, call it, $0.50 accretive in the first 12 months? And then you guided for, I guess, roughly like 10.5 this fiscal year. How does that onboard, if you would? And any commentary around the pace or the cadence of that, or from a linear perspective?

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

Yes. So, you're exactly right. And we're heading towards the roughly $0.44-or-so that gets you to that 10.5 months of $0.50 that we guided to. So, definitely on track to hit that $0.50, but that's how you get there. And I would say the gating is going to be fairly similar per quarter.

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 wanted to ask a follow-up here on the contact lens pricing topic as well. Just maybe hoping you can help in interpreting some of the data that's out there. I mean it looks like retail price points are showing something like mid-single-digit increases. But I think a chunk of those are probably stemming from increases that are happening at the distributor/retail level to cover their own higher operating costs.

So maybe you can clarify for us like how you're handling price increases regionally or across the board globally. And should we be thinking about any load-in or stocking ahead of some of these additional increases that you're planning?

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

Yes. I don't think there's really been any activity in terms of stocking or anything that I've seen from our perspective associated with pricing. We are taking price increases, low single-digit price increases. But you're exactly right, it's very difficult to see because not only do you have the component of direct price from the manufacturer and list prices, you also have markups associated with distributors or anyone else along the process as they look to take price to offset inflationary pressures.

Pricing is a little different around the world. There are some countries right now, even if we get to Russia in particular, where we're taking much larger price increases to offset currency moves. So, it's a little bit all over the place right now. But I would say it's positive.

Everyone is raising price to varying degrees and then seeing how that plays through. And we've always been a little lower, for instance, if you look at rebate activities than some of our competitors have been. So that's another factor that you'd have to take into consideration when looking at price.

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

Okay. All right. That's helpful. And maybe just as a follow-up. I know I asked you about this topic last quarter, but I'll come back to it again. It does look like you just recently -- you had CMS grant MiSight a Level II code. I know we may still be a ways off from seeing dedicated reimbursement for MiSight or myopia management contact lenses.

But maybe can you talk about the significance or importance of what this code does for Cooper? Are there competitive advantages that it provides? And then how does this position the company to eventually seek elevated or dedicated payment levels for something like MiSight?

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

Yes, sure. Absolutely. We received that code, it's fantastic, and it's a relatively specific related code, which is really good news. The ultimate question on that is, how much is the reimbursement amount associated with that. And that would be the reason I'm excited about that, and I'm optimistic about where things are going. But I'll temper any enthusiasm until we get to a point where we're seeing what those reimbursement dollar amounts are. But overall, a clear positive and a clear step in the right direction, that's for sure.

Operator

Our next question comes from the line of Andrew Brackmann from William Blair.

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

Al, maybe you can just give some high-level thoughts around sort of MiSight here. I think we're coming up on the 2-year anniversary of the launch here in the U.S. So maybe could you just sort of reflect on what you've learned about this product in the domestic market specifically? And maybe how has that view changed one way or the other over that time?

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

Yes. I think the clear learning on this over the last couple of years is it takes a little while to get traction. We were more optimistic, certainly, early on, that as an eye care practitioner got the product into their practice, they would start selling it to every pediatric patient who walked into the door.

What we saw is they were pretty active right away, and they would choose a patient or 2 patients. But it wasn't as sticky right upfront as we thought it was going to be. So, we've altered some of our attention, some of our focus, to ensure that we're helping eye care practitioners build up their myopia management practice.

Because if you really talk to optometrists right now and you dig into what's going on in myopia management, so many of them are trying to figure out how to create a myopia management practice. It's something they want to do. They're excited about it. They see the value in it. Whether it's Ortho-K, whether it's MiSight, it's something they want to do. But prescribing to kids and talking to parents is oftentimes a significant difference from what they're used to doing.

So, helping them along that journey is proving to be really, really valuable for building a long-term relationship. But really recognizing that, and understanding that, and figuring out how to help eye care practitioners build a subset of their business has been a big learning for us. And the team has done a really nice job on that. I feel like they pivoted quickly. They're understanding that. They're out there helping physicians build practices.

I would say that's our biggest learning, that this takes time. I was really optimistic it was going to shoot up really, really fast, but it takes time. We're building a lot of traction. We're putting up good numbers. We're getting good growth. It just takes a little bit of time.

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

That's great. Appreciate that. And then maybe a follow-up for Brian. Anything more that you can sort of tell us about what you saw related with the sort of inflationary pressures in the quarter? And then how should we be thinking about those factors sort of playing out throughout the year?

