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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Desiree, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q1 2025 CooperCompanies earnings conference call. (Operator Instructions)

I would now like to turn the conference over to Kim Duncan, VP of Investor Relations and Risk Management. You may begin.

Kim Duncan - *CooperCompanies Inc - Vice President - Investor Relations and Risk Management*

Good afternoon and welcome to CooperCompanies' first-quarter 2025 earnings conference call. During today's call, we'll discuss the results and guidance included in the earnings release and then use the remaining time for questions. Our presenters on today's call are Al White, President and Chief Executive Officer; and Brian Andrews, Chief Financial Officer and Treasurer.

Before we begin, I'd like to remind you that this conference call will contain forward-looking statements including revenues, EPS, operating income, margins, cash flows, and other financial guidance, expectations and targets, strategic and operational initiatives, market and regulatory 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 uncertainty.

Events that could cause our actual results and future actions of the company to differ materially from those described in forward-looking statements are set forth under the caption Forward-Looking Statements in today's earnings release and are described in our SEC filings, including Cooper's Form 10-K and Form 10-Q filings, all of which are available on our website at coopercos.com.

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@cooperco.com.

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

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Thank you, Kim, and welcome, everyone, to today's fiscal Q1 earnings call. We're off to a strong start this year, reporting record Q1 revenues and earnings. We met our expectations for revenues and exceeded expectations for margins, earnings, and free cash flow, and this included hurdling the negative impact of currency. We're also outperforming our operational plans at CooperVision and have increased availability and accelerated product launch activity. This includes moving up international launch dates for MyDay Energys, increasing availability of our MyDay multifocal and extended toric ranges, and starting early-stage launch planning for MyDay MiSight outside the US. We've also increased our private label availability as that part of our business has started accelerating. We'll discuss all this during the call, but let me say we're in excellent shape, driven by strong operational execution.

Moving to the quarterly numbers, consolidated revenues were $965 million, up 4% year- over- year, and up 5% organically. CooperVision reported quarterly revenues of $646 million, up 4% and up 6% organically. CooperSurgical posted quarterly revenues of $319 million, up 3% and up 2% organically. Margins improved nicely and non-GAAP earnings per share were $0.92.

For CooperVision, the Americas grew 8%, EMEA, 6%, and Asia-Pac 3%. Within categories, torics and multifocals grew 10%, and spheres were up 3%. Within modalities, our daily silicone hydrogel lenses, MyDay and clariti, grew 9%, and our silicone hydrogel FRP lenses, Biofinity and Avaira, were up 9%. Our myopia management portfolio grew 20% with MiSight up 27%.

As we discussed on our last earnings call, the quarter started soft with some channel inventory contraction, but quickly returned to normal. The only area that continued to see struggles was China where our business declined year over year.

Turning to product details and starting with our premium daily silicone hydrogel lenses, MyDay is seeing healthy demand with torics, multifocals, and Energys, all performing really well. MyDay toric continues to see success with our parameter expansion rollout being received extremely well in new markets around the world. And we're also increasing availability in existing accounts where demand remains very high. The fantastic design of this toric lens, which mirrors Biofinity's design, combined with the widest toric SKU range in the market, gives us a great competitive advantage, and we believe we have a long runway of success in front of us. MyDay multifocal also had a strong quarter driven by the unique combination of its advanced design paired with an easy fitting system that is delivering very high satisfaction levels driven by an incredible 98% fit success rate in two pairs or less. That's critical for busy eye care practitioners who want to optimize chair time while capitalizing on the large, lucrative, and growing presbyopic segment of the market. And MyDay Energys continues to grow nicely with ECPs and patients loving its innovative DigitalBoost Technology designed specifically for today's digital lifestyle. We'll be launching this lens in additional markets soon and believe it will be extremely well received. Wrapping up on MyDay, our investments in capacity expansion are running ahead of schedule allowing us to be more aggressive with all our MyDay activity, which is obviously great to see given the strong demand.

Turning to our clariti portfolio, we continue posting nice growth with a very high-quality alternative to MyDay at a lower price point. We're receiving fantastic feedback from customers in the US and Canada and our redesigned clariti multifocal, and we're launching in APAC later this month with more markets to follow. This upgraded multifocal mirrors the MyDay design providing wearers optimal comfort and vision while giving ECPs confidence they'll have the same fitting success they currently enjoy with the MyDay multifocal.

Moving to frequent replacement lenses, Biofinity continues to deliver great results led by the strong performance of our torics, multifocals, and industry-leading extended range offerings. Biofinity remains the number one lens in the world with more people wearing it than any other contact lens, and the reason is simple - it's an incredibly comfortable lens that has market-leading technology. It offers more prescription options than any other lens, and it's sold at a great price point.

Turning to myopia management, after a soft start to the quarter we saw a significant pickup in activity, particularly in the US. MiSight led the way, and we continue forecasting MiSight growth of around 40% for the year. Supporting this growth is a recent realignment of our US sales force to double account coverage, additional sales resources in key European markets, expanded digital marketing and CRM programs, and increasing activity around key account private label deals. In parallel, we're reinforcing CooperVision's leadership in this category with investments in R&D, in clinical study activity, and with advocacy groups supporting the industry's continuing move to making myopia control standard of care. I'm also happy to report that our capacity improvements in MyDay have allowed us to start planning for the launch of MyDay MiSight outside the US. It will take a little while to get launched, but it's now on the radar, and we expect the combination of the market-leading comfort and design of MyDay, combined with the technology of MiSight, to make MyDay MiSight a truly exciting entry into this market. Lastly in this area, we're seeing tremendous growth with SightGlass in China, which is part of our joint venture with EssilorLuxottica, and we're seeing improving traction with Ortho-K, which was up 9% globally.

