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COO.OQ - Q2 2026 Cooper Companies Inc Earnings Call

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**OVERVIEW:**

Company Summary

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## PRESENTATION

**Operator**

Thank you for standing by. My name is Janine, and I will be your conference operator for today. At this time, I would like to welcome everyone to The CooperCompanies earnings conference call. (Operator Instructions)

I will now hand the call over to Kim Duncan, Vice President of Investor Relations and Risk Management. Please go ahead.

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

Good afternoon, and welcome to CooperCompanies second quarter 2026 earnings conference call. Today's call we will discuss results and guidance included in the earnings release and then use the remaining time for questions. 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 statements relating to revenues, EPS, cash flows, interest, FX and tax rates, tariffs and other financial guidance and expectations, strategic and operational initiatives, market conditions and trends and product launches and demand. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties.

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

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

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

Thank you, Kim, and welcome, everyone to our Q2 earnings call. We delivered record revenue and non-GAAP earnings this quarter with revenues growing 8% to $1.08 billion and non-GAAP earnings per share increasing 26% to $1.21. This marks our tenth consecutive quarter of beating consensus earnings expectations demonstrating the consistency and disciplined execution of our operating model. We also generated another quarter of robust free cash flow, reinforcing confidence in the strength and durability of our cash generation.

CooperVision reported a solid quarter with revenues increasing 8%, or 4% organically, driven by continued strength in the Americas and momentum in EMEA. CooperSurgical also performed well with revenues up 8% or 6% organically, led by our fertility business growing 13%, or 10% organically. We also delivered meaningful operating margin expansion this quarter as back-office consolidation and efficiency initiatives continue to deliver operating leverage, especially within CooperSurgical. Overall, our results reflect steady execution against our strategy of driving sustainable, profitable growth through innovation, new product introductions, leveraging our infrastructure, generating free cash flow, and gaining market share.

Now before moving into the quarterly details, let me address two key topics. First is our strategic review. We initiated this process to evaluate opportunities to unlock long-term shareholder value across a range of potential outcomes. At the same time, we've been working through litigation related to a December 2023 embryo culture media recall in our fertility business. We've now reached settlements with substantially all of the claimants in this case as disclosed in the Form 8-K, which was filed this evening with our earnings release. With that done, we are now actively advancing discussions with multiple parties that have submitted significant indications of interest in CooperSurgical. To summarize that activity, we've received robust interest in CooperSurgical and in conjunction with our Board and the assistance of our advisers, we're focused on identifying the optimal path forward to maximize shareholder value. CooperSurgical's strong performance, highlighted by record revenue and non-GAAP earnings this past quarter, strengthens our confidence in the business and underscores our view that this is a very valuable asset. That said, we are working with speed and plan to provide a more definitive update to the market soon.

Second is an update on our capital allocation strategy. We remain focused on investing in high-return organic growth opportunities, maintaining balance sheet flexibility and repurchasing shares. While buybacks were limited this quarter, they remain a core part of our strategy, and we expect to be significantly more active moving forward.

With that, let's turn to our Q2 performance, starting with CooperVision. After achieving an 18th consecutive year of share gains in 2025, our focus is on extending that streak. We remain the number one global contact lens company with roughly one third of all wearers using CooperVision lenses and we expect this leadership position to continue serving as a key driver of revenue share gains as wearers continue transitioning to daily silicone hydrogel lenses. Additionally, our leadership position in pediatric myopia control through MiSight will remain an important growth driver.

For the quarter, CooperVision delivered revenue of $724 million, driven by share gains in both the Americas and EMEA. The Americas grew 7%, supported by continued strength in premium lenses, while EMEA increased 6%, fueled by strong demand for MyDay and MiSight, further reinforcing our number one position in that region for both revenue and wearers. In Asia Pac, revenue declined 6% as we continue repositioning our portfolio including rationalizing legacy hydrogel products and manage through broader market softness across the region, including greater-than-expected weakness in Japan, which created additional headwinds and further pressured our results.

