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COO.OQ - Q3 2026 Cooper Companies Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. My name is Tina and I will be your conference operator today. At this time, I would like to welcome everyone to the Q3 2026 CooperCompanies earnings conference call. (Operator Instructions) It is now my pleasure to turn the call over to Kim Duncan, Vice President of Investor Relations and Risk Management. Please go ahead.

Kim Duncan - *The Cooper Companies, Inc. - Vice President - Investor Relations and Risk Management*

Good afternoon, and welcome to The CooperCompanies' third quarter 2026 earnings conference call. During today's call, we will discuss the results and guidance, the conclusion of the strategic review, and current corporate developments. We will 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.

Before we begin, I'd like to remind you that this conference call will contain forward-looking statements, including statements relating to revenue, EPS, cash flow, interest, FX and tax rates, tariffs, and other financial guidance and expectations. Also strategic and operational initiatives, market conditions and trends, and product launches and demand. 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 The CooperCompanies' Form 10-K and Form 10-Q filings, all of which are available on our website at coopercos.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 materials. Should you have any additional questions following the call, please email ir@coopercos.com.

Now I'll turn the call over to Al for his opening remarks.

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

Thank you, Kim, and welcome everyone to our Q3 earnings call. This quarter included a number of notable developments, including earnings exceeding expectations, record free cash flow, solid fertility growth at CooperSurgical, and the favorable completion of a significant tax matter.

At CooperVision, however, we proactively reduced US channel inventory that weighed on our results and will continue to impact Q4. Importantly, our underlying demand in the US remained healthy throughout the quarter, with consumption increasing at a mid-single-digit rate. And we're now positioned to enter fiscal 2027 with a healthier channel and stronger foundation. We're also taking additional steps to strengthen CooperVision revenue performance, and I'll speak to these in a moment, but first I want to address the completion of the strategic review, which we announced in a separate press release today. Following a comprehensive evaluation of alternatives, the Board has concluded the strategic review. As part of the process, we conducted a thorough assessment of CooperSurgical, including a potential sale of the business, where we received significant interest and engaged with numerous parties. Ultimately, however, the Board unanimously determined that shareholders are better served by continued ownership than by pursuing a transaction at this time. The Board and our advisors believe several temporary factors influenced valuations late in the process, including developments related to a competitive entrant in the non-hormonal IUD market and the impact of our fertility litigation settlement. These factors contributed to what we believe was a temporary disconnect between CooperSurgical's intrinsic value and the offers received, resulting in proposals that did not adequately reflect the full value and long-term potential of the business. While the formal strategic review has concluded, our commitment to enhancing shareholder value has not changed. We gained valuable insights through the process and will intensify our focus on profitable organic growth and disciplined capital allocation, including share repurchases. The Board and management will also continue to evaluate opportunities to maximize long-term shareholder value and remain open to strategic alternatives that appropriately recognize the value of our operations.

Turning to the quarter, CooperVision reported revenue of $717 million, essentially flat year-over-year. EMEA and Asia-Pac performed largely in line with our expectations, while the results in the Americas reflected CooperVision's US channel inventory reductions.Moving forward, we see opportunities to strengthen our growth globally through improved execution of our contract wins and product launches. And to support this effort, we're investing in expanded sales coverage, increased customer marketing programs, and enhanced commercial execution capabilities, including AI-driven targeting and analytics tools. These initiatives are already gaining traction in Asia-Pac, where our new commercial leadership team is fully in place, and in the US, where we're actively expanding our salesforce organization. These efforts are driving stronger customer engagement, including within our private label business, where new account wins and SKU introductions are expanding our customer footprint and deepening penetration within existing accounts. We're also continuing to invest in our distribution infrastructure, including a new packaging facility in Puerto Rico that will expand direct-to-consumer and direct-to-customer fulfillment capabilities, enhancing service levels and supporting long-term growth. All these actions are well underway and position us to drive greater revenue growth in fiscal 2027 and beyond.

Turning to products, our flagship MyDay franchise continues to perform well, highlighted by double-digit growth in EMEA and double-digit consumption growth in the Americas. This performance was driven by strong customer partnerships, ongoing expansion in high-value categories such as torics and multifocals, growing adoption of our premium MyDay Energys offering, and the successful launch of MyDay MiSight.

MyDay Toric delivered another quarter of double-digit growth, supported by the industry's broadest daily parameter range and the same market-leading toric design as Biofinity. MyDay Toric maintains a meaningful competitive advantage, offering approximately 30% more prescription options than any other daily Toric lens.

MyDay Multifocal also delivered another quarter of double-digit growth, supported by its advanced optical design and easy-to-fit platform. With favorable demographic trends and significant room for category expansion, we continue to view multifocals as one of the most attractive growth opportunities in contact lenses. And to build on this, we are preparing to launch MyDay Toric Multifocal, extending our leadership in optics, parameter range, and clinical performance. Finally, MyDay Energys delivered another quarter of double-digit growth, reflecting increasing recognition among eye care professionals and wearers of its differentiated combination of premium optics and advanced material technology.

For clariti, performance varied by region, with growth in EMEA offset by softer performance in our other two regions. However, our next generation clariti multifocal continues to gain momentum, supported by the same proven fitting design as Biofinity and MyDay. And we also recently completed the clariti family launch in Japan, and initial customer response has been encouraging.