For the broader contact lens industry, we forecast market growth of 5% to 7% this year in constant currency with us taking share. This follows last year where the market grew 7% and CooperVision grew 8%. Factors driving the market remain largely the same, including the ongoing trade up to dailies, growth in torics and multifocals, growth in wearers, improved pricing, and for us, growth in myopia management.

To conclude on CooperVision, we received some questions around our private label business, so let me address those. To start, we have not changed our private label strategy. It's around one-third of our revenues and it's a core part of our long-range strategic growth plan. A few points to note, contact lens manufacturers produce lenses using different materials and different lens features such as a lens thickness, size, and design, so you can't replace them without patients noticing, especially with torics and multifocals. Also, for private label, packaging, labeling and distribution, is more complex as you need tremendous flexibility within your logistics platforms to meet customer demands. And lastly, our private label portfolio is very diverse with a significant number of long-term contracts tied to a wide variety of brands, including at times, different brands with the same customer.

Moving to CooperSurgical, we reported revenues of $319 million, up 3% or up 2% organically. This was slightly ahead of our internal expectations, remembering that we implemented an important IT system upgrade in fiscal 2024 which resulted in buy-in activity in Q1 and shipping disruptions in Q2 of last year. This meant a tough comp for Q1, but an easier comp for Q2. We also had strong capital equipment sales in fertility in Q4 of last year which made for a tough quarter sequentially. Regardless, this was all expected and we remain comfortable with our full-year guidance of 4% to 6% organic growth.

Moving to the details, fertility posted quarterly revenues of $120 million, up 1%. This was an unusual quarter for us in terms of revenue growth, but it was due to the unique items I mentioned earlier. The important takeaway is that this was a blip, and we expect fertility to return to high-single-digit to low-double-digit growth for the remainder of the year. During the quarter, we saw a strong demand for our leading portfolio of innovative products and services including within consumables, reproductive genetic testing, and donor activity. And our pipeline of planned equipment installations strengthened nicely during the quarter. We're also continuing to see exciting activity with new innovation including within our reproductive genetic testing business, where our cutting-edge AI-based testing methodologies are advancing efforts at detecting genetic variations at the DNA level in embryos. And our integration activity from prior acquisitions is driving efficiencies such as the recent consolidation of our donor egg and sperm storage into a centralized location.

Regarding the broader fertility industry, the global market continues to expand, driven by strong underlying macro growth trends. These include women delaying childbirth, improving access to treatment, increasing patient awareness, increasing benefits coverage, and improving technology. The World Health Organization estimates that 1 in 6 people worldwide will experience infertility at some point in their lives due to a variety of health factors, so this is a large industry that offers significant long-term growth potential. As a leader in the space, we remain deeply committed to supporting patients and clinics by delivering innovation, launching new products and services, providing extensive clinical training, expanding geographically, and advancing our R&D efforts.

Moving to our office and surgical products and services, we posted sales of $199 million, up 4% or up 2% organically. From my earlier comments, we had a tough comp in Q1, but expect much stronger performance in Q2, and we're already off to a good start. This performance will continue to be driven by strength in targeted minimally invasive gynecological surgical devices, such as our ALLY Uterine Manipulator portfolio, and within labor and delivery with products such as Fetal Pillow and our Cervical Ripening Balloon. We also saw strength in Q1 from Paragard which grew 12%, although this was primarily tied to channel fill associated with our new single-hand inserter upgrade and a price increase.

With that, let me conclude by saying that our focus remains on execution, taking share, driving profitability, and delivering on our strategic priorities, including increasing the availability of our innovative products, expanding our state-of-the-art manufacturing capacity, optimizing our technology investments, developing and launching new products, and investing in our people.

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

Brian Andrews - *CooperCompanies 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 the earnings release for a reconciliation of GAAP to non-GAAP results. For the first fiscal quarter, consolidated revenues were $965 million, up 4% as reported and up 5% organically. Consolidated gross margin was 68.7%, up from 67.3%, driven by efficiency gains and mix. Operating expenses increased 5% to 43.6% of revenues driven largely by Commercial and R&D investments, offset by leverage in targeted areas within G&A. From a leverage perspective, we're continuing to see success in several parts of the P&L at both CooperVision and CooperSurgical as our prior investment activity pays off. This was especially evident in our production and distribution activities, but also in certain support functions. We expect this to continue as we deliver efficiency improvements combining our back office activity and leveraging technology. Consolidated operating income was up 6.5%, improving the operating margin to 25.1%. On a constant currency basis, operating income grew a healthy 12%. Below operating income, interest expense was $25.3 million, and the effective tax rate was 14.3%. Non-GAAP EPS was $0.92, up 7.4% or up 14.2%, excluding FX, with roughly 201 million average shares outstanding. With respect to FX, it was $0.06 negative for the quarter, $0.02 worse than what was included in our original guidance. Free cash flow was $101 million with CapEx of $89 million. Net debt decreased to $2.44 billion, with our bank-defined leverage ratio reducing to 1.91 times.