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

Yes, sure. Thanks, Andrew. So yes, as I mentioned in my prepared remarks, we're definitely seeing inflationary pressures, and we're helping to offset some of those with price increases. That was factored into our guidance last time and we factored into our guidance inflationary pressures this time around. It's definitely a headwind, I mentioned also freight, secondary handling, distribution. So, whether it's cost of goods or OpEx, we've got some good guys offsetting that. But certainly, if things get worse and there's contagion as a result of the Ukraine crisis and fuel prices continue to increase and there's a knock-on effect, then that's hard to factor in. But for now, we think we've got a pretty good handle on what we've seen so far and we factored it into our guidance.

Operator

Our next question comes from the line of Zach Weiner from Jefferies.

Zachary Ross Weiner ***Jefferies LLC, Research Division - Equity Associate***

Just want to continue on that last one on MiSight retention rates after the first couple of years of the launch. Just if you can give any color there. And then additionally, if you could give some color on new fits versus switch fits through the quarter, how that trended? And if there's any one particular lens that stands out as driving those new fits and switch fits level?

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

Yes. MiSight retention rates have remained pretty high. They're still in the 85% to 90% range, which is a really good sign, and it's part of what's supporting the business, the underlying growth of that business, as we don't have a lot of kids dropping out once they get into the product.

New fits to switch fits, new fits are continuing to get better. We're seeing better foot traffic in optometry offices. We're seeing improvements in fit activity. That's clearly benefiting ourselves, and the industry, but it's benefiting us a little bit more, given a lot of our growth comes from new fit activity.

I'm not sure I would highlight anything too particular other than daily silicones because we've talked about that in the past. That's the driver of the market. When you're getting new fit activity and patients are coming in, that's where the optometrist has the tendency to go, they grab one of the new daily silicone hydrogels in the marketplace.

So that's a positive for the entire industry. You saw it in our daily silicone numbers of 25% growth. So really strong numbers that we're certainly capturing our fair share, and more, of new fit activity when it comes to that space.

Operator

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

Lilia-Celine Breton Lozada ***JPMorgan Chase & Co, Research Division - Research Analyst***

This is actually Lilia on for Robbie. Just another one on MiSight. Is there any way you can quantify how many physicians you've trained at this point? And what percent of the total opportunity that is?

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

I honestly don't know that off the top of my head. I stopped looking at that number because we were training so many people, and then we were training office people also. It wasn't just ECPs. So, it's a pretty significant number. I think that there's definitely more room for training in the U.S. But I would venture to say the bigger focus has shifted from getting more people trained to deeper relationships with existing accounts and with those who we know should be big accounts. So, certainly more focus there.

I think there's still significant opportunity. I really truly believe that the myopia management space is going to be a multibillion dollar industry, and that will include glasses and contact lenses. But there is a massive amount of momentum out there in the optometry space right now, talking about myopia management, and I don't see that changing. It's more about deeper relationships and helping people grow that part of their business than it is getting them trained and up to speed on it.

Lilia-Celine Breton Lozada ***JPMorgan Chase & Co, Research Division - Research Analyst***

Got it. That's helpful. And then you've obviously been pretty active on the M&A front, not just with bigger deals like Cook and Generate, but a bunch of even smaller tuck-ins as well. So, do you still have an appetite for M&A right now? And where does M&A stand on your list of priorities for capital allocation?

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

Sure. Yes, we do acquisitions. We've had a couple of bigger ones here. Brian mentioned, we just bought some stock back this last quarter. So, we continue to look at the same thing. We invest in our business wherever we can find opportunities. That always provides the best return for us. We look at acquisitions if they make sense, and we'll buy stock back if we think it makes sense.

With Cook coming up and closing, we'll focus a little bit more of our energy and attention on paying down debt. We don't anticipate seeing leverage go even over 3x. But having said that, we're up a little bit higher than we historically are. So, we'll probably have a little bit greater focus in the nearer term at least of paying down debt, and maybe looking at some stock buybacks rather than another larger acquisition.

Operator

(Operator Instructions) And this does conclude the question-and-answer session of today's program. I'd like to hand the program back to Al White, President and Chief Executive Officer, for any further remarks.

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

Great. Thank you, everyone. I appreciate everyone's attention and for calling in. I know a lot of people have a lot of things going on right now. As we've discussed, we started the year off really well. So we're really excited about where vision sits today and where surgical sits. And we've got good momentum. We think that's going to continue.

So, if anyone has any questions or follow-ups, certainly give us a call. Otherwise, we look forward to speaking with everyone on our next earnings call in early June. Thank you, operator.

Operator

Thank you. And thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.