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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the First Quarter 2021 Cooper Companies Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Ms. Kim Duncan, VP, Investor Relations and Risk Management. Thank you. Please go ahead, ma'am.

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

Good afternoon, and welcome to the Cooper Companies First Quarter 2021 Earnings Conference Call. During today's call, we will discuss the results included in the earnings release and then use the remaining time for Q&A. 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 integration of any acquisitions or their failure to achieve 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 the 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***

Thank you, Kim, and welcome, everyone, to Cooper's fiscal first quarter conference call. We've started this year off on a positive note, and we're excited about our momentum. We took share in the contact lens market with strength in our silicone hydrogel portfolio led by MyDay and Biofinity. Our myopia management portfolio continued to strengthen, including MiSight growing 82% to $3 million and CooperSurgical posted a very strong quarter with PARAGARD growing 16% and fertility 10%. With both businesses outperforming, we delivered robust earnings and cash flow, and expect continued strong performance moving forward.

Regarding the quarter and reporting all percentages on a constant currency basis, even with continuing COVID challenges, we posted consolidated revenues of $681 million with CooperVision revenues of $507 million, up 1%; and CooperSurgical revenues of $174 million, up 7%. Non-GAAP earnings per share were $3.17.

For CooperVision, we saw strength in our daily silicone hydrogel portfolio and in our Biofinity franchise, along with general strength in torics and multifocals.

By geography, the Americas grew 6% led by strength in Biofinity and daily silicones, including nice growth from both clariti and MyDay.

EMEA was down 4% as several countries continued managing through stringent COVID-related restrictions. We did see growth in our daily silicones and Biofinity, though, so that bodes well for the future.

Asia Pac was up 3% led by strength in MyDay, especially in Japan. Overall, sales exceeded expectations, and we're well positioned to continue growing and taking share with current and future product launches driving momentum.

Moving to some additional quarterly numbers, our silicone hydrogel dailies grew 8% with both MyDay and clariti growing. Particular strength was noted in MyDay and especially MyDay Toric as we continue rolling that product out around the world. Overall, daily silicones are leading the market right now as health and wellness trends drive adoption, and we believe that will continue as there's still $2.4 billion in annual global sales of older, traditional daily (added by company after the call) hydrogels that need to be traded up over the coming years (added by company after the call).

Moving to our FRP portfolio. Biofinity grew 6% with strength noted in Biofinity Energys and Biofinity toric multifocal. I've mentioned these products before, but as a reminder, Energys is a truly unique and innovative lens that uses Digital Zone Optics to help alleviate eye fatigue from excessive screen time. In today's world, this product has the ability to perform well, and we're seeing that. And our Biofinity toric multifocal was launched last year and is doing extremely well. This is a made-to-order product and part of our extensive offering of unique products that differentiate our business.

Regarding product launches, we remain incredibly active. We now have regulatory approval to launch clariti in Japan, and we'll be doing that shortly, and that's in addition to our ongoing successful launch of a second base curve for MyDay sphere in that market. We're also continuing to launch and relaunch MyDay sphere and toric in many other markets around the world. We're continuing the rollout of Biofinity toric multifocal, including launching in Europe shortly, and we're rolling out extended toric ranges for clariti and Biofinity. Additionally, our pipeline is strong, and we expect to remain very active going forward.

And lastly, we're incredibly busy with our myopia management portfolio of MiSight and Ortho-K lenses, which grew 46% for the quarter to $12 million. Within this, MiSight grew 82% to $3 million and Ortho-K grew 37%, including $1 million of revenue from our acquisition of GP Specialists from August of last year.

With respect to MiSight, we now have over 30,000 kids around the world wearing the lens, including over 2,000 in the U.S., and our momentum is accelerating. Our launch activity continues to go extremely well, and we expect similar success in new markets such as South Korea, where we'll be launching in the next few months. We've also made advancements in discussions with several large retailers and buying groups regarding MiSight and even moved into a test phase with one large retailer for roughly 70 stores.

We've also received several awards recently, including from Contact Lens Spectrum and Popular Science, and we're making advancements with multiple professional associations, helping to get myopia management recognized as standard of care. And we've made great progress with several universities, supporting the training and education of their optometry students as many schools are now adding myopia management training courses to their curriculums.

From a fitting perspective, if we look at U.S. data, the average age for a new MiSight wearer remains 11 years old, and in a positive sign, it's trending younger. Comparing this to the average age of a regular new contact lens wearer of 17 shows we're bringing kids into contacts at a much younger age, which is fantastic. This is all extremely exciting and supports our goal of reaching or exceeding $25 million of MiSight sales this fiscal year and over $50 million next year.

Moving to myopia management spectacles, I want to touch on our recent acquisition of SightGlass Vision and our partnership with EssilorLuxottica. SightGlass Vision has developed innovative spectacles to reduce the progression of myopia in children, and our joint venture with EssilorLuxottica will leverage our shared expertise and global leadership in myopia management to accelerate the commercialization of these spectacles around the world. We're now working through the typical regulatory requirements to form the JV, and we started developing launch plans in certain markets as we await the 2-year clinical data, which will be out in the next couple of months.