To summarize fiscal Q1, this was a solid quarter and a good start to the year. We met our internal revenue expectations, delivered margin expansion, and took another step forward with free cash flow generation.

Moving to fiscal 2025 guidance, we're holding CooperVision's revenue guidance range unchanged at $2.733 billion to $2.786 billion, up 6.5% to 8.5% organically and holding CooperSurgical's revenue guidance range unchanged at $1.347 billion to $1.372 billion, up 4% to 6% organically. On a consolidated basis, this translates to revenues of $4.08 billion to $4.158 billion, up roughly 6% to 8% organically. We're raising our non-GAAP EPS guidance range slightly by increasing the bottom end to $3.94 to $4.02, up 7% to 9% or up 11% to 13%, excluding FX. Within this, we expect a very similar P&L to what we highlighted on our last earnings call with strength in gross margins and targeted OpEx leverage delivering solid earnings growth. We expect free cash flow to be in the range of $350 million to $400 million, and we'll continue prioritizing debt reduction with those proceeds.

With that, let me conclude by highlighting a few points. Our investment activity over the past several years is yielding positive results. We've emphasized our commitment to reporting improved financial returns and we're delivering on that with efficiency improvements driving higher gross margins, targeted OpEx leverage, double-digit constant currency operating income growth, and an increase in our EPS guidance.

We still have a lot of work to do, but we're on a great trajectory to continue our momentum, and we remain laser-focused on strong execution. This includes leveraging our newly deployed IT systems, delivering efficiency from centralizing and harmonizing our organizational structure, including capitalizing on cross-functional back-office efficiency projects, and simplifying and standardizing our processes and procedures to reduce the need for further headcount. Our focus remains on ensuring all our activity produces strong operational success, earnings growth, and improving free cash flow generation.

Now before moving to Q&A, let me make a quick comment on FX. Over the past two days, we've seen the US dollar weaken against most currencies. We did not update our guidance to reflect these moves, but if rates hold, it puts us in a great shape to reach, if not exceed, the top end of our EPS guidance range.

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

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. (Operator Instructions)

Jeff Johnson, Baird.

Jeff Johnson - *Robert W. Baird & Co. Incorporated - Analyst*

Thank you. Good evening, guys. I wanted to start just on some of your MyDay commentary. Our conversations over the last couple of months, you suggested that there's actually some markets you don't have MyDay in and I think that's pretty clear that's Japan, but even some more markets beyond that. As you talk about now some of those MyDay manufacturing constraints coming off, I guess I'm wondering, are there markets that you've been out of for 6, 12, 18 months that you can go back into, and it's almost a slam dunk to get some faster MyDay growth as you go back into those markets? And then I have one follow-up.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Yeah, I can probably answer that one very succinctly by saying yes.

Jeff Johnson - *Robert W. Baird & Co. Incorporated - Analyst*

Could you expand on it?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

You are correct. There is demand out there, whether it's countries that we're not in right now that we can re-enter or go into, and then there's accounts within a number of those countries that are asking for more products, including within private label, that are asking for more product. And us just increasing availability and getting them more product or putting that product into a country or an account where the demand currently exists should result in some nice sales growth.

Jeff Johnson - *Robert W. Baird & Co. Incorporated - Analyst*

Okay. Any way you could quantify your out of markets that account for 5% of your global revenue that other lenders are in or anything like that, number one. You don't talk very often about the private label business, but since you brought it up, I thought maybe I'd push you there just a little bit. On private label, how has that been growing each of the last couple of years relative to your branded business faster, slower, about the same?

And given some of the questions that have been raised with RFPs out there on one of your bigger clients right now on the private label side, would you expect that private label business to grow similar trend line relative to branded as you've seen in the last couple of years or any changes there on a go-forward basis? Thank you.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. On MyDay, I won't quantify it other than to say as we're increasing production right now and things are improving and I'm seeing product working its way through our channel, it certainly gives me more confidence especially in Q3 and Q4 of this year. We kept our guidance the same for a reason, and we have good reason to hold that guidance where it is based on what we're seeing internally and the topics we just discussed.

On private label growth, the last couple of years, it's been growing in line, roughly the same as what our branded business has been growing. We've started to see a little bit of an acceleration in that part of our market. If I was a betting man, I would say that our private label business will grow a little bit faster than our branded business, probably for the remainder of this year, wouldn't surprise me if it's next year. If customers change their purchase habits, we have a tendency to see some increases in private label if they're looking for lower cost or bulk purchase opportunities. I would think private label actually strengthens a little bit.

Operator

Larry Biegelsen, Wells Fargo.

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

Hey, Al. Good afternoon. Thanks for taking the question. Al, just asking Jeff's question maybe a little bit differently, maybe just help us understand why your growth was below the peers, in fiscal Q1. Maybe you can give us the calendar-year growth and maybe if you could tell us what January and February did. Just a little bit more confidence that you can accelerate the CVI growth from Q1.

Is it Q3 and Q4 with some of the supply comes online? Just a little more color on Q1 relative to your peers and how to think about the acceleration through the rest of the year?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

We spent some time on our last earnings call and through the quarter talking about how we had a soft start to this quarter. And we don't give quarterly guidance, so we didn't quantify that. But we did. We had a weak end to last year, the last couple of weeks. And then our fiscal Q1 started slow. Then it started picking back up and actually we had a strong January, and that continued. We had a really good February.