Turning to products, daily silicone hydrogel lenses grew 8% with our flagship MyDay brand delivering double-digit growth driven by expanding customer partnerships and success with premium products. We also saw gains across both branded and private label channels with improvement across all regions and particular strength in multifocals and Energys. Both of these products remain key growth drivers as we continue rolling them out in new markets. The multifocal has excellent momentum supported by its next-generation optical design that enables an easy-to-fit lens with consistent performance across different lighting conditions, distances, and patient profiles. And Energys continues to perform exceptionally well benefiting from its innovative design that combines premium optics with advanced material technology designed specifically for maximum comfort in today's always on digital lifestyle.

With respect to clariti, we continue to upgrade the portfolio including upcoming launches of our next-generation multifocal in EMEA and Asia Pac, and the toric and multifocal launch in Japan.

Turning to our FRP portfolio. Biofinity delivered strong results, growing 5% organically. Growth was led by toric and multifocal lenses including our market-leading extended ranges and made-to-order offerings. Parameter breadth continues to be a key driver for Biofinity supported by our highly innovative and flexible manufacturing platforms that offer more than six times the prescription options than all other monthly brands combined. As a result, eye care practitioners can fit virtually any patient who walks through the door using just this one product family.

Turning to Myopia Control, MiSight delivered an excellent quarter growing 24% to $32 million. Our newest market, Japan is exceeding expectations with strong and accelerating momentum. We recently hosted the 6th annual Asia Pac Myopia Management Summit in Tokyo, highlighting the clinical performance and patient benefits of MiSight and are seeing increased awareness and adoption following the event. Also, our recent launch of the highly innovative MyDay MiSight in Europe is performing extremely well as eye care practitioners absolutely love this product. And we're seeing a similar reception as we expand availability globally. At the same time, we're increasing our consumer awareness activity during the high-demand back-to-school period by having multiple markets run national marketing campaigns to further build parent awareness. Overall, these initiatives spanning innovation, geographic expansion, customer partnerships, and consumer activation, reinforce our confidence and MiSight's continued robust growth.

Turning to CooperSurgical. Q2 revenue reached $358 million, reflecting growth of 8% or 6% on an organic basis. Within this fertility performed well, growing 10% organically to $144 million. Growth was driven by strength across our leading global portfolio of products and services, including capital equipment where we saw strength in the US and continued global momentum from Witness, our highly successful automated lab tracking system. These capital sales provided a near-term lift while also positioning us for longer-term growth as they drive incremental consumable demand over time. Additionally, late quarter buy-in activity in the Middle East contributed to performance as distributors restocked following the reopening of airspace. Geographically, results were led by EMEA where we continue gaining share, and solid performance in the Americas. Asia Pac was mixed with softness in China offset by strength in other markets. By product category, growth was led by genomics, capital equipment, and consumables supported by new clinic wins, expansion within existing accounts, and continued adoption of recently launched products. Looking ahead, underlying fertility trends remain healthy, and we anticipate continued strength in the back half of the year with fertility expected to grow in the mid-single-digit range. The long-term outlook also remains positive, supported by a strong innovation pipeline, particularly in our equipment portfolio.

Regarding the overall global fertility market, we continue to expect steady improvement supported by improving cycles and increasing investments in technology and workflow optimization by fertility clinics. The fundamental drivers of the industry also remain intact, including the ongoing trend of delayed childbirth and expanding access to care. This was recently highlighted in the US with updated CDC data showing US fertility rates fell in 2025 to a new annual low of 3.6 million births. Within this, women aged 30 and older now comprise 53% of all births and for the first time in the US, more babies were born to women 40 and above than to women under 20. In response to these trends, support for expanding IVF coverage is growing. For example, in California, starting in January this year, most large group health plans with over 100 employees are now required to cover IVF and infertility treatments, significantly increasing access to care.

Moving to Office and Surgical products and services, sales reached $214 million, up 4%. Medical Devices grew a healthy 6% as our surgical OB/GYN and specialty devices continued to deliver strong performance. And Paragard came in ahead of expectations, delivering flat revenue for the quarter.