The SightGlass technology is a great complement to our existing myopia management portfolio of contact lenses. And working with a great partner like EssilorLuxottica will accelerate growth of the entire pediatric vision marketplace. More to follow on this exciting opportunity as we continue making progress.

To wrap up on myopia management, we're at the forefront of an extremely exciting global pediatric opportunity. This market is in its infancy, but the growth is exciting, and having the only FDA-approved product in MiSight has been a game-changer. We're continuing to invest in sales and marketing programs, new launches, regulatory approvals, and R&D to keep driving adoption on a global basis. Proactively addressing the progression of myopia in pediatric patients offers immediate vision correction, along with many long-term health benefits, such as reducing the risk of serious eye disease later in life, such as retinal detachment, cataracts and glaucoma, so this effort is important, and it's why so many eye care professionals are getting involved and strongly supporting this activity.

To conclude on Vision, let me add that the continuing rollout of vaccines will definitely benefit us given the consumer nature of our business. In the near term, we expect better foot traffic in retail outlets, especially malls, along with increasing service capacity and better staffing attendance in optometry offices. We also expect a strong back-to-school season as in-person learning returns around the world.

On a longer-term basis, our growth drivers remain strong and are likely improving with the macro trend of people spending more time on electronic devices. It's estimated that roughly 1/3 of the world is currently myopic, and that's expected to increase to 50% by 2050. Combining this trend with a continuing shift to daily silicones, geographic expansion, and growth in torics and multifocals, our industry has a very bright future.

For CooperVision, our robust product portfolio, active product launch activity, momentum with myopia management and strong new fit data puts us in a great position for long-term sustainable growth.

Moving to CooperSurgical. We had a very strong quarter led by PARAGARD and fertility. Overall revenues were $174 million, up a healthy 7% as markets rebounded and we took share. I'm really excited about the state of CooperSurgical right now under the fantastic leadership of Holly and our team, and the future looks extremely bright.

Starting with fertility. Revenues grew 10% year-over-year to $70 million, with strength seen around the world and throughout our product portfolio. We're taking share, and we're well positioned for future gains with improving traction in our key accounts. One of the strengths of our fertility business is our broad product portfolio, which essentially covers the full spectrum of fertility clinics' needs outside of pharma products.

We've done a great job cross-selling and building relationships with the larger clinics around the world, and this has resulted in solid growth in areas ranging from consumable products like pipettes, media and RI Witness, our RFID lab-based management system that I discussed last quarter, to equipment such as incubators and workstations, to genetic testing.

From a market perspective, COVID is still negatively impacting patient flow, and some important countries like India are still significantly hampered, but we're definitely seeing a pickup in activity. In the meantime, we're taking market share, and we expect that to continue.

Overall, the fertility market has extremely positive long-term macro growth trends, and we're well positioned to capitalize on these trends to drive growth.

Within our office and surgical unit, we were up 5% led by PARAGARD's growth of 16%. PARAGARD performed better than expected as patient activity remains strong, driven by the positive health and wellness trends we're seeing in the U.S. As the only 100% hormone-free IUD in the U.S. market, the product offers a fantastic, long-lasting birth control option that addresses the needs and interest of women looking for a healthy alternative. We're very bullish on PARAGARD right now and believe we'll continue posting solid growth this year.

Elsewhere, we've seen deferred elective procedures steadily rescheduled, and our medical device sales have improved. Several of our focus products grew in the quarter, including Endosee Advance, our direct visualization system for evaluation of the endometrium; INSORB, our patented surgical skin closure device; and our portfolio of uterine manipulators.

Before I turn it over to Brian, let me close by mentioning our efforts to further enhance our strong focus on environmental matters, corporate responsibility and good governance. We made great progress over the past several years, and we have a lot of exciting things happening today. We just completed an ESG materiality assessment to ensure we stay focused on the right areas, and my passion and commitment to this type of work remains very strong. If anyone has any questions or interest in our ESG efforts, please reach out and let's connect.

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.

Our fourth quarter consolidated revenues increased 5% year-over-year, or 3% in constant currency, to $681 million. Consolidated gross margin increased 50 basis points year-over-year to 67.8%. This improvement was driven by strength in CooperSurgical with higher-margin PARAGARD and fertility consumable products performing extremely well, along with favorable currency.

Moving forward, we're in excellent shape to continue delivering solid gross margins. We completed our manufacturing restructuring activity in Q1, so we're well positioned for the current environment, along with being ready to efficiently ramp up quickly as demand continues to rebound. We still have absorption-related inefficiencies, but we expect those to go away with sales growth.

OpEx was up only 2.1% year-over-year as we kept expenses under control. This resulted in consolidated operating margins of 26.9%, up nicely from 25% last year. This performance exceeded expectations and we expect to continue posting strong results balancing expense control against investment opportunities that we see within our business, particularly within myopia management.

Interest expense for the quarter was $6.4 million driven by lower rates and lower average debt, and the effective tax rate was 11.3%.

Non-GAAP EPS was $3.17 with roughly 49.7 million average shares outstanding.

Free cash flow was solid at $92 million comprised of $148 million of operating cash flow, offset by $56 million of CapEx.

Net debt increased slightly to $1.7 billion, while our adjusted leverage ratio decreased to 2.1x with improving EBITDA.

And finally, we repurchased $25 million worth of stock this past quarter at an average price of $357 per share.