And I'm optimistic about how things are moving forward now. I think the market is doing well, and I think we're doing well.

I will go back and just confirm comments I've made before that we saw some channel inventory reductions that negatively impacted us at the beginning of November. I think we had a couple of competitors running some activity that probably just transferred some inventory holdings in the channel from one party to another party. So whatever, I don't care about that kind of stuff. At the end of the day, when I look at our growth right now and our recent numbers, I'm pretty bullish on where things sit. When I look at the quarterly gating, no reason we're not going to have a good quarter in Q2. I think we will. I think we've got the potential certainly to have better quarters at CooperVision in Q3 and Q4 when I think about the release schedules associated with that MyDay product I'm talking about.

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

That's very helpful, Al. And just one follow-up, a non-hormonal IUD was recently approved, which I know you've been expecting. What's assumed in the guidance for the competition to Paragard? And how do you think about the longer-term impact of a new competitor? Thanks for taking the question.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. I think that PARAGARD is going to be the same as what we said. It will be down a couple of percent to up a couple of percent this year. We had a good start to the year. We've got some purchasing going with our single-hand inserter that we have in the market right now. But before I get too optimistic on that, because there's definitely channel fill there, we want to see end-user demand increase.

For this fiscal year, yes, somewhere in that minus 2% to plus 2%, something like that. When I look at the competitive product, you're right; it got approved. At the end of the day, they have a couple of hurdles that they have to get over. That product is made with nitinol, which is the same material that was used in Essure, which anyone who knows our space would remember that product. It's less copper, so it's less efficacious. It has a three-year label compared to our ten-year label. We'll see how it goes. I think we're well positioned. We've got a great Paragard team. So we'll see how it plays out.

Operator

Jon Block, Stifel.

Jon Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Thanks guys. Good evening. Brian, I'll throw one your way to kick things off. Just gross margin was solid and certainly above our estimate. Anything to call out regarding the sustainability? I think I heard Paragard of 12%. I believe that's accretive to corporate gross margins.

But would just love to get some color on your thoughts going forward because, of course, everyone wanted the margins and now that the revs were light, but the margins were really a standout in the quarter, that is. So any color you can provide there would be helpful.

Brian Andrews - *CooperCompanies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, Jon. Thanks for the question. The story on gross margins is a continuation of what we talked about last quarter. As we've been driving higher production in existing buildings, we're seeing yields increase. But when we put those high-volume manufacturing lines in existing buildings, we get better utilization, better allocation of overhead absorption, that all results in lower cost per unit.

So those efficiency gains we were expecting to play out this year. And those efficiency gains will show up in gross margins year over year, probably every quarter this year, resulting in higher gross margins year over year on an as-reported basis versus last year.

Now I'd say what happened in Q1 resulted in maybe higher margins than what you were thinking, was really tied to product mix and regional mix. As we've talked about in the past, when we have strong Americas revenue growth against weaker Asia-Pac growth that results in a lift to gross margins.

And then of course, we had product mix advantages in Q1 with strong Biofinity sales, and the strong Paragard sales. That probably gave us a bigger lift than what you were thinking. But I would say, the story around gross margins is going to be a good one for this year.

Jon Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. Great. That was very helpful. Thanks. And then I'll shift gears and I'll ask the second question that Larry and Jeff did. But for the acceleration in CVI for the balance of this year against tougher comps, the two-year stacks are accelerating meaningfully, is it just this capacity thing getting better or are there any other variable that you can point to?

And maybe just to tap on to that, I think the capacity issues are on MyDay. I believe last call, you talked about the constraints potentially going all the way to the end of fiscal '26. And so, has that now been pulled forward, because you see more beat on how the manufacturing has gone over the past several months? Thanks.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. So much of the contact lens market is driven by upgrades. It's driven by the shift over to daily contact lenses. That's such a material positive. You see it from us and from some of our competitors. In this case, it's almost that simple, which is the demand is definitely out there for MyDay.

It's just such a great product. I'm wearing it now. I love it. You guys know that. As we produce more product and get it out to our sales force, they sell it.

Regarding '26, I would say, yes, we've improved the production. We pulled some things forward. That would make me more confident in our fiscal '26 maybe than I even was on our last earnings call.

Operator

Issie Kirby, Redburn Atlantic.

Issie Kirby - *Redburn Atlantic - Analyst*

Hi, guys. Thanks for taking my question. I just wanted to follow up on myopia with both my questions actually. Firstly on SightGlass, would love a little more color on any detail you can give around the number of units sold in China. The number of children perhaps you're reaching with those products, and then remind us of the outlook for approval and rollout outside of China?

And then just as a follow-up on SightGlass as well, how we should really think about how the JV is flowing through the P&L, and the impact on EPS over the next few years? And then I have another myopia follow-up.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. A couple of points on that. On the joint venture, just as a reminder, it's a 50-50 joint venture with EssilorLuxottica. We are both very passionate about myopia control. And I believe it's going to be a fantastic market and believe it's great for kids, great for society. I'll speak on both of our behalfs to say we're excited about it. We're passionate about it.

When I look at the joint venture financial impact to us, we recognize that activity as a gain or loss below the operating income line. It's not recognized in revenue. That continues to run through our P&L as a loss, which is fine for me. We're continuing to invest in the product and launch the product.