Now before I turn the call over to Brian, let me conclude with a few comments on our revenue guidance. For CooperVision, we're guiding to full year organic growth of 3.5% to 4.5%. Similar to our peers, we expect market growth at the low end of the historical 4% to 6% range with Asia Pac weighing on the category while EMEA and the Americas remain healthy. Importantly, this softness is regional not global, and we view it as temporary as Asia Pac resets amid economic pressure, especially in China and Japan and to a lesser extent, Korea. Specifically, for CooperVision, we now expect Asia Pac to decline in Q3 with pressure from both the market and our ongoing rationalization of legacy hydrogel products. That said, we now have full regional leadership in place, including a new regional head, and new country managers in Japan, Korea and China and we're seeing strengthening execution and commercial discipline including progress on MyDay contract wins and product launches. Outside of Asia Pac, demand remains solid for premium products, including daily silicone hydrogel lenses, as well as torics and multifocals. For CooperSurgical, our guidance is unchanged at 4% to 5% organic growth.

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

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

Thank you, Al, and good afternoon, everyone. Most of my commentary will be on a non-GAAP basis, so please refer to today's earnings release for a reconciliation of GAAP to non-GAAP results.

For the second fiscal quarter, consolidated revenue was $1.08 billion, representing an 8% increase year over year or 5% on an organic basis. Gross margin of 68.1% was roughly flat year over year as positive currency offset higher costs, including tariffs. Operating expenses rose just 1% reflecting benefits from last year's reorganization that delivered efficiencies across the organization. This progress is particularly evident at CooperSurgical where expenses declined year-over-year for the second consecutive quarter. Importantly, this significant operating leverage has been achieved while continuing to invest in key revenue growth initiatives.

Operating income increased 19% resulting in a 27.5% operating margin. Interest expense was $20.9 million, and the effective tax rate was 15.4%. Non-GAAP EPS grew 26% to $1.21 with roughly 196 million average shares outstanding. Strong free cash flow of $96 million was used to reduce net debt to $2.3 billion and repurchased $13 million of stock.

Before moving to guidance, let me address the litigation charge we took this quarter. In December of 2023, CooperSurgical initiated a voluntary recall of one batch of embryo culture media consisting of three specific lots which led to claims and lawsuits being filed across various jurisdictions alleging damages associated with the use of the product. Between December 2023 and mid-March 2026, we resolved a significant number of claims and lawsuits through settlements, which were largely covered by insurance. From mid-March 2026, we identified developments which resulted in a reassessment of our exposure. With this, we proceeded with negotiations and reached settlement agreements covering over 95% of claimants. Based on this, we concluded that a loss was probable and reasonably estimable, particularly with respect to potential exposure exceeding available insurance coverage. The net impact to resolve outstanding claims was $271.6 million, consisting of $324.1 million of accrued settlement, partially offset by $52.5 million of insurance recoveries. We have excluded this charge from our non-GAAP earnings. Additional information regarding this matter is provided in the Form 8-K filed today with the earnings release, and further accounting details will be included in our Form 10-Q, which we anticipate filing tomorrow, June 5.

Turning to the full year fiscal 2026 guidance, we've updated expectations with revenues expected to be roughly $4.28 billion to $4.32 billion, reflecting growth of 5% to 6%, or organic growth of 3.5% to 4.5%. CooperVision revenue is expected to be in the range of roughly $2.88 billion to $2.91 billion, up 5% to 6%, or 3.5% to 4.5% organically and CooperSurgical remains essentially unchanged with a range of roughly $1.4 billion to $1.41 billion, up 4% to 5% as reported and organically. Interest expense is expected to be around $85 million and the effective tax rate is expected to be around 15.5%. For earnings, we're maintaining guidance at $4.58 to $4.66 and we're increasing our 2026 free cash flow outlook to roughly $650 million, excluding any litigation payouts, the majority of which we do expect will be made during fiscal 2026. There are several key considerations underlying this guidance. As discussed on prior earnings calls, we continue to expect gross margins to decline year-over-year. For the third quarter specifically, we expect gross margins of approximately 66%. This is primarily driven by unfavorable FX and certain higher costs, including tariffs, freight and the impact of lower production at CooperVision where success from our new AI-enhanced inventory control system is allowing us to reduce inventory levels. Importantly, while this inventory work will occur over time, it benefits free cash flow reinforcing our confidence in our 2026 free cash flow objectives and in achieving $2.2 billion in free cash flow from 2026 through 2028.Regarding tariffs, our guidance assumes approximately $22 million this fiscal year but does not include any potential tariff refunds. Should refunds materialize, they could be as much as $15 million and would provide meaningful upside. This guidance also does not include any accretion from share repurchases.