In addition to our strong operational performance, we completed several tuck-in acquisitions recently. During the quarter we acquired Embryo Options to add a cryo storage software solution to our fertility portfolio allowing clinics to automate the management of cryo-preserved embryos, eggs and sperm. The business did $4.7 million in sales last year and added $500,000 in revenue to our Q1.

Within CooperVision, as Al mentioned, we acquired the remaining 80% stake of SightGlass Vision in January for $41 million in cash plus aggregate potential earnouts of up to $139 million based on revenue milestones and regulatory approvals.

After the close of the quarter, we entered into an agreement to form a 50-50 joint venture with EssilorLuxottica that we hope to close soon. Also subsequent to quarter end, we closed 2 more tuck-in deals at CooperSurgical. The first was Aegea Medical, a pre-revenue manufacturer of an in-office water vapor ablation system that will launch shortly. And Safe Obstetric Systems, owner of Fetal Pillow, a balloon device used during C-sections to make the delivery less traumatic for the mother and baby. The business did $4.4 million in sales last year and we purchased it for $52 million in cash plus a potential earn-out of up to $14 million.

Before moving to guidance, you'll note in our earnings release that our GAAP earnings were much higher than our non-GAAP. This is directly tied to the tax item I discussed last quarter where CooperVision's intellectual property and related assets were transferred to the U.K. in November 2020. For non-GAAP purposes, we adjusted for this activity and will continue doing so moving forward.

Moving to guidance, we continue to monitor and evaluate the scope, duration and impact of the ongoing COVID-19 pandemic on our operations and financial results. While we still view resurgences as a significant risk factor, our visibility has improved, so we're now providing full fiscal year 2021 guidance to provide a better feel for our expected upcoming performance, including our anticipated myopia management investments.

The guidance includes consolidated revenues of $2.8 billion to $2.845 billion, up 15% to 17%, or up 12% to 14% in constant currency with CooperVision revenue of $2.090 billion to $2.120 billion, up 13% to 15% or up 9% to 11% and in constant currency, and CooperSurgical revenue of $710 million to $725 million, up 21% to 23% or 19% to 22% in constant currency.

Non-GAAP EPS is expected to be in the range of $12.90 to $13.10. Lastly, on free cash flow, we now expect to approach $500 million this year as operating cash flow improves and CapEx reduces.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question from Larry Keusch from Raymond James.

Lawrence Soren Keusch ***Raymond James & Associates, Inc., Research Division - MD***

So Al, looks like single-use sphere was nicely ahead of the consensus and looks like it doubled sequentially on a 2-year stack. So what's driving that? I mean, obviously, I assume it's silicone hydrogel. But if you could give some thoughts on what's going on there.

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

Yes, Larry, it is silicone hydrogel driven. It goes back to MyDay, maybe more than anything. Clariti is certainly doing fine. But we were capacity constrained, as you know, on MyDay for quite a while, and the demand on that product has been really strong. Now that we're finally no longer capacity constrained, we're able to launch it around the world, the sphere. We're getting the toric out around the world and just being able to provide the product, a high-demand product that's out there. There's no question, MyDay sphere and toric is driving a lot of that stack.

Lawrence Soren Keusch ***Raymond James & Associates, Inc., Research Division - MD***

And is it in any specific geographies? Or again, how you think about that globally?

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

It is global. We're seeing strength in all 3 regions when it comes to MyDay.

Lawrence Soren Keusch ***Raymond James & Associates, Inc., Research Division - MD***

Okay. Perfect. And then, I guess, the second question is just on MiSight. I think if I caught this correctly, you said relative to this year that you expect to reach or exceed $25 million and over $50 million in 2022. So those seem to be at the margin changes in the guidance, certainly now more bullish on that. So I guess, the question there is what's keying that in to give you greater confidence in those numbers? And look, you did $3 million of MiSight revenue this quarter. A lot has to happen to get to $25 million or more in the next 3 quarters. So again, what drives that?

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

Yes, that's a good question. I think part of that is just we're continuing to see an acceleration in interest and activity around the world, including here in the U.S. If you look at the $3 million as an example, because of the way things get accounted for, the U.S. was only about $100,000 of that. You can imagine what's coming in the U.S. market now that we're no longer giving product away for free, I think we're somewhere around 3,000, maybe a little bit over 3,000 certified fitters right now, tons of activity with the organizations, with the colleges, with fitters, ramping up volumes. We're having great success with our launches right now in Russia and Taiwan, other activity going on, including discussions with retailers and buying groups right now who are looking at figuring out ways to get MiSight into their organizations to do in more of a bulk manner, if you will. Just a lot of momentum in a lot of different areas makes us optimistic. We see that every single month. We saw more of that in February. Certainly continuing to move in the right direction with MiSight.

Operator

Next is Larry Biegelsen from Wells Fargo.

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

Congratulations on a nice quarter here. Al, one on CooperVision, one on MiSight. So obviously, it's an unusual time out. I'd love to hear any color on recent trends in new fits, underlying demand. If you're willing to kind of tell us if February, you're continuing to see an improvement through February and if the guidance implies kind of normal seasonality that your business typically sees CooperVision, where Q2 tends to step up over Q1, et cetera. And I had one follow-up.