Turning to Biofinity, strength in EMEA and within our market-leading made-to-order portfolio, including Toric Multifocals and extended ranges, was offset by the inventory moves in the US, resulting in a flat quarter. Regarding myopia management, MiSight delivered another strong quarter with 20% organic growth. EMEA and the Americas led performance, while softness in China weighed on Asia PAC, although this was partially offset by growing momentum in Japan following our MiSight launch earlier this year. In EMEA, growth was supported by the ongoing launch of MyDay MiSight with back-to-school campaigns highlighting the benefits of a silicone hydrogel offering. Canada also launched MyDay MiSight in August, and customer feedback has been excellent. Importantly, in these markets that have MyDay MiSight, the MyDay platform now supports patients across every stage of life, from myopia management in children through spherical, toric, multifocal, and premium lifestyle offerings in adulthood. Looking ahead, we expect MiSight growth to be in the low teens in Q4 against a difficult prior year comparison, resulting in roughly 20% growth for this full year and setting the stage for a promising 2027, supported by continued momentum in existing markets and the upcoming launch of MyDay MiSight Toric.

Lastly, on Vision, we're accelerating programs tied to new product development, and that ties nicely in with the opening of our global vision center in the UK later this month. This state-of-the-art facility brings together R&D, our next-gen technical manufacturing teams, and our commercial teams in a single integrated environment. The investment will accelerate innovation, enhance collaboration, and enable greater speed to market as we capitalize on one standardized manufacturing platform for all future product development.

Turning to CooperSurgical, revenue was $349 million, up 3% organically. Within this, Fertility delivered another solid quarter, growing 5% to $141 million. By product category, fertility growth was driven by broad-based strength across our leading global portfolio of products and services, partially offset by softer capital equipment sales following a very strong prior quarter. Genomics was a notable contributor, driven by robust global demand along with continued adoption of RI Witness, our automated laboratory management platform. Performance was further supported by new clinic wins, expansion within existing accounts, and increasing uptake of recently launched products and services, all resulting in continued global market share gains. Geographically, growth was led by the Americas, where we continue to gain share, while EMEA and Asia PAC remain mixed, as strength across several markets was offset by macro headwinds in the Middle East and China.

Stepping back, the long-term fundamentals of the global fertility market remain compelling. Delayed family formation, expanding access to care, increasing treatment utilization, and continued investments by fertility clinics supports durable long-term growth. Government support for family building also remains favorable. Earlier this year, Denmark expanded publicly funded fertility coverage from three cycles to six. Japan's reimbursement framework continues to improve access and affordability for assisted reproductive technologies. In the Middle East, investments in reproductive healthcare infrastructure continue to support growth in the UAE fertility market. And in California, large group health plans are now required to provide coverage for IVF and certain infertility treatments, representing another meaningful step towards expanding patient access. To conclude on Fertility, we expect continued strength, including a solid fourth quarter, supported by healthy market trends and growing momentum across our innovation pipeline, particularly in genomics.

Turning to Office and Surgical, revenue was $208 million, up 2%. Medical devices grew 4%, driven by continued strength in our Surgical OBGYN and specialty device portfolios, while Paragard revenue was flat. Finally, CooperSurgical delivered another quarter of strong operating leverage, reflecting the improved profitability and cash generation of our streamlined business model.

Now, before turning the call over to Brian, let me leave you with a few key takeaways. At CooperVision, underlying demand remains healthy, and our long-term growth drivers remain firmly in place, including continued momentum in MyDay, strong demand for our toric and multifocal lenses, and the ongoing success of MiSight. At CooperSurgical, we remain excited about the fertility market and the opportunities ahead, supported by our strong R&D pipeline. Finally, while the strategic review process was extremely challenging for our teams, it provided valuable insights, and we believe we are well positioned to execute our plans and deliver strong performance in 2027 and beyond.

With that, I'll turn the call over to Brian.

Brian Andrews - *The Cooper Companies, Inc. - Chief Financial Officer, Executive Vice President, Treasurer*

Thank you, Al, and good afternoon, everyone. Most of my commentary will be on a non-GAAP basis, so please refer to today's earnings release for a reconciliation of GAAP to non-GAAP results. For the third fiscal quarter, consolidated revenue was $1.066 billion, increasing approximately 1% on both a reported and organic basis. Gross margin was 66.7%, down 60 basis points year-over-year. This was largely in line with our expectations, reflecting higher costs and foreign exchange headwinds. Operating margins increased 30 basis points year-over-year to 26.3%, driven by ongoing productivity improvements. Interest expense was $21.5 million, and our non-GAAP effective tax rate was 15.3%. Before moving to earnings, I want to spend a moment on taxes. During the quarter, we recognized a sizable discrete tax benefit of approximately $307 million following the favorable completion of HMRC's examination of our fiscal 2021 transfer of intellectual property and related assets to the UK. Importantly, the closure of the examination provides clarity and certainty around a matter that has been under review for several years and is now expected to extend meaningful non-GAAP tax benefits for at least an additional 10 years.

Turning to earnings, non-GAAP EPS increased 4% to $1.15, including approximately $0.03 from tariff refunds based on approximately 193 million diluted shares outstanding. This marks our 11 consecutive quarter exceeding consensus earnings expectations, reflecting disciplined execution, strong operational management, and the benefits of the reorganization completed in the fourth quarter of last year.