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

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Jeff Johnson, Baird.

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

Thank you. Good afternoon, guys. Can you hear me okay?

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

Yes. Hi, Jeff.

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

So a couple of questions here. Let me just start first on APAC, expecting another quarter of declines. I think we're four quarters in a row now flat to down. You do swing from kind of a plus 5% comp that you came against this quarter when you did the minus 6% to a negative 5% comp if my model is correct.

What are the drivers of that staying negative on top of a negative 5% comp? And just any progress you're making on getting through some of those older hydrogel and any other updates you can provide on what's going on in Asia Pac? And I have one MiSight follow-up question.

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

Sure. Yes, you're exactly right from a comp perspective on how we move from Q2 to Q3. I would say the difference in that market from what we've seen in prior quarters is softness in the market itself. That Asia Pac market, especially when we look at Japan and China, is softer than we anticipated it was going to be. It looks like it's going to continue to be soft when talking about the market. We're continuing to do what we're doing, which is executing on MyDay and repositioning the products and rationalizing the hydrogels, but we're doing it in a market that's now considerably softer than when we started the process. We still have a little ways to go on rationalizing the hydrogel products, and it's going to continue to put pressure on us maybe all through 2027. But we're starting to get it behind us. The numbers are starting to get smaller, so the impact is at least being reduced.

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

All right. Let me just pull on that thread and I'll just ask my MiSight question on the call back tonight. But just as you talk about that potentially continuing through 2027, And I know it's hard to predict where the market goes, but especially for your part of the business on reducing some of that FRP exposure there or the hydrogel exposure, should we think about Asia Pac being flat as we get into 2027? Are we going to stay in negative territory for the next six quarters? And again, I know it's hard to predict and you don't guide by geography or product line, but just on that comment, if you can provide any color. Thanks.

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

IIt will be dependent largely on what that market does. I think we get to a point here probably even in Q4, not this quarter, but next quarter, where we're going to be essentially in line with market. I think we'll probably grow in line with market in 2027.

It will end up being dependent on that market. Right now, I would probably argue that market is essentially flat. It might even be down a little bit, but flat down. So we'll see what the market does, but I think we'll at least be back in line with the market in Q4 of this year and through 2027.

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**Operator**

Jon Block, Stifel.

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**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Great, thanks, guys. Good afternoon. Maybe I'll just start with the strategic review for CSI. I'm just curious has that interest that you cited from multiple parties, is that for the entire CSI business? Or is it, call it, different parties more looking for different pieces of the business? Any color that you can provide and sort of elaborate there?

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

Sure. We've received significant interest in the entire business and in pieces of the business, both. But I would say there's a sufficient number of parties that have given indications of interest on the entire business. That's how we're moving forward.

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**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Okay. Fair enough. And then, Brian, I'll do some sort of real-time math, which is always dangerous. But the 1H EPS for the year is, I think, $2.31, if I've got that right, it's exactly 50% of the full year guidance at the midpoint. And for each of the past three years, 1H was closer to about 45% or 46%. So in other words, like that would sort of imply maybe some upside to the EPS guidance. I know you called out maybe those inventory dynamics with AI, better controlling the inventory. And so therefore, less consumption. But is that everything? Or why would you have that delta relative to past years when it does seem like you guys are doing a really, really good job on the OpEx side of things?