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

Yes, so probably typical stuff. Usually, Q1 is our lowest and Q2 is a little better, and then we kind of accelerate up in Q3 and Q4. I think we have that same opportunity. We don't have it in our guidance, but we have the opportunity for a stronger back half of the year when you look at back-to-school activity. You look at here in California, as an example, kids haven't been to school in person in a year. When you have back-to-school activity, you're going to have kids, and not only the kids who would normally be coming in, having problems seeing the blackboard, but you're going to have all the kids that should have had it addressed last year because kids are working on video screens and things that are right in front of their faces now.

I do think that there's a potential certainly for pent-up demand, if you will, or a boom or something like that with back-to-school activity being in person. But that's on the come, and I hope that happens. We're not really counting on that or trying to build that into our guidance. But we are seeing new fits continue to improve. Demand is there. We're seeing that on a global basis. I don't want to get into quarters or months, but I will say February grew. CooperVision grew in February, which was another good positive step in the right direction.

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

That's super helpful. And Al, on MiSight, any color on China, the likelihood of China getting approval in 2021? And on Essilor, how do you see this playing out long term? You guys both have other myopia management products. I know it's early, but can you envision kind of this JV becoming broader over time with, in addition to SightGlass?

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

Sure. Yes. With respect to China, we're continuing to have conversations on the regulatory front there. We'll see. Not too much to update on that. I would say cautious optimism that we get approval at some point here this year but still some decent work to do on that.

With respect to Essilor and the JV, yes, Essilor is a great company. We have a great relationship with those guys. We're starting that myopia management journey together. They have a spectacle in the market and we have a lot of products in the market between Ortho-K and MiSight. Coming together on SightGlass Vision should be a home run. We're of a like mindset of wanting to be really successful there. Ultimately, does that JV expand and include other things, potentially, we'll see how that plays out. Right now, there's so much activity, and we're having so much success that we have our hands full, certainly. But if it makes strategic sense, it's something we would evaluate certainly.

Operator

Next is Matthew O'Brien from Piper Sandler.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Al, I hate to talk about a product that's 0.5% of sales this quarter, but MiSight gets a ton of attention. So can you bridge us from this $3 million to $25 million this year just because it's all going to be domestic, right? I mean international is probably not going to contribute a ton of a big. I'm sure Russia will be nice, but it's going to primarily be domestic. You've got 3,000 people here that are trained. If you do the math, it's like they need to basically put a patient on per month for the last 9 months of this year. So can you just give us some more color, it really bridges from $3 million up to $25 million for the full year to make us comfortable that you can get there?

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

Sure. First of all, I would say that our growth outside of the U.S. was 80% or so. The vast majority of that $3 million in sales was outside of the U.S., growing somewhere in the 80-plus percent range. We're getting good growth here in the Americas when you look at somewhere like Canada. We're just at the very early stages here in the U.S. of a lot of the revenue recognition. We have thousands of kids, a couple of thousands or more wearing the lens right now. I think if we continue to be successful here in the U.S., that's great, and we will continue to be successful. I see the numbers, I see the ramps coming, I see the fittings all the way through February here, see the revenues moving up nicely, all that kind of stuff. But I would not diminish outside of the U.S. I mean, it was $2.9 million, growing 80% and accelerating. So that's going to drive a lot of the growth.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Yes. And sorry, just to be clearer, I think last quarter, it was $2.5 million. And then this quarter, it was $3 million. And I think you said you just did $100,000 in the U.S. So sequentially, it didn't grow a ton. That's why I'm saying domestically, it's probably going to have to pick up a ton of the slack. So again, the domestic piece, what really pushes that? I mean like some of these bulk purchases. I don't know what it is, but what bridges that?

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

Got you. Yes. Some of that goes to if you would have just done annual purchases or have sold those products in the U.S., it would have been like $600,000 in sales or something like that for the quarter. It would have been much, much higher. So if you go back in time and you look over it, you're talking for this quarter, as an example, for us, because of the fiscal quarter was November, December, January. You can imagine that's a little bit of a struggle anyway. That's why our sales were lower. You have optometry offices closed. You have the holidays. You have everything going on. You're trying to fit a brand-new thing here. We were pretty happy that the $3 million exceeded our expectations. That roll-out continuing to happen, you're getting docs out fitting patients. They're getting more comfortable with it. They're learning about it. People around the world are hearing more about it. So, you're going to continue to progress.

And the $25 million is not requiring something crazy. Let's just say it goes to $4.5 million, as an example, in Q2. Then it moves up towards $6.5 million, $7 million, something like that, and then $10 million to $11 million, $12 million, something like that. It's a pretty decent just normal kind of progression as we move through. And we have pretty decent visibility on that to be comfortable.

And then the next year, the $50 million, if we're doing $25 million plus this year, you definitely become more comfortable with the $50 million, especially when you're confident, again, from having given a lot of product away for free.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Okay. Super helpful. And then we always talk about the halo effect of this. Are you starting to see any of that? I know that's not necessarily on the MiSight side yet, but elsewhere throughout the portfolio. I mean multifocals were really strong this quarter. Just anything that you're seeing so far? I mean is it benefiting multifocals? Anything to call out there?