Turning to cash flow, we generated free cash flow of $273 million, the highest quarterly free cash flow in Cooper's history. This was driven by strong operating performance, improving working capital trends, and declining CapEx, all of which has contributed to year-to-date free cash flow of $528 million, up 86% from last year. This performance reinforces our confidence in achieving our goal of generating $2.2 billion of cumulative free cash flow in fiscal 2026 to 2028.

Supported by this strong cash generation, we repurchased $339 million of shares during the quarter, bringing fiscal year-to-date repurchases to $445 million while maintaining leverage below two times. Given our confidence in the business and commitment to capital returns, the Board approved a $1 billion increase to our share repurchase authorization, bringing the remaining capacity to approximately $1.5 billion for future repurchases.

Turning to guidance. For Q4, we expect consolidated revenue of $1.057 billion to $1.08 billion, representing organic growth of 0% to 2%. We expect CooperVision revenue of $692 million to $706 million, down 2% to flat organically. Within this, we expect regional performance trends to be broadly consistent with Q3, with the Americas reflecting the impact of channel inventory actions, EMEA delivering another solid quarter, and Asia-Pac continuing to face near-term challenges. We expect CooperSurgical revenue of $364 million to $374 million, representing organic growth of 4% to 6%. We expect interest expense of roughly $25 million, reflecting incremental borrowing associated with share repurchases and litigation-related payments. We expect the Q4 non-GAAP effective tax rate to be roughly 16%, resulting in non-GAAP EPS of $1.05 to $1.09. We expect around $170 million of free cash flow, excluding litigation-related payments of roughly $272 million. Our foreign exchange assumptions are largely unchanged from last quarter. In summary, we expect Q4 to be broadly similar to Q3, with the primary differences being greater commercial investments in CooperVision, additional FX headwinds, and lower tariff refunds, which will pressure gross and operating margins.

Looking ahead to fiscal 2027, it's too early to provide guidance other than to note that our scheduled GILTI increase of roughly 2% in the US taxation of foreign earnings will impact our non-GAAP effective tax rate. All else being equal, we expect this to increase our tax rate from roughly 15.5% this year to roughly 17.5% in fiscal 2027.

To conclude, despite actions we took within CooperVision that weighed on performance, we delivered another quarter of earnings above expectations and record free cash flow. We also achieved a favorable resolution of HMRC's examination of our 2021 UK tax planning initiative and returned significant capital to shareholders.

At the same time, we are intensifying our efforts to drive organic growth through new commercial investments and a more streamlined operating model. Together, these initiatives position us to accelerate growth, expand profitability, and increase cash generation in the years ahead. Supported by a strong balance sheet and disciplined capital allocation framework, we remain confident in our ability to create meaningful long-term value for shareholders.

With that, I will turn the call over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Jon Block.

Jonathan Block - *Stifel Europe AG - Equity Analyst*

Thanks, guys. Good afternoon. Al, previously, the fiscal 2H 2026 CVI growth was expected to be up roughly 4%. Now, fiscal 2H is expected to be flattish, and you made some comments around consumption. I just want to be clear, is the entirety of that revision inventory-related, as you did call out consumption amid single-digit growth specific to the quarter? I am just wondering if that consumption assumption also applies to fiscal 4Q. Maybe you can just tease out the plus 4% to 0% in fiscal 2H, how much of that is destock versus underlying fundamentals?

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

Jon, it is all destock. The consumption in the US market has been running pretty steady all year in the mid-single digits, it did in Q3, and it did in the first month of this quarter. So I would expect consumption to remain as is. Meaning the entire reason for the reduction in the revenue guidance for CooperVision was tied to just channel inventory. That's it.

Jonathan Block - *Stifel Europe AG - Equity Analyst*

Okay. Thanks for the clarity there. I guess there is just an obvious follow-up, which would be, if you are exiting this year at flat off of pretty modest comps, just any high-level thoughts on 2027 CVI? In other words, do we think it can go back to mid-single digits as it would revert back to consumption? Or should we think, hey, you are going to be below market this year. Do we think below market next year, really until some new products start to come out of the innovation hub? Thanks, guys.

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

A couple things on that. Some of the moves that we're making in the US with respect to the channel inventory are impacting us. Another one that has been impacting us for a little bit and will to the end this year, is some of the portfolio rationalization we're doing with our legacy hydrogels.

Our legacy hydrogels were down double digit across the board as we continue to move away from those products. That work we're going to get completed in our fiscal Q4, and that'll put us in significantly better footing back to CooperVision of old, or normal CooperVision, if you will, as we get into 2027.

Jonathan Block - *Stifel Europe AG - Equity Analyst*

Thank you.

Operator

Jeff Johnson.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Hey, thanks. Good afternoon, guys. Let me just stick on maybe that same line of question Jon was just asking, and then I've got one other follow-up as well. But on the destock itself, Al, you may have just answered the question on some of the legacy hydrogel stuff, but what is actually driving that destock, and how do we think about the risk that that bleeds over into the early part of 2027? Have you ring-fenced that fairly confidently that this is a fiscal Q4 should be the last of it? Or how do we think about the early-2027 potential impact? Then one follow-up. Thanks.