I mentioned last quarter we launched the product in Spain under MiSight glasses, and we have it in Canada and a few other markets. We're continuing to test it in a number of markets as we move along with launch plans in a greater scale.

I'm not going to get into too many details when it comes to China because, again, this is a JV. But I will say that we've seen some dramatic increases in demand and unit activity in China. I remain very, very bullish on SGV. It's a great product, great technology, and it's doing really well live in the market.

Issie Kirby - *Redburn Atlantic - Analyst*

Great, thank you. And then just a follow-up, on MiSight within China. I think you mentioned China declining. Was that really to do with the Ortho-K business, or does that include MiSight within China as well? And just broader comments on the demand and the dynamics you're seeing from MiSight in China would be great. Thank you.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. As a reminder, again, for China, for MiSight and our Ortho-K business, that's through our partnership with EssilorLuxottica, they did a great job. We had a good quarter. We had nice growth in MiSight in China. We had nice growth with our Ortho-K products in China. We are back on good footing there and certainly moving in the right direction.

I applaud them in the relationship and how well it's going there. That had nothing to do with our myopia management business in China. That was our core contact lens business, where we saw the decline.

Issie Kirby - *Redburn Atlantic - Analyst*

Okay. Great. And just quickly squeeze in a follow-up, the declines in China, is that just tied to broader macro, weaker consumer? Just some color on that would be great.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. I think a little bit, but I think it was more specific to us than it was that. I think some of our competitors, had good quarters in China, and I believe it pushed their numbers up. And if I had to look at one of the key deltas when I look at market share and activity in the quarter, comparing ourselves to our competitors, I'll bet you one of the biggest differences by far, was them having some success in China and us declining. So I think that was more us, some things that we need to fix and straighten out.

Operator

Robbie Marcus, JPMorgan.

Robbie Marcus - *J.P. Morgan Securities LLC - Analyst*

Great. Thanks for taking the questions. Two for me. In the script, you said fertility met your expectations, but only came in 1%, well below the Street. How do I think about the size of the capital pull forward or if it was really pull forward fourth quarter to first quarter? And if it was expected, how do you get confidence in the return to potentially double-digit growth for the rest of the year? And then I have a follow-up.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

That's a very fair question. We definitely had some capital pulled into Q4. I think I may have mentioned that on the last call, but it was a decent amount of capital that got pulled in. And then we've had a little bit get pushed out a little bit.

Our capital backlog for installations improved quite a bit during the quarter, and we have good visibility on that. So one, I feel good from that perspective.

Two, when I look year over year, we definitely had orders pulled into Q1 of last year, and we had a weaker fertility quarter in Q2, which made it a tough comp. So when we move into Q2 here, and for the rest of the year, I feel pretty good about fertility. I think fertility is something like 14 of our last 15 quarters with double-digit growth. So to me, this was just an anomaly. We have good visibility on that.

Our demand for our consumables is strong. Demand for our reproductive genetic testing is strong. Our donor activity is strong. The team's really got their arms around it. That's why I called it a blip. It seems like an oddity, but I feel pretty confident that you'll see a return to something more normal, at least upper single digits and double digits for the rest of the year.

Robbie Marcus - *J.P. Morgan Securities LLC - Analyst*

Great. And then on China, APAC is about 20% of CVI sales. How do we think about the size of China there? And what's assumed in the rest of the year for guidance in China? Thanks.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. China would be a little bit less than 5% of our revenues on a consolidated basis. Not huge, but it's an important market for us. It can certainly, definitely impact our Asia-Pac growth rates when you have a struggle in China, especially when it's down.

We've done some stuff there. We've already made some changes. We have some work going. We're seeing some progress already on that.

We have incorporated those challenges into our guidance. It's being more than offset by some strength in some other countries and by the increasing amount of MyDay capacity that we're releasing back through our channels.

Operator

Steve Lichtman, Oppenheimer.

Steve Lichtman - *Oppenheimer & Co. Inc. - Analyst*

Thank you. Evening, guys. Al, I was wondering if you could talk to what you're expecting for price in your contact lens business this year. And has some of the softening consumer sentiment created any pushback to date?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

I would say no change from what we talked about last time. The market is probably, on a global basis, 2% to 3%, somewhere in there. I would say we're in that same range on a net basis, probably more in the mid- upper part of that, because we took a little bit more price than some of our competitors this year.

Have not seen that pushback. We're continuing to see very strong demand for the premium or the higher-priced products, the torics, the multifocals. And then from a segment perspective, still seeing very high demand for our products, and our consumers wanting the same when it comes to dailies, wanting to wear dailies.

Steve Lichtman - *Oppenheimer & Co. Inc. - Analyst*

Got it. Thanks. And then Brian, I just wanted to go back to mix of expenses this year. You talked about the strength in gross margin. You also talked about some of the initiatives on MiSight. Are those initiatives already embedded in sort of what we saw in the OpEx in the first quarter? Or should we anticipate that building a little bit? Anything more you could talk about on that front would be helpful. Thanks.

Brian Andrews - *CooperCompanies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, Steve. Thanks for the question. Yeah. We've talked about leveraging SG&A. We did that last year with our strong OI growth. We'll continue to see efficiencies within manufacturing, packaging, and distribution.

But we're getting leverage from functional areas within G&A. But the strong gross margins will allow us to balance our investment activity and really ensure that we meet or beat our numbers. So we'll continue to see an ebb and flow as we work through the year.