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

Hi, Jon, thanks for the question. Certainly, we are driving strong operational results, top to bottom, including stronger sales, margins, leverage. My guess is that there is a little bit of a mismatch really between how the Street and we modeled FX for the year. I gave an FX tailwind last quarter of 1% for the year. What you saw in the first half was a pretty decent amount of FX favorability that flowed through the bottom line. The EPS percentage growth that you saw in the 20s between Q1 year over year in Q2 is a direct result of all the work we've done exiting Q4 to drive a stronger operating model. But the FX favorability when I talked about the 1%, –that was really driven by a first half phenomenan.

What you see in the second half of the year is really FX turning decently negative. And so that starts here in Q3 with an FX negative to Q3. And then again, here in Q4. So it's probably just a bit of a timing and modeling phenomenon, if you will. But if that continued strong operational delivery with the noise around tariffs and some of those other costs that I talked about.

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**Jonathan Block** - *Stifel Nicolaus & Company Inc - Analyst*

Helpful, thanks, Brian.

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**Operator**

Jason Bednar, Piper Sandler.

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

Hey, Good afternoon. I'll actually follow up real quick here on the guide. A couple of pieces here. Just really in the context of you beat consensus by $0.11. We're not touching the guide here for the rest of the year. Just is that a little bit of conservatism, a little bit of maybe some of the uncertainty around APAC demand on the CVI side. Just trying to juxtapose that against raising last quarter when you beat as well. So just is there something different here as we think about the philosophy?

And then on the $2.2 billion free cash flow figure, I just want to confirm that's more of an adjusted figure that doesn't account for the litigation outflow that we got over the settlement that we learned about today.

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

Sure. I'll take the second one first, and maybe Al can jump in on the first one. On the $2.2 billion free cash flow, that is inclusive of our expected payouts related to litigation. What I'm trying to convey here is we are delivering strong operating results this year, and I expect that to continue. The work we're doing to optimize inventory through the use of our technology-enabled systems, our supply chain system that I mentioned in my prepared remarks, are helping us to drive better inventory balances. While that puts a little bit of a pressure on gross margins for the remainder of this year and next year, it does have a positive impact on driving free cash flow. So the $2.2 billion is essentially an increase from where we were to start the year with respect to the litigation because we're hurdling that litigation and reiterating the $2.2 billion of free cash flow.

On your first question on why the EPS guidance is remaining the same, Ilike I said earlier to Jon, the FX, as we modeled didn't change for Q2. The year-over-year impact for Q2 was $0.08, –and we expected it to be $0.08 when we exited Q1. Really, the delta is just the impact of the FX unfavorability in the second half. Certainly, we are expecting some higher costs. I think it's a balanced guidance, and we've taken down CooperVision revenues a little bit. But I think the guidance is prudent where we've set it and believe that we're putting ourselves in a position to deliver.

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

All right. Helpful. Just maybe one follow-up here on the share repo strategy. Like the stock is as cheap as it's been in a long time. But obviously, this is a lower buyback activity period relative to what we saw last quarter. Were you blacked out at all from buying back stock in the quarter? Was U.S. free cash an issue? I'm just trying to figure out just how we think about the approach that you took here in the quarter. I hear what you're saying on being more active going forward. But was there something else that limited the activity here in the fiscal second quarter?

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

Yeah, Jason, there was. We started purchasing a few shares back, a very small amount, essentially a few days after we reported earnings but then took a conservative position on share buybacks given other activity. We do not have those restrictions now and would anticipate exiting this call being much more aggressive on share buybacks going forward.

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

Understood. Thanks so much.

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**Operator**

Larry Biegelsen, Wells Fargo.

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**Lawrence Biegelsen** - *Wells Fargo Securities LLC - Analyst*

Hey, Al. I'm actually going to ask two on the strategic review you talked about. I'll just ask the first one. And then after you answer, the second one. So historically, I think you've believed that it made sense to keep CVI and CSI together. What's changed for you? That's the first question.