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

We have ring-fenced that. We have gone through that deeply and dug into all the details and where the channel inventory is and what's happening. A lot of it was tied to Biofinity. But there was other stuff with dailies, and there was definitely inventory that was tied to some legacy hydrogels and some of those types of products. But we are going to get that behind us in Q4, or at least the vast majority of it. Same with the rationalization and the moves in Asia Pac so that we get back in good footing and back to normal in 2027.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. I guess I will just push you a little bit on that. I hear in your answer the different lines that destocked, but why are they destocking? Have end markets slowed? Did you guys have too much inventory in the channel from past efforts to prop up numbers? Is it competitive new product launches that are just requiring less CooperVision inventory? Just anything there.

And then you mentioned APAC at the end of your answer. I guess my other question was going to be on APAC. Last quarter, you talked about fiscal Q3 being the last of the Cooper-specific issues, and you felt like the market was kind of flat, maybe down a little bit in Asia Pac, and that you could get back towards that market rate in Q4. Has that assumption now changed? If so, why? Thank you.

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

I will touch on that one first, Jeff. On Asia Pac, I would say that market is actually stabilizing to getting a little bit better, which is great news. I think I said last quarter, I would have to go back and look, that we were finishing up a lot of the rationalization work and positioning work with respect to the legacy hydrogels and clariti entering.

So that is what I am referencing, saying that similar to last quarter, we are going to finish that up. We were halfway through it or maybe a little bit more. We took another chunk out of it in Q3, and we will finish that in Q4. I think you will get Asia Pac relatively back to normal as we start the year off.

If I look at the channel inventory in the US, we see channel inventory go up and go down, and we have seen that many times over the years. We did have channel inventory trend higher here, and that has been for a couple different reasons. Some of it was people buying before price increases, some of it has been consolidation activity, some of it has been buying before things like IT upgrades go in. Most recently here in Q1 and Q2, you saw channel inventory move up associated with buying tied to some of the new private label contracts we won, and that was pushing up inventory without offsetting it in a different spot. This was something that we took a long and hard look at and said, hey, normally, what would happen here and what's happened in the past is that channel inventory would burn itself off over the next year and a half, or something like that,, and you'd move back to normal. Rather than doing that and dealing with that, as we have many times over the 20 years-plus I've been here, we decided to go ahead and proactively accelerate that and just get that taken care of right now in Q3 and Q4 so we won't have that overhang at all next year and we'll go back to growth tied to consumption.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Thank you.

Operator

Larry Biegelsen.

Lei Huang - *Wells Fargo - Analyst*

Hi, it's Lei on for Larry. Thanks for taking the questions. Can you quantify the impact of the US inventory reduction in fiscal Q3? You talked about consumption being in the mid-single digits. Is that different versus what you reported for CVI? Is that the magnitude of inventory reduction in the quarter? What's assumed about the impact of the inventory in fiscal Q4? I have a follow-up.

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

Lei, just to be clear on that, the Americas would have reported growth around 5% in Q3 if we hadn't made the inventory reduction moves. We would envision Q4 is actually going to be pretty similar to what Q3 was, I would say, for the Americas, for EMEA, and Asia Pac. You'll have a similar inventory reduction that'll occur in Q4 in the US.

Lei Huang - *Wells Fargo - Analyst*

Okay. So the magnitude should be similar, you're saying, for the

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

Correct.

Lei Huang - *Wells Fargo - Analyst*

inventory reduction in Q4?

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

That's right.

Lei Huang - *Wells Fargo - Analyst*

Okay, thanks. My other question is around the P&L for Q4. I am backing into an operating margin somewhere in the mid-20%, based on your EPS guidance. That would be down sequentially as well as year-over-year. One, just want to check that.

And two, what is driving that lower margin? You have a tariff benefit in fiscal Q3. Is it all inventory related, or are there other factors in there? If there is anything in your EPS guide about additional buyback in fiscal Q4. Thank you.

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

Sure. Nothing in the guidance with respect to buybacks. Answered that one. When you look at your operating margin thinking, you are in the ballpark, and Brian touched on it, the factors being tariffs, FX a little bit more negative, and then investments in CooperVision. We started that investment activity in CooperVision during Q3, actually. We are starting to see the impact of that. We will get a return on that next year, but you are starting to see the impact this year.

Operator

Jason Bednar.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Hey, good afternoon. Thanks for taking the questions. Sorry to hammer here and beat a dead horse, but I am going to ask another one on the destock. Just a question on your confidence that this is just an Americas issue that will not bleed over to EMEA, and maybe talk about how Americas is benchmarked versus EMEA, so we can have confidence that this issue just does not extend over to that geography and visibility that you have into the channel there. Maybe take it from a different perspective, why not make some moves in EMEA so that channel or that geography is on healthy footing heading into fiscal 2027?

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

The difference is EMEA is a much greater subscription-based market. We are actually seeing the US move in that direction. That is one of the things I was talking about with the new Puerto Rico facility, that you are seeing more direct-to-consumer shipping activity. You see that in EMEA right now. That prevents you from having these big inventory swings. We do not really see that in EMEA. You can get it with customers of course but we just don’t have that happening in EMEA, so I am not worried about it in that region. When you look at the US, it is centered on a relatively small number of players, between distributors and some online e-commerce. It is pretty straightforward to tackle it, and that is what we did.