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

Yes. I would say we're starting to see the early signs of that, but not very much yet. I'm thinking off the top of my head. We had 20% of docs who are fitting MiSight basically don't fit any CooperVision products. We're definitely making progress getting in, getting to know a lot of these doctors better, building relationships and so forth, all that kind of stuff. I would be really hard pressed to think that we're not going to get synergies, so to speak, from MiSight. I wouldn't say we're getting too much yet because we're really, really focused on MiSight rather than cross selling a lot of other products into those offices right now. But we will do that.

Operator

Next is Jon Block from Stifel.

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

Brian, I'll start with you. If I look at OpEx, I believe the spend in the past 2 quarters, the OpEx year-over-year seems somewhat flattish if you actually strip out what's the assumed MiSight spending initiatives. So, is that right? Number one, is it sustainable? Or actually, is there some sort of, call it, temporary benefits due to suppressed T&E from COVID that eventually comes back into the OpEx structure?

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

Yes. Good question, Jon. Yes, we were happy with the way OpEx played out. We're doing a good job controlling expenses. When we guided last quarter, we talked about sort of what was going to be driving the guide and that was FX favorability and then interest and taxes offsetting one another. So the operational beat was strong. When you look at our OpEx going forward with respect to the new guidance, there's certainly obviously going to be MiSight spend or myopia management spend, I should say. Then we're also going to be investing throughout OpEx as we see opportunities.

We're going to be launching products. We're going to be expanding throughout the world, and we want to make sure that we're doing the right things within sales and marketing and promotions and so forth to fuel the growth that we see coming. You'll see that kind of pick up a little bit, but we're still going to be mindful about controlling costs.

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

Got it. Okay. And then, Al, to pivot to you on myopia management. Maybe if you could just talk about some of the markets, international, like outside of the U.S. and Canada, for example, where MiSight has been out there for at least some time. What's the year 1 and year 2 utilization at a practice that you see from MiSight uptake? Is the churn limited on the kids? Are you experiencing any drops? And maybe a sort of attack on there for SightGlass, do we think about that ideally as, hey, you have that 6-year-old myopic kid, that might be better for SightGlass and eventually transitions into MiSight come ages, 9, 10 or 11 when they become more self-aware?

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

Yes. You're right on SightGlass. You get young kids who are going to want to wear glasses, and their parents are going to want them to wear glasses. They're going to be more comfortable with that or think that, "Hey, my child can't handle contact lenses at this age. So I want to get them in treatment. I need to get them in treatment, but they're more comfortable with glasses." You're spot on there. Then you'll get some of that at young ages 5, 6, 7 years old, and you'll probably get a little bit of that also as you even get into maybe 8-, 9-, 10-year olds.. Then kids will want contact lenses at least that's been our experience so far. That's why I keep saying, "Hey, I think the combination of those 2 together is really a powerful tool."

When you look at outside of the U.S. kind of Canada and some of the markets where we've been selling MiSight for a while, we're not seeing a lot of dropouts. We're seeing the kids come in and a very significant portion of those kids stay in and continue to purchase supplies after a year. The one kind of neat thing we're starting to see in some of the more developed markets where we've had the product for a little while, is quite a bit more interest from some of the retailers looking at it saying, "Hey, we want to take some of our retail operations and open up myopia management segments to the stores. We want to trial that. We want to see if we can really make this work. We see these independents having a lot of success and really growing. Is there some way we could bring that into our operations?" We're having a lot of those discussions. As I mentioned, we've just entered into a 70-store trial to kick some of that activity off. And we have a number of other discussions that are going on right now.

Operator

Next is Matthew Mishan from KeyBanc.

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

A very nice quarter. So I'm going to start with surgical because it seems like that may be one of the bigger changes occurring in your business, and there seems to be a lot long momentum there compared to something like fits and starts over the last 5 years or so. Is there an opportunity now? Or do you see yourself as a consistent above-market grower in surgical from here?

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

Yes. So short answer on that is yes. We've done a lot of work in that business, as you know, back office, manufacturing, distribution. We just made a couple of moves. Holly got there, what, 6, 7, 8 months ago or something, has made some great moves. Mark Valentine's taken over running commercial there. Some of the other folks who have moved up recently. I'm really excited about where we're at. We're taking market share; we're really well positioned. I think you're going to continue to hear me talk about taking market share and better growth. I know we don't spend a lot of time talking about surgical, but posting 7% growth for this kind of quarter, without channel fill or anything, that's demand on those products and patient flow and so forth and market share gains. That's a pretty good quarter that we just had, and I would envision more of that coming.

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

Okay. Excellent. And then another area, which is a little bit surprising to me is that you have the Americas recovery outgrowing the Asia recovery. And Asia used to be a consistent like double-digit grower for you. Kind of what are you seeing in that market? And when do you see that getting back to double-digit growth that you had so consistent over the years?

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

Yes. It's interesting in Asia. That market is going to come back, and it's going to come back really strong. I really believe that. We're trying to position ourselves perfectly for that. We have MyDay in there in Japan. We have the toric rolling. We have clariti. It's going to be a great market for clariti, rolling out into Japan. In some of the other countries, we also have stuff going on.