Operator

(Operator Instructions)

Joanne Wuensch, Citi.

Joanne Wuensch - *Citi Investment Research - Analyst*

Good evening, and thank you for taking the question. I'll just put them both upfront. I'm curious if you have a view on some of the language coming out of Washington as it relates to tariffs and how you think about that and its impact on your business?

And then my second question has to do with the market. As I look at all the participants that have reported so far, including yourself, there seems to be a market growing faster than 5% to 7%. What is the mismatch between lining up everybody's results and those market growth commentaries? Thank you.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

I won't go too far into what's coming out of the administration and tariffs other than to say it doesn't really impact us right now. So, I won't go down that path, because I don't have to.

On the market growth, the market grew 7% last year. As I mentioned, we grew 8%. I commented that I think the market will grow 5% to 7%. We'll see how that plays out as we go through the year. But the underlying factors that drove that 7% market growth last year are still there. They're still there. The market is still healthy. It's still strong. We're seeing good consumption. We're seeing good demand. We've got good products, as an industry, that are going into the marketplace, increasing availability, replacement schedule against older products with newer products.

So a lot of good, exciting things going in the market. I don't know if the market goes to 7% again. I sure hope it does. But when I look at it and say, hey, is it going to be somewhere in that 5% to 7%, I think it probably will be.

Operator

Jason Bednar, Piper Sandler.

Jason Bednar - *Piper Sandler & Co. - Analyst*

Hey. Good evening. Thanks for checking the questions. Al, I wanted to start on the MyDay MiSight reference. You commented you're doing early launch planning. I know it's early, but what exactly does this entail? What are the prerequisites or trial work that might be necessary here?

And then also I know it's very early days, but talk to us a little bit about pricing strategy, if you could. I guess I'm wondering, we typically see silicone hydrogel lenses come with a standard price premium. Is that the right way to think about the approach or you walk it on what the premium on top of MiSight? Or would you look to slot this new lens in at your existing price point and use the introduction as a way to make price on MiSight more affordable?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Yeah, Jason. Great questions. It's literally what we're talking about internally right now. There is some regulatory work that we have to do in different markets to get the product approved into the markets. That will take us a little bit of time.

Then we're working around the strategy. MyDay has an incredibly strong brand name. I love MyDay MiSight because it's perfect. It's two leading products connected together.

When I think about pricing, that's something we're working through right now. We need to work through it, which is, does pricing need to be lower on the more traditional MyDay lens with a higher-priced MyDay MiSight? Or how do we put those together? How do we sell that through private label? How do we sell that through independent practitioners? How do we think about ensuring that children can get this product?

One of the things I remain passionate about is that this is for children, and we need to get this product in the eyes of children. If price is a challenge and we could sell more if we had a lower priced product, especially a really high-quality one, like the existing MiSight product, I'd be an advocate for that, even if it caused us some challenges of getting there.

Getting this product on kids' eyes, and building this marketplace is really important. We are continuing to work through that internally, figure out that pricing strategy because at the end of the day, this is a big win. It's just a matter of how we get there.

And I can tell you this is a big step. The other thing with MyDay MiSight is it's going to have a toric. And there's a decent percentage of the marketplace right now, maybe it's a third of the kids out there, where optometrists are hesitant to fit MiSight because the kid has an astigmatism. We're going to be able to launch a MyDay MiSight toric, and that's going to be another great entrance into this market.

Operator

Patrick Wood, Morgan Stanley.

Patrick Wood - *Morgan Stanley & Co. LLC - Analyst*

Thank you. I'll keep it to one. US target penetration could you remind us where you think we're up to today in toric penetration for those who are astigmatic. And from the market research you guys are doing, maybe a dumb question, but what proportion of those do you think who have not switched to toric. Is it because they don't know they are astigmatic, or is it because they're choosing somehow not to for one reason or other? What's the marginal flip there, if you see what I mean?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

It's a great question and a long answer. Just because when you break that toric market up into its segments and you look at monthly versus dailies and a lot of the daily torics are newer into the marketplace. And then depending upon what markets you're looking at with expanded range of torics, it gets pretty broad.

The other thing about it is that your toric penetration in a market like the US is quite a bit higher than it is in Europe. And then it would be the lowest, generally speaking, in a lot of the Asia-Pac markets.

It's clearly showing a lot of growth. It's good growth. If you looked at it on a revenue perspective, it used to be running for many years about 25% of revenues coming from torics. That number continues to move up. I'm not sure what it's at now, 30% something like that, low-30s. Because doctors are doing a better job identifying patients who have astigmatisms and then fitting them correctly. And the old days where it was super difficult to fit someone in a toric and get the right toric and get a stable toric, a lot of those days are moving past us.

The Biofinity toric is such a great design and such a stable product. And that same design being in MyDay gives you a lens that as a doctor, you're very comfortable fitting. You know you can fit it. You know that visual acuity is going to be strong. And you know the patient is going to walk out the door happy with that product.

So without getting into a bunch of crazy numbers, I would say penetration is highest in the US, Americas, middle woud be Europe, then low in Asia-Pac, but growing in all areas. And the majority of that growth coming either from daily silicone hydrogels or from Biofinity itself.

Operator

Craig Bijou, Bank of America.