It is pretty easy to get an understanding about how much channel inventory is out there, what levels people need to hold in order to maintain customer service requirements. You can look at that delta, and that is how you ring-fence it to be able to say, hey, I can do this, and I can quantify it within a couple of quarters.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Alright. That is helpful. Al or Brian, I think you both discussed today investments in CVI sales, marketing, and R&D. Usually, that type of approach that is needed to accelerate growth comes at the expense of margins, even if temporarily. But it does not seem like that is what you are suggesting today.

Can you talk a bit more about the investment buckets? Your confidence level in posting margin improvement next year in the face of this spending, knowing that we have already gone through some cost-down efforts coming into this fiscal year.

Brian Andrews - *The Cooper Companies, Inc. - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. I'll take that one. The commercial investments in sales force expansion, marketing programs, new product development. The sales force adds tend to be a short-term detriment to margins. As we bring in sales force, train them, get them deployed, that will be a short-term detriment for longer-term benefits. We are addressing sales force expansion across our businesses, across regions. I'm not going to get into 2027 guidance right now. Obviously, we've been leveraging parts of the P&L, and we continue to leverage that, and you see that drop through in profitability and earnings. But we'll get into next year in December in terms of how the moves to drive long-term sustainable organic growth will impact our year, including gating in December.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Alright. Understood. Thank you.

Operator

Robbie Marcus.

Robert Marcus - *JPMorgan Chase & Co - Analyst*

Great. Thanks for taking the question. Two from me. One, when did you first start the destocking? And where are you now with channel inventory? I don't know if you measure it in days in the US? Where was it in the beginning of the year, and where was it last year? Just so we could get a sense. Then I have a follow-up.

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

Well, I do not want to go back and build out by quarter. I do not think that is going to do anybody any good. But I look at it and I would say, we are halfway through it. We did it here in Q3, and we are going to do the other half of it in Q4.

Robert Marcus - *JPMorgan Chase & Co - Analyst*

Okay. But you are not willing to say if this year ran at above average or below average or

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

Well, this year has run above average. As I mentioned, there was stocking associated with some of the new private label contracts we have won, as an example, that has pushed up distributor inventory that we saw in Q1 and Q2.

Robert Marcus - *JPMorgan Chase & Co - Analyst*

Great. And then I know you are not giving 2027 guidance. I think we are all grappling with so much of the movement and changes in guidance throughout the past several quarters. Maybe are you okay with leveraged EPS growth next year and maybe a 3% to 4% top line? Still a touch lower than where the Street is? Or does the step-up in tax preclude the ability to get leveraged EPS growth? Thanks a lot.

Brian Andrews - *The Cooper Companies, Inc. - Chief Financial Officer, Executive Vice President, Treasurer*

As much as I'd like to give commentary on next year, I'm just not going to get into it right now, not until December.

Operator

Joanne Wuensch.

Joanne Wuensch - *Citibank Cameroon SA (Douala Branch) - Analyst*

Thank you so much for taking the question. And I'm going to try it from a different angle. If the third quarter and the fourth quarter are negatively being impacted by the channel inventory and the contact lens market is growing 4% to 6%, is it reasonable to assume that next year you can grow within the range of the market?

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

Yes. That is reasonable. I would say a couple things, Joanne. Let me give just a little color on that because your question is very fair. We don't have a manufacturing issue. Our team is strong. We're producing product. We don't have a distribution or logistics issue. We don't have a problem winning contracts. We've won a number of contracts. Where we've struggled is execution at the end of that, actually executing and delivering revenues.

We're moving through this entire process, which is one of the things that's kept me optimistic, but then we're not converting at the very last stage of that. That actual commercial execution is where the struggling has happened. So this sales force execution, this additional marketing, the intensity around that and targeting, is the key to success for us.

It's not product, it's not getting customer products, it's not winning contracts. It's executing at the end on the sales. We don't have enough salespeople out there. In hindsight, we should have moved faster on this. We don't have enough salespeople on the street. We have quite a bit less than our competitors have right now. So this is a matter of doing that last stage of investing. We're on top of that. We're moving as fast as we can right now. I'm not expecting this channel inventory to bounce back. We're taking it out, and we're going to manage it more aggressively to ensure stability there. But I do expect better execution. We have a long history of strong execution, so I'm confident in the team and that we'll deliver that.

Joanne Wuensch - *Citibank Cameroon SA (Douala Branch) - Analyst*

Thank you.

Operator

Steve Lichtman.

Steven Lichtman - *William Blair Capital Partners - Equity Analyst*

Thank you. I just want to switch gears to CSI, and on the decision to keep the business. You pointed to the valuation disconnect. But as you look at the two businesses together, coming off of this process, what was management and the Board's ultimate assessment of why the two together are stronger than apart? Because obviously the lack of obvious synergies has been one of the questions from investors.

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

Well, I would say that it is really the P&L at the end of the day. Because if you take a look at the shared services concept that we deployed, remember, we did the restructuring in Q4 of last year. And you have seen the savings. I know there is frustration over revenues. I have frustration over revenues, but I think this was something like our 11th straight quarter of beating earnings expectations. And some of those quarters, we have beaten earnings expectations by 5%, 10%. We beat earnings this quarter with CooperVision coming in way under what revenue expectations were.