But you still have COVID. And that's one of the things. Everybody is tired of it, and I get it, I am too, like everyone else is. But you still have the challenges out there. There's a lot of areas within Asia Pac where the optometry offices are in malls. And mall traffic is still really low. That's what I was talking about. As vaccines start coming out, you're going to see increased foot traffic in places like malls and so forth. That's going to help a lot.

I do think we're going to continue to see consistent improvement in Asia Pac because we're starting to see things open up there. We're starting to get a little bit better. I envision consistent improvement and at some point, that market going back to what it was pre-COVID, if you will, and leading the world in terms of growth.

Operator

Next is Anthony Petrone from Jefferies.

Anthony Charles Petrone ***Jefferies LLC, Research Division - Healthcare Analyst***

Congrats on strong quarter here. Maybe, Al, just to level set us once again on the latest views on the totality of the market opportunity around myopia control. I think we, in the past, spoke about a $5 billion TAM. And now that you have SightGlass Vision, can you maybe segment that between soft contact lens and eyewear? And then I'll have one quick follow-up.

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

Yes. It's a little tough because we're early stage on that kind of stuff. The myopia management market right now, when you start looking at glasses being added into it, is well north of $5 billion. It's going to be a big market. I really believe that. I know people go back and forth on the ultimate size. But right now, it's a little hard to fine-tune. But ultimately, it's going to be well north of $5 billion.

Anthony Charles Petrone ***Jefferies LLC, Research Division - Healthcare Analyst***

That's helpful. And then when you sort of think about, I guess, the pressure a little bit there, eyewear versus a contact lens in the pediatric space, it's just some checks we've done suggest certainly eyewear could be a little bit easier. But certainly, there's a market for both. And so do you see one kind of leading the other? Or do they grow simultaneously? And then a quick one, as for surgical would just be, we noticed the PARAGARD commercial on, again, the other night, and it looks like that may be a new campaign or a revived campaign. Is that now national? Or is it regional? And if it's new, what should we expect, I guess, from a near-term bump from the DTC?

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

Yes. Sure. I think on the contact lens one, what we're seeing right now and what our surveys are showing is that contact lenses will play a bigger part of the myopia management market than they do in general for vision correction. Part of that is certainly tied to the efficacy that we see.? You put a contact lens in, you're getting the full treatment 100% of the time. Kids can take glasses off. They can do a variety of things with glasses. When you're talking about a treatment, you want that full treatment at all times. Our work and our interaction with optometrists and our survey work and so forth shows that you're going to see contact lenses being a greater percent usage than what we're used to seeing.

Having said that, I happen to still believe that there's a big part of the market that's going to want to wear glasses, and parents are going to be more comfortable putting their kids into glasses. So that will be big. Maybe that's 60% of the market or something like that, ultimately.

On PARAGARD, yes, we're doing some advertising there. There's some new advertising that's coming out. Nothing I would go crazy [talking] (added by company after the call) about for anybody. We've been spending a similar amount of money in the last couple of years, and I would expect that again in terms of spend, which means more dollars flowing to the bottom line.

The one thing I would say about PARAGARD is we grew 16%. It was a strong quarter. I would expect us to continue to have strong growth. And we're going to have really strong growth in the next couple of quarters because we really didn't have sales in April and May [of last year] (added by company after the call).

The health and wellness trends we're seeing that are helping to drive daily SiHy, they're helping to drive PARAGARD also. There's more interest out there right now tied to that. We'll see how some of that plays out. But at this time, I kind of wouldn't lead you to believe anything different from a spending perspective, but I'm optimistic from a revenue perspective, that's for sure.

Operator

Next is Chris Cooley from Stephens.

Christopher Cook Cooley ***Stephens Inc., Research Division - MD***

Congratulations on a great start to the new year. Maybe just one for me, if I could, on the MiSight acquisition. I'm just curious there, I realize you're getting rolling with MiSight now. I'm sorry, I said the wrong thing, with the SightGlass acquisition. But with that technology, there's the potential to overlay that pattern on the contact lens just like you're doing on the lens blank now, or I would assume you will soon be doing on the lens blank with Essilor. Just thoughts on when we should start to expect to see that from a clinical trial perspective moving forward. And then I've got a follow-up as it relates to CooperSurgical.

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

Yes. I won't get too much into particulars as I will say that we are doing a lot of R&D work right now in the myopia management space in terms of different contacts and different technology around those contact lenses. We're going to have some exciting stuff that we're going to keep rolling out. I mean we're not just MiSight and done. There's more coming, certainly, and more technology, more intellectual property that we're filing to do our best, obviously, to put ourselves in the best position possible within myopia management in total, and that includes within the spectacle space. So more to come on that, but we're definitely doing clinical work behind the scenes.

Christopher Cook Cooley ***Stephens Inc., Research Division - MD***

We look forward to hearing about that. And then, I guess, just on the CooperSurgical guidance for the full year, I mean, it's a really strong step-up, and you do have some acquisitions there that flow in. Could you just kind of help us bridge from baseline at year-end to that guide when we look at the growth in CooperSurgical? How much is, shall we say, PARAGARD or base business versus the additions there from these most recent tuck-ins? Just want to make sure I'm getting the growth rates correctly.