Craig Bijou - *BofA Global Research - Analyst*

Good afternoon, guys. Thanks for taking the questions. A couple of follow-ups for me. One, Al, maybe a follow-up on the cadence of CVI growth through the year. I heard your comments on Q3, Q4, those are expected to be strong. You have a pretty tough comp in Q2.

So maybe just a little bit more expansion on how to think about that growth in each of the quarters. And then I'll throw my other one on here. EMEA with 6% growth this quarter, slightly lower than kind of the double digit that you guys have been doing in the last couple of years. So just wanted to understand anything with EMEA specifically in Q1 and how to think about that for the rest of the year? Thanks, guys.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. EMEA has been putting up good growth here for a little while, just a fantastic team over there that's killing it. I've got to get over there and see them, because it's been a little while since I've been there. I should go there and tip my hat to the level of excellence that that team is delivering.

But I wouldn't take anything away from the 6%. I think they have put up good numbers, and they're going to continue to put up good numbers.

If I look at CooperVision growth through the year, Q2 is going to be a fine quarter. It's a tough comp, but it's going to be a good quarter. Q3, Q4 have potential to have faster organic growth rates. Maybe the only other wrinkle I'd mention, as you know, Brian just ended his script talking about the fact that we didn't roll in the improvements from improved FX over the last couple of days. That is a benefit to earnings if those rates hold. They would also be a benefit to top line, and those benefits would push more on a forward basis, which would positively impact Q3 and Q4 on an as-reported basis.

Operator

Brett Fishbin, KeyBanc.

Brett Fishbin - *KeyBanc Capital Markets - Analyst*

Hey, guys. Thank you very much for fitting in the questions. Just wanted to ask one follow-up on Paragard. First time that there's been a new entrant into this market in really a long time. So just curious if you could touch on maybe any changes in strategy that you'd be considering just given the changing dynamics maybe either around pricing or the marketing of the product? Thank you.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

To me, continue to execute, that's what it's about. We've got a killer team there. They do a great job. They know the product extremely well. We went through a relatively lengthy FDA approval process to get our new single-hand inserter approved. We're putting that product in the market, making sure everyone knows how to use it.

So to me, it's no, you don't need to change. We need to keep executing. We need to keep doing what we're doing. We just had a really good Q1. Let's keep our heads down and keep executing and drive end-user unit growth on that because that's ultimately what's going to improve that product's performance.

Brett Fishbin - *KeyBanc Capital Markets - Analyst*

And then I'll ask one more follow-up on the same topic. I think you highlighted a couple of the advantages of Paragard versus this product. I think you touched on your efficacy and duration, but it feels like those are definitely good points. But just thinking about what's incorporate it into the guidance, it feels like still a pretty tight range just given how the product has swung positive and negative at times in the past.

Maybe just any thoughts on like risk to that guidance and like how you'll be evaluating that going forward. Thanks again.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

I think the key to take away on that is we have all this variability by quarter with that product, which is interesting. Last year, we grew 2%, if I remember right. But the 2% came from some pretty dramatic swings up and down. It won't surprise me if that's similar to this year where we get some dramatic swings up and down.

I think when you look back on it on a full-year basis, it's probably somewhere in that tighter range, because really that's what it's doing. When I look at the non-hormonal market from a unit perspective, it's really not doing that much. It's down probably from a unit perspective. You're getting a little bit of price. And at the end of the day, you'll get quarterly fluctuations, but the reality is you'll have a product that's relatively flat. Hopefully, it's up a little bit.

Operator

Young Li, Jefferies.

Young Li - *Jefferies LLC - Analyst*

All right. Great. I guess maybe on CSI to start. Fertility was an unusual quarter, as you mentioned. The office business faced some bumps. But I wanted to get your updated views on continued thoughts on M&A or continued investments in CSI, whether it's geographic expansion or products to expand the back?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

I would certainly say we've seen an increase in our R&D within CSI. We're going to continue to work there to develop new products. We are spending some money certainly within fertility and some within our specialty medical device side in geographic expansion. I think you'll continue to see that. That's where our focus is certainly with respect to CooperSurgical.

Young Li - *Jefferies LLC - Analyst*

Okay. Great. And then a follow-up just on the CVI spherical growth. 3% organic comps wasn't too bad. I guess tougher later in the year. When you factor in maybe some upgrades and pricing, it looks like volume (technical difficulty) I guess, curious (technical difficulty) you're expecting the second half to have a big increase. Just wanted to hear about the relative confidence for spherical growth for the rest of the year? And what's sort of driving the comp (technical difficulty) the second half (technical difficulty)?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. That's a really good question. The thing that's driving that is MyDay. Anytime that you're building out a toric expanded range, and we have by far the widest toric range in the market, is you're building a lot of parameters. You're building a lot of SKUs, a lot of lenses out there. And we've been doing a lot of work on that.

So as we accelerate our production right now, we are increasing our production levels on our spheres, and it's going to allow us to get more spheres into the marketplace. So that ends up being the answer. It's MyDay spheres.

Operator

Chris Pasquale, Nephron Research.

Chris Pasquale - *Nephron Research LLC - Analyst*

Thanks. One quick financial question and then I had a follow-up on MiSight. On the financial side, you mentioned that the recent dollar weakness is not reflected in guidance. Can you remind us what you're assuming in terms of interest rates and whether any movement by the Fed could also represent some upside?