So that's the strength of the P&L, when I look at it from a perspective of operating leverage and being able to drive that, and also drive cash flow. Highest quarterly cash flow we have ever had in the company, and as Brian Andrews said, we are going to keep delivering a lot of cash flow.

At the end of the day, you are right. We have two different businesses. But the back office, when it comes to finance, IT, legal, and HR, can support very effectively both of these businesses so that we can generate good earnings and really strong cash flow.

And then we need to deploy that cash flow to stock buybacks. We did a lot of buybacks this quarter. We are going to generate a lot of cash next year, and that is going to continue to be our focus. That is where the logic comes in of having the two companies together, and the proof is in the pudding, which we have done. Now, we need to get revenue growth going, and I get that. Surgical is actually plugging along fine. Even through all these disruptions. This was an incredibly disruptive process. We thought we were going to sell CooperSurgical. Let us be clear about that, I got on the last call, and I talked about that.

Everybody at this company was working their normal jobs and on the sale of the business. Every piece of planning that we were doing, every budget, every IT plan had to have a with and without Surgical plan. But we got through that. We got through the exercise, and we still delivered the earnings, and we killed the free cash flow.

And now we turn our attention back to where it needs to be, which is driving revenue growth within CooperVision and investing heavier in CooperVision. That is what we are going to do next. It is one more box we need to check, and I think that is the last one that we need to check. That is the logic of having the businesses together.

Steven Lichtman - *William Blair Capital Partners - Equity Analyst*

Got it. Great. And then just follow up to that, in terms of use of free cash looking forward beyond stock buybacks. You may have mentioned this in your release tonight, but is it fair to say that relative to inorganic, that CVI is going to be a higher focus now than on CSI or else equal?

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

100%. Very heavy focus right now on CooperVision organic growth. That's where we need to put our attention, that's where we are putting our attention, and that's where we're putting our money. That doesn't mean that CooperSurgical is not going to do well and get its investments, because fertility is very important to us and we're strong on the med device side, and we're going to continue to invest and grow those businesses. But the number one focus, clear and away, is driving organic growth at CooperVision right now.

Steven Lichtman - *William Blair Capital Partners - Equity Analyst*

Got it. Thanks, Al.

Operator

David Saxon.

David Saxon - *Needham & Company LLC - Equity Analyst*

Great. Thanks for taking my questions. Good afternoon. Maybe one on CVI, and I will ask one on CooperSurgical as my second. Just on CVI, a follow-up to the sales and marketing investments. Are there specific regions that need those additional resources? Do you need those additional sales reps to get to the mid-single digits next year? And then I would love to just get your latest take on pricing and how you are feeling about the market's ability to take price.

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

Sure. When it comes to the sales force expansion, I would start with the US market, because we have consumption growing mid-single digits. That is probably in line roughly with where the market is. We should be doing better than that. Given the contracts we have won, we should be growing faster than market here. The addition of this direct sales force and the expansion that we are doing right now is going to add coverage for something like 5,000 additional doors. That is a big deal for us. Do we need to get that sales force in place to get to mid-single digit? No, because that is what we are doing right now on a look-through basis. Should we be accelerating that anddoing better? Yes, we should be.

When I look at Europe, they are in a good spot. I challenged the European team there. We have a great, fantastic leader running Europe over there, and I have challenged him to look at some expansion and hiring more salespeople.

Asia Pac is in pretty good shape right now. I just talked to the head of Japan, great guy, energized. He has some really good ideas. I am excited about what he is doing. He is doing some hiring over there to focus on different areas of the markets where we do not currently compete. He needs to keep doing that. I stressed that to him and the rest of the team. Invest, drive growth.

These are all high return models. We are going through this from a return perspective. I feel good about that. That gives you a little bit of color on the worldwide side. When I look at pricing and when I look at product mix, it is still pretty good in the industry. The higher priced products are doing better. We see that with our competitors. We see that with products like MyDay MiSight, the MyDay Torics and Multifocals continue to perform better. So higher priced products are doing better. There still remains the potential to take price. Inflation is still out there. We see that. And there is still the potential for us to be able to take price, and we are actively looking at that right now.

David Saxon - *Needham & Company LLC - Equity Analyst*

Okay. Great. Thanks for that, Al. On CSI, maybe just talk about what you're seeing in terms of cycle trends, what the outlook is going into fiscal 2027. And then you mentioned Paragard competition in the release. So would love just an update there. I think that competitive launch was in August, so curious if you're seeing any impact there. Thanks so much.

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

Sure. On the fertility side, we are seeing growth in cycles, and that's a positive. The other thing is we're hurdling through that year where we have some consolidation, and you're starting to see fertility clinics investing more. There's more capital equipment opportunities out there. Our genomics team is absolutely killing it. They're doing a great job taking a whole bunch of market share. We have somewhat of a new fertility team that started 6 to12 months ago that is really doing that. Our new leader, she's just fantastic, and she's doing a great job and killing it. I'm super optimistic about the fertility market. Anybody who thinks that that's not a good market or that litigation settlement is going to disrupt our momentum and progress is just wrong. I just don't see that in the market.