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

Yes. You've got the Q1 beat to roll-in. You've got about something like $9 million that will roll in because of the acquisitions. And then you've got the remaining part is operational upside, a little bit more on the fertility side probably than the base biz. I think base biz is a lot of core medical device products probably growing low-single digits. PARAGARD is going to remain strong, and then fertility is continuing to outperform. There's a lot of pent-up demand in fertility, so that's being addressed. And when you combine the addressing of that pent-up demand that's currently occurring in some markets and you layer in markets like India and others that are still not open, you're going to continue to get outsized gains in fertility. So that's kind of the combination of things to get there.

Operator

Next is Joanne Wuensch from Citibank.

Joanne Karen Wuensch ***Citigroup Inc., Research Division - MD***

I want to spend just a little bit of time not on this particular quarter but how you see the out-years. And what I mean by that is, over the time and over years, you've talked about operating margins expanding to X from Y or a revenue CAGR of X or whatever it might be. So if you were giving us an LRP or a goal or a reach goal even, what do you think the ongoing rate looks like?

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

That's a good question. I think for the next couple of years, as MiSight moves to that $25 million to $50 million to $100 million to $200 million plus, you're looking at investment dollars associated with that. We'll start to get some leverage from that as we move into next year and the following year. But that's a high-margin product, high gross margin that will have high operating margins. Once that stops being a drag and starts turning to a positive, the rest of the business is pretty good. I mean you see what's going on with surgical right now. That part of the business is becoming a little bigger and has higher gross margins, great operating margins. The core CooperVision business has good margins and should continue to be solid, with an add-on from MiSight. So I think if I was looking out, I'd say the contact lens market is going to come back and go back to its normal 5% to 6% growth. I think you're going to see us continuing to take share off that plus myopia management on top of that. So I would expect some pretty good numbers if you're doing an LRP going out 4 or 5 years.

Joanne Karen Wuensch ***Citigroup Inc., Research Division - MD***

That's helpful. And then my next question has to do with MiSight. A lot of questions on this call on that. I mean how do you think about a global launch? And how do you think about training and ramping? And we've heard questions already today in China and obviously, here in the United States. I'm trying to get my head around how you go from $3 million to $25 million to $50 million and so forth.

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

Yes, and it's a good question. When we look at it, we almost do it by market, if you will. So you can see, okay, what we're doing in Russia. Russia should be a very large market for myopia management. We've just launched there. We're in the ramp phase. We see how well things are going. We see how well the fits are going. And we can calibrate that back to a place like Canada where we're having a lot of success and Canada back to Spain where we're having a lot of success.

We take the numbers that we've already seen in some markets. And we say, okay, in these new markets, if they grow similar to what we've seen in other markets, this is kind of what we're looking at. And that's how we build those numbers that you're referencing. The $25 million to $50 million to $100 million is, hey, we're just going to continue to perform like we've been performing in spots where we've launched the product, where I think we have some additional upside to that ends up being with the retailers and the buying groups. Because right now, you're talking largely independent optometrists who are really grabbing a hold of this product and really excited about it. If you start rolling that into some of these bigger retailers or these bigger buying groups who grab a hold of it and want to push it, then I think you have upside to those numbers. But basically, to go back to answer a little simply, we're just taking our historical success rates and rolling those out. And that's what we're seeing. We see that on a monthly basis in Taiwan and Russia and here in the U.S. and in the Nordic region and so forth.

Operator

Next is Jeff Johnson from Baird.

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

I think most of the questions, the big topics, have been covered now. But Brian, maybe you can just help us, does interest expense and tax rate still kind of offset this year? Is that still the right way to think about it? And what was the currency benefit to the bottom line in the quarter and expected now in the full year guide?

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

For the full year, I would expect interest expense is going to be down from last year, probably in the neighborhood of $23 million. Your tax rate is going to bounce around a little bit, but I'd say it's probably going to be in the neighborhood of 12.5%. As it relates to FX for the quarter, FX to revenues was $15.9 million, and it was $0.20 favorable to EPS.

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

And for the year, Brian, I'm sitting at about $0.60-or-so favorable for the year. Is that about a ballpark range?

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

That's about right. I'd say it's in that 8%-ish tailwind range.

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

Yes. Okay. And then, Al, I guess, one bigger-picture question for you. Obviously, a lot of positive updates tonight. If I got the math right, I think you're up relative to 1Q of '19, not 1Q '20, but 1Q '19, you're up about on CVI, up about 5% constant currency. When I look at your full year guide or the next 3 quarters, really, you're closer to kind of 2% to 3%. Is that just relative to 2019? Is that just conservatism? I'm just trying to understand why we don't flow through at the same kind of 4%, 5% over 2019 growth rate for the next few quarters. Or is that kind of the goal, but you're being a little conservative in the guide?

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

Yes, you're right. We went back and forth a little bit here. Should we give annual guidance? I know a lot of people are not. Should we give a quarter? What should we do? At the end of the day, we feel like we have decent visibility on our business right now and in the direction we're going. We decided to give the annual guidance. When you're giving annual guidance and you're still in a pandemic, it's probably prudent to be a little conservative.

Operator

Next is Robbie Marcus from JPMorgan.