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

Sure. The reason I like keeping them together was for flexibility. One had a good quarter, one didn't, we were able to move things around. We have a lot of cash flow as a combined business. And I always believed that we would be able to get significant back office synergies out of the business once we stopped doing acquisitions and had a chance to do that, which we did. We stopped doing acquisitions, it’s been, what, 1.5 years or almost two years since we've done an acquisition. And you're seeing the leverage that we are able to drive through back office consolidation, deliver the earnings this quarter that we just hadand the increase in cash flow. So I still like that piece of it. But I also look at the market right now, and I look at where our valuation is today, which I believe is absurd, I look at the strength of the CooperSurgical business, and we're in a position right now, and we're probably not alone within the medical device industry where there's a good argument that private investors are willing to pay a premium price over the public markets. If that is the case, and it certainly appears that may be the case, then we're going to do what's best for our shareholders. And if what's best for our shareholders is to transact then that is what we're going to do.

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**Lawrence Biegelsen** - *Wells Fargo Securities LLC - Analyst*

Okay. And then second, do you expect to have an update before the next earnings call. You said soon? And is there any reason why a deal wouldn't happen for CSI based on the offers coming in?

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

It's a little tough to answer that one. We got the litigation stuff done. So we moved into round two of the process, and we're going to work on that really fast right now and see what kind of progress we can make. If that happens to be before we report earnings in the beginning of September, we'll certainly get a release outBut we'll see. There's nothing now holding us back from being able to move very quickly.

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**Lawrence Biegelsen** - *Wells Fargo Securities LLC - Analyst*

Thank you.

**Operator**

Young Li, Jefferies.

**Young Li** - *Jefferies LLC - Analyst*

All right. Great. I guess, to begin, I was curious if you can make some comments on fiscal 3Q or fiscal 4Q revenue split, if there's any color you can provide to help us model that out.

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

I'm not sure what you're asking, honestly, just like the revenue gating maybe, I'm not sure.

**Young Li** - *Jefferies LLC - Analyst*

Just the revenue cadence for fiscal 3Q versus 4Q was the implied guidance for the second half of the year.

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

I think off the top of my head without numbers or anything, CooperVision will be okay in Q3 and be a little bit better in Q4 is what I would envision. That's what we've been seeing and executing through. CooperSurgical should have a decent Q3 and a decent Q4. We don't give quarterly guidance or specific numbers or ranges or anything. So directionally, that's what I would say.

**Young Li** - *Jefferies LLC - Analyst*

All right. Great. That's really helpful. I guess just on the fertility business. It rebounded to double digits earlier than expected, heard some of the positive comments from your prepared remarks. I guess, can you maybe talk a little bit more about what you're seeing in the market and how that progress can maybe continue through the rest of the year?

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

Yes. We went through a period within the fertility industry where we were seeing a lot of consolidation among fertility clinics. And we were seeing a much greater focus on clinics driving their own profitability. So we went through that period and it depressed our results. It depressed the market's results for a while. And now we're working through that. We had a good quarter here from a capital equipment perspective. And when we're putting capital in, that's a really good sign for us. It pumps up an individual quarter because capital can always be a little bit lumpy but it also gives us future consumable sales. So you're seeing a market that's getting a little bit better. It's not going to shoot up, but it's going to continue to progress and get a little bit better. And you're seeing us take a little bit of share in that space. And again, it might be a little lumpy with capital. But from a market perspective, we believe we're going to continue to see positive trends.

**Operator**

Steve Lichtman, William Blair.

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

Thank you. I guess, first Al, it sounds like you're seeing a firm end market in the U.S. and in Europe. In the U.S., what are you seeing on price? I know you've been conservative on that, but do you see some opportunities given maybe inflation staying stubbornly high here?

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

Yes, price is okay when it comes to the U.S. market. Okay in EMEA, it's still a challenge in Asia Pac. When we look at inflation and where pricing is and opportunities, we took pricing earlier this year, like we normally do. We've seen some competitors take pricing. I would just say we'll continue to evaluate it.

The nice thing is when you look at most of the world outside of Asia Pac, there continues to be a lot of interest in premium products, higher-priced products, and there's not a pushback necessarily on some of the price increases or people just transitioning over to a higher-priced product. I won't commit to anything on that. But yes, inflation is staying stubbornly high. Brian mentioned we see some of the costs roll through our own P&L. So we'll continue to take a look at it.