When you look at the Paragard competition, we've talked about that in the past. Paragard is the only non-hormonal IUD in the market right now. There is a competitive product that received approval, that was bought, that closed during this past quarter. They started their training, and that product will get launched at some point in the future, and there's concern about that. At this point in time, I'm going to hold off giving any guidance or commentary above and beyond what we've already given, but we'll certainly have a lot more color to be able to give on the December call.

David Saxon - *Needham & Company LLC - Equity Analyst*

Great. Thank you.

Operator

Navann Ty.

Navann Ty - *Exane BNP Paribas - Analyst*

Hi, thank you for taking my question. Just on the CSI post-strategic review, you mentioned some insights from that review. Can you maybe discuss that in more detail and the levers that you mentioned, including investment that you started in the quarter to drive fertility growth? If you could give more details. Thank you.

Brian Andrews - *The Cooper Companies, Inc. - Chief Financial Officer, Executive Vice President, Treasurer*

Navann, it was a little difficult to hear. I think you were asking for the impact of, or did you say the impact from the strategic review tied to CSI? Can you repeat your question?

Navann Ty - *Exane BNP Paribas - Analyst*

Yeah. I think Al mentioned that you gained some insight from the strategic review, and also mentioned some investment that you started in the quarter to drive fertility growth. If you could discuss that in more detail.

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

Sure. The insights is an important one because one of the things that the strategic review did was to really drill down into the profitability of our portfolio, all aspects of our portfolio, frankly, and take a look at profitability by product and take a look at profitability by geography and relationship. One of the areas where we've seen significant improvement is the profitability of CooperSurgical, and what it did is it highlighted other areas where there's some opportunity for us to do a better job in terms of driving ongoing profitability improvements.

So we're going to learn from that,we learned a lot from the strategic review. It uncovered some different things, and it's going to make us a better company. It is making us a better company today. Right now, we are doing investments within Fertility. We've added some investment activity, including within R&D. We have a great new head of R&D who's running that organization and pulling forward some launches.

We've got some exciting stuff going in genomics with some new launches, and some expanded products that we have. I would say we're continuing. That's where we're putting dollars. We're putting number one, first and foremost, is CooperVision organic growth, and number two, though, after that, is Fertility, where we are continuing to invest.

And we believe that those investments are going to drive good fertility growth, and we also believe that some of the stuff that we've uncovered in the insights is going to give us opportunity to continue to drive leverage in that business.

Navann Ty - *Exane BNP Paribas - Analyst*

Thank you. And you also mentioned in the press release the valuation impact of the fertility settlement. Is that fully settled, or is there anything else we should know about?

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

That is fully settled. There's nothing new on that. That was from an issue we had in 2023. There was a concern that that settlement would negatively impact our ongoing sales, not our operations. We haven't had any issues since then associated with the media.

So I just don't believe that's accurate, and we haven't seen that. We didn't see it in Q2, we didn't see it in Q3, we're certainly not seeing it as we get rolling here in Q4. Whether that was a true concern or a negotiating tactic, hard to tell.

Navann Ty - *Exane BNP Paribas - Analyst*

Thank you.

Operator

Anthony Petrone.

Bradley Bowers - *Mizuho Securities USA LLC - Analyst*

Hey there. You have Brad Bowers on for Anthony. Just maybe wanted to ask one about the overall strategy or dynamics underlying the CVI business. Obviously, slowdown in growth is not unique to Cooper, but still growing. Below growth we got into destocking dynamics, but obviously you had also taken some share in some of the wider SKU ranges and obviously some of the new products with the MyDay.

It sounds like the Americas growth is strong, but you even admit you wish you were growing better. So wanted to hear about some of the more competitive dynamics and the confidence that those remain in your favor.

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

I would say that those remain in our favor. Nothing has changed with respect to that. I will say that the area where, losing share is the wrong word, but where we don't operate is in the super premium segment. There's a part of the market, especially on the daily side, that we refer to as super premium. It's really high-priced products. And that's just not an area that we compete in right now, and that's shown a lot of growth, and it has very high revenue per patient.

So where we continue to do well, we continue to win patients. Our revenue per patient is not close to where some of our competitors are, and a lot of the market continues to get driven by that really premium segment. Now, we've launched MyDay Energys into that more premium segment. That's what's being launched into Europe.

So I think there's some potential for us to gain some ground there. But if I had to highlight two things, that would be one of them, not having products in the super premium space. And then the other one would be the desire to rationalize some of our legacy hydrogel products. Again, we're definitely seeing the negative impact from that.

Bradley Bowers - *Mizuho Securities USA LLC - Analyst*

No, sure thing, that makes sense. But obviously, punching above your weight, given the under-investment in, not under-investment, but smaller sales force than competition, obviously that is a tailwind. But just wanted to hear, maybe remind us, how productivity kind of ramps there.

Obviously, the base is now lower, so it does kind of imply getting back towards that mid to even high single digits, to your point, getting above consumption. And then also just the impact obviously apparent, maybe the opportunity that that would be obscured, if there is strong growth in the US by some of the OUS impacts. Just maybe help us figure that out as well. Thank you.

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

Sure. Just one quick point, I meant MyDay Energys. I think I said MyDay MiSight, but MyDay Energys is the premium product. With the sales force, I would say if I had to put some parameters around that, we're recruiting now. We'll get people trained, and have them out on the street executing, I would say probably in early mid-fiscal Q2.