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

Al, I feel like I know the answer just seeing the results today. But I was hoping you could talk about what you're seeing in the competitive environment. Across a lot of different med tech sectors we're hearing that new product switches or trialing isn't really happening at historical rates. So what are you seeing in terms of any impacts from competition? And then part 2 of the question, just wanted to confirm that there's no more manufacturing constraints, and how those products did relative versus your expectations in the quarter on the silicon daily hydrogel?

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

Sure. Yes, I'll take that second one, Robbie. There are no more constraints. We're out of the woods on that. Brian had mentioned, we finished the restructuring activity that we needed to do. We've ramped up product manufacturing. We're in good shape on that and do not have constraints anymore. I'm very happy to say that.

On the competitive environment, yes, you know our space. We have good competitors out there and big guys out there who we go against, who are launching products. And I talked about this in the past. We're doing the same. We're more active than our competitors in terms of our product launch activity. It's interesting because you guys have heard about MyDay for a long time, but we haven't been in a position where we've been able to put it out there really. We've been capacity constrained on a MyDay toric. To us at times, it feels like it's a brand-new launch, even though it's been around for a little while. So yes, good competitors with good products, and they're doing some good things out there. I think we are too, and I think we're probably a little bit more active than they are on a global basis.

So not too much to add other than that. You go back to pre-COVID and the industry was growing 5% to 6%, and we were taking a little bit of share. that's ultimately where we're going to go. The growth rates are obviously going to be a lot higher than that because of the comps. The core growth rate is what we're looking at.

Operator

Next is Steven Lichtman from Oppenheimer & Co.

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

Just a couple of quick ones here at the end. Brian, on gross margin, you mentioned a number of moving parts. Looking forward, both in 2Q and for the full year, any directions you can provide us in terms of where gross margin can go?

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

Yes. Sure, Steven. Not too different from Q1, really. You're going to have, obviously, FX and product mix that might move it around, a little bit of manufacturing-related absorption that's volume driven. So as sales pick up, that stuff starts to go away. But I'd say we'd probably bounce around pretty close to where we landed on Q1 throughout the year, probably landing somewhere even in that neighborhood between sort of 67.5% to 68% gross margins once we get through the year.

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

Got it. And then, Al, on the daily silicone hydrogels, MyDay led the day and with toric and the supply improvement, certainly, that's a driver versus, say, your clariti business. But Looking forward, how are you thinking about MyDay versus clariti? Do you think they'll sort of be equal contributors looking forward? Or are you starting to see MyDay kind of pull ahead even beyond some of the supply catch-up?

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

Yes. Good question. Right now, MyDay has pulled ahead, and MyDay toric is certainly doing very well. Clariti is still growing but MyDay is in high demand around the world and especially the toric. The only thing I would add is Japan's a big daily market. And clariti is going to go in there now, and that's our usual kind of 2-tier strategy where MyDay is kind of the more premium product and clariti will be the mass market daily silicone option there. And that should do fairly well there. I would expect that to be kind of "free growth," if you will, for us in that marketplace. So clariti growing. It will continue to grow, and I think that will juice it up a little bit more. MyDay toric is doing really well, and the demand for that is really, really strong. I don't see that changing. So regardless, it's good. At the end of the day, it's a high-low strategy with both of them doing well.

Operator

Next is Steve Willoughby from Cleveland Research.

Stephen Barr Willoughby ***Cleveland Research Company - Senior Research Analyst***

Al, I apologize if you guys commented on this at all. But was just wondering, I believe last quarter, you guys talked about fits being down 10% year-over-year. I was wondering how you guys see fits in the most recent quarter. And what's the potential impact, if any, that could have as we look out over the next year or 2? Do you think there could be any sort of residual impact from fits being down over a prolonged period of time?

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

Yes, it's a tough one. I think fits are up and down, kind of of like how people talk about consumption and so forth. And each period is a little unique right now because of what's happened with COVID. And you see fittings improving right now. So it's a little tough to go back and say, we're looking like calendar Q4 because October, November, December was so different than the world that we're in today, where we're clearly seeing improvement across the board.

So to me, it's a little hard to answer. I think that consumption has been strong. I look at it more on a global basis than anything. I don't see too much going on because of that activity. I'm probably a little bit more optimistic, if anything, that we're going to see an increase in fit activity as kids start the back-to-school activity, and all that kind of stuff that I am concerned about any fit activity over the last 3 or 6 months.

Stephen Barr Willoughby ***Cleveland Research Company - Senior Research Analyst***

Okay. And just one quick one for Brian, if you don't mind. I know you're giving full year guidance. I realize you're not giving quarterly guidance. But Brian, I was just wondering if you could help us just with our modeling a little bit. Given the wild swings in comps, how we should think about what constant currency growth could look like over the next couple of quarters here?

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

Yes. Al talked about just the top line. Obviously, we expect to see sequential revenue growth. I mentioned gross margins already. I'm not going to get into too much detail about the quarters beyond that. We gave full year guidance, and it bounced around a little bit. But we'll have strong results, but I'm just going to stick with the year guidance.

Operator

No further questions at this time. I turn the call back over to Mr. Al White.

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

Great. Thank you, operator. Thank you, everyone. I appreciate the time. As we've talked about, we've started the year off really well. We're optimistic about the future and so forth. So, thanks for the time, and look forward to talking to you again in 3 months. Thanks.

Operator

Thank you, presenters. Ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect. Have a great day.