And then on MiSight, to get to that 40% goal for the year, growth does need to pick up from here. Is MyDay MiSight part of how you get there? Or is that really more of an FY26 story and you think 40% is within reach without it?

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

I'll answer that one quickly. MyDay MiSight would be a fiscal '26 story. So that is not included in '25 numbers. That will be an increase in MiSight sales based off our existing platform.

Brian Andrews - *CooperCompanies Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Chris, I'll take the first question. Interest expense or at least the Fed expectations, there's no expectation of any Fed moves later this year. As a reminder, we have a large part of our debt fixed as it is. So really a quarter point move really only has about $0.5 million impact or so to a quarter. But our interest expense assumptions for the year are largely unchanged.

Operator

Anthony Petrone, Mizuho Group.

Anthony Petrone - *Mizuho Securities USA, LLC - Analyst*

Thanks. A few quick ones here. One would just be on contact lens inventory trends, both at the distributor level but as well as big box retailers, looking at Costco here. After hours, it is down. and one of the things they're talking about is how tariff is kind of impacting what they're going to have on the shelf.

And I imagine tariffs are also going to have an impact at the distributor level. You guys have 10 distributors on the CVI side. So do you think there's any risk just on a destock or a tighter inventory situation in contact lenses?

And then on CSI, just any thoughts on the executive order on IVF. On the one hand, it calls for expanded access which is good. But on the other side of the equation, it's calling for reduced out-of-pocket expenses and lower health care costs. So just thoughts on that executive order. Thanks.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

On the IVF side of things, I think that executive order, and I won't say just that one, because there's been other activity around the world. That is all positive. Continuing to look at pricing on that and what needs to be done in pricing is an ongoing challenge. Frankly, our products are a relatively small portion of the costs associated with fertility. That cost gets very heavily driven by the pharma side.

But more patients and more support for IVF is a positive. On the channel inventory side of things, there could be a little bit of risk of that in spots around the world, talking about tighter channel inventory that could hit people as companies tighten up their hold levels. I will say that for us, speaking on behalf of Cooper, a lot of that is set up around contractual obligations where certain minimums need to be met because of the demand of the product and the flow-through of the product.

So I don't see that as a significant risk or anything. That doesn't mean that there's not some fluctuations that could happen on a quarterly basis.

Operator

Navann Ty, BNP Paribas.

Navann Ty - *BNP Paribas Securities Corp. - Analyst*

Hi. Thanks for taking my questions. Can you discuss further your private label contracts or any high customer concentration or typical length of contract, et cetera? And on Paragard, what have you seen since the approval of the low-copper IUD that you mentioned? And do you expect less than competitive impact due to the nickel allergy. Thank you.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. On the private label contracts, we have a lot of them, and they span in time. Obviously, when you sign them, they're longer. And time goes by, and they go down; you renegotiate them and extend them. We have contracts that go out as long as 10 years, A lot of contracts are in the 2-, 3-, 4-, 5-year range because both of us are making a commitment on both sides.

We're making a commitment to have that product, and labeled, and produced, and shipped to someone's stores. They're making a commitment around it, that they're going to build a brand around it and continue to sell it. So those are very much partnership type deals. And there's just a lot of them. It's a very diverse portfolio of products, and it even has multiple brands to the same customer and numerous examples in different geographic locations.

With Paragard, I really don't have too much to add on that. A competitive product was approved, and we'll see what they do with it. And when they launch it, and how they launch it, and they have to go through the full REMS process on that for training. They'll do what they're going to do. In the meantime, we'll do what we're going to do.

Operator

David Saxon, Needham and Co.

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

Great. Hey, guys. Good afternoon. Thanks for squeezing me. And just two quick ones. First on CVI, I think in the script, you mentioned you realigned the sales force in the myopia management part of the business. What drove that move? What's changing and kind of level of confidence you can manage that transition without anything falling through the cracks?

And then my second is just a follow-up on Paragard. I think a lot of that growth has been driven by pricing. So with this new launch kind of how are you thinking about your ability to continue to take price and see that product grow? Thanks so much.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Sure. On Paragard, that's a fully reimbursed product. IUDs are fully reimbursed. So that is what it is. We'll see how that plays out in time. We're taking a price increase right now. It's an inflationary plus price increase. But I think you'll continue to see that.

On the sales force work that we're doing with respect to myopia management, MiSight, in particular, that work's done. We went ahead and made those moves and adjusted just some of our sales practices there. You'll remember over the years, I've talked about how we shifted over to dedicated salespeople and specialists who are able to work on myopia control.

And we have just an amazing team there. I'm super happy with and super proud of the myopia management specialists that we have in the marketplace and the education they're doing and the travel and the work they do to support that product. By reorganizing the sales a little bit to put it more in the hands of our traditional sales force that's really strong, that's just going to benefit that product. And we're already seeing some of that play out.

As I mentioned, we saw acceleration as we went through Q1. So that's one of the things that gives me confidence as I think about us reaching that 40% for the full year.

Operator

That concludes the question-and-answer session. I would like to turn the call back over to Al White for closing remarks.

Albert White - *CooperCompanies Inc - President, Chief Executive Officer, Director*

Great. Thank you. Thank you, operator, and thank you, everyone, for taking the time to listen to the call today. There's not really too much to add at this point. Looking forward to continuing to execute this quarter, and I'm really looking forward to getting on our next earnings call here at the end of May. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.