From that perspective, they need to visit offices and start doing their jobs and pulling revenues in. That's probably a positive impact more in the Q3, Q4 timeframe. Now, I do think early in the year, we'll continue to have consumption be solid. So we'll still put up good results, but I believe we'll accelerate a little bit off that as we get the benefit from those employees. Frankly, same thing when I look at some of the other markets around the world.

Operator

Brett Fishbin.

Brett Fishbin - *Keybanc Capital Markets Inc - Equity Analyst*

Hey, guys. Thank you so much for taking the questions. I have to say, a lot of mine have been asked, so maybe just a follow-up on the last point. I was going to ask about your thoughts on underlying market share dynamics, just given the full year CVI growth guide for the Americas.

It sounds like a lot of it has to do with salesforce and you are looking at some incremental investment activity. So maybe just the first part, is there anything else that stands out that you think might be driving, call it, full-year growth in the Americas below market outside of that?

And then the second follow-up question is just how you are feeling about the product portfolio. I think your point about super premium lenses is really interesting. Just curious, like, how you feel about current offerings and maybe how active the R&D pipeline might be in regards to some new ideas or even new brands. Thank you so much.

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

Sure. I would say on the selling side, I would go back to sales execution. We have won some great private label contracts here in the US with a few of the buying groups. We have won some really nice contracts in Asia Pac.

Historically, when we win those contracts, we would see the sales execution turn those into revenue growth, and that is what we have expected more of that. You have seen that in some of the guidance. You have seen it in some of my commentary.

That is where that has not come to fruition yet, and when we looked at it and peeled back the onion and said, well, why? What is the difference? What is happening? We have a full portfolio out there right now. I feel good about the portfolio.

It's arguably the most robust that we've ever had, and we didn't build out the sales force and a lot of the marketing support commensurate with the size of the portfolio that we have right now. We need to do this activity so we can capitalize on these contract wins that we have. I will say with respect to R&D and new products, we have accelerated that activity.

We've had a number of meetings with the R&D team and with our commercial team. We are accelerating launch activity that we were looking at in the 2030 timeframe and pulling that forward a couple of years. Very active on R&D and laser-focusing in on some new product introductions that we think are going to be pretty exciting.

We were a little too broad on some things, so narrowing that down and executing and getting some new products into the marketplace is going to be beneficial for us. I won't go too far on that yet, but we will spend some time in the nearer future going through some of those details.

Brett Fishbin - *Keybanc Capital Markets Inc - Equity Analyst*

Alright, awesome. Thanks so much. I'll keep it to one question, but look forward to hearing more about that in the next few years. Thanks so much.

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

Yeah, thanks, Brett.

Operator

Issie Kirby.

Issie Kirby - *Redburn Partners LLP - Analyst*

Hey, thanks for squeezing me in. I think most of mine have been asked as well. But just wanted to touch on Asia Pacific and China, in particular, which has been a drag for quite some time now. Can you remind us of the size of that business for you guys in vision and just how you're thinking about it strategically? Like, does it get to a point where it's really, given the dynamics in the market, not necessarily worth you being there anymore? Thanks.

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

Well, China was another struggle this quarter. It was the only market, as an example, where MiSight was actually down. It has not been a great market for us. So we are re-engineering there. We've got a new team in place. We're looking at some different growth opportunities to see the best way to reestablish and drive growth in that marketplace right now.

I will say within the context of Asia Pac, after many quarters of negatives and product rationalization in China and some of the other markets, we are definitely coming to an end with that activity. I know you've heard that before, but I'll just tell you, when you look at the size of the business, it's just relatively small. I think it's less than 2%.

It is less than 2% of revenues this quarter on a consolidated basis. The business just is getting smaller over there. It's a great question and a great challenge, and we are looking at seeing if we can reinvigorate that business to drive success.

I do believe there are some opportunities there in some channels like e-commerce, where we can play differently and be successful. But we're taking a hard look at it right now because we want to get good revenues, profitable revenues and things that make sense. Doing work on it, and I'll update you more as we get into December and give guidance on next year.

Issie Kirby - *Redburn Partners LLP - Analyst*

Thanks so much. Can I just really quickly squeeze in a follow-up on what went on with MiSight in China in the quarter?

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

Sure. We have not been able to gain traction with MiSight in China. And if I look around the world in other markets that have spectacles, we continue to do fine. As a matter of fact, it just grows the overall marketplace.

I think the unique thing with China ends up being Ortho-K, probably more than anything. You've had a lot of pricing pressure on Ortho-K because of government pricing policies, so it's really disrupted that marketplace.

There's a lot of knock-offs there. There's a lot of disruption around pricing with Ortho-K. There's a lot of knock-off spectacle lenses and so forth there. Although there's massive opportunity with the number of children that have myopia, the market itself is very disjointed right now.

Issie Kirby - *Redburn Partners LLP - Analyst*

Thanks so much.

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

Yeah.

Operator

And with no further questions in queue, I will now turn the call back over for closing remarks.

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

Thank you, operator, and thank you everyone for taking the time. I know we had a lot to discuss today, and I am sure we will have a lot of follow-up calls with details. I appreciate everyone's interest and look forward to catching up and providing an update on our next earnings call in December. Thank you.

Operator

Thank you again for joining us today. This does conclude today's conference call. You may now disconnect.