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

Got it. And then just in Japan, have you launched clariti toric multifocal? I wasn't sure if that hit the market? And could that still help in that lower price environment that you've obviously been dealing with over the last few quarters?

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

Yes, that is launching soon. I am excited about that, by the way, because that does give us the full clariti family there to compete as we try to move hydrogel wearers over to a silicone hydrogel, be it our own wearers or a number of whom we're losing. But as we get that launch in Japan, that's going to help us keep our own wearers transitioning from older products into that silicone hydrogel, and it's going to give us the opportunity to go after the market a little bit more. So that's coming. I don't think that will have much of an impact, honestly, in this fiscal year, but we'll probably get a little bit positive impact in Q4 and then more in 2027.

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**Operator**

Travis Steed, Bank of America.

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**Travis Steed** - *Bank of America - Analyst*

I really wanted to ask about the lower revenue guidance, the 100 basis points lower. Is that all APAC? And what exactly has changed versus three months ago in APAC? Is it more market, more execution? Is the market stuff new? I'm just trying to understand what's changed and why the lower guide?

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

Yes. It's Asia Pac and it's market-based. To be very succinct. That's what it is.

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**Travis Steed** - *Bank of America - Analyst*

Okay. And why has the market changed versus three months ago? Just want to make sure that's clear to everybody.

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

Consumer weakness. We really see that not in every market, but we see it in Japan, and we see it in China. Now China is not very large for us. So it's bigger in Japan where we've seen consumer softness. And those markets, keep in mind, a lot of those markets are more consumer markets, than medical devices, meaning you don't need a script to buy contact lenses.

In a lot of our markets around the world, including in Asia Pac, we definitely have more of a consumer bend, like almost a discretionary consumer bend, than we do a medical device sale. And we're seeing some of that activity in that region right now. Some of the soft consumer activity in that region.

**Travis Steed** - *Bank of America - Analyst*

Yes. Got it. If there is a CSI sale, would assume the proceeds are used for buyback, I just want to make sure that's the right assumption.

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

That's correct. I would assume that the vast majority of them are certainly used for buybacks, yes. We'll have to look at RemainCo, balance sheet, and there will be a number of things we'll need to evaluate there. But a significant portion of it certainly will be used for share buybacks. That's right.

**Operator**

David Saxon, Needham & Company.

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

Great. Good afternoon. Just wanted to follow up on the APAC, or down 6%. I guess how much of that was the market and this consumer softness you've talked to versus rationalizing the legacy hydrogel part of the portfolio? And then just on that repositioning, like what inning are you in at this point?

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

Yeah, it's always hard to parse that stuff out. The guide down was because of the market. It could have been half of that 6% came from the market. When I think about where we are from a hydrogel perspective, we're probably more than halfway but not much farther, fifth inning or something like that. We still have some work to do.

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

Okay. And then just on clariti. It was probably kind of in line with last quarter's growth. I guess what's the outlook for that product as you look out to the back half in '27?

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

Yes. clariti was actually a little bit weaker this quarter than last quarter. MyDay was stronger and more than made up for it . The big thing on clariti right now is that we do have to get it properly positioned in Asia Pac, which we're very actively doing. Get those products launched, get the multifocal out there, so we have the full set of products and start getting that product rolling again.

The market, as odd as it sounds, the market continues to go to premium products, which is not where clariti is positioned. clariti is super easy handling. It's by far the easiest lens for someone to insert and remove. If you're a new wearer you're going to clariti all day long, but it's not positioned and being sold as a premium product, which oddly or interestingly enough, the market continues to gravitate towards. So clariti is not in a bad space. It's still a pretty decent sized product for us. If we can get the other launches out, we can finish some of the repositioning, we can get it going again.

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**Operator**

Mr. Anthony Petrone, Mizuho Group.

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

Thanks. Maybe a couple just on strategic comments, CSI. Is there any major difference in the margin profile of office surgical and fertility just as we consider if it goes piecemeal or as a whole? And if you sort of look ahead to a scenario where CVI stand-alone, maybe just an update on where the bulk of capital allocation would go what could you expect a stand-alone CVI to sort of look like operationally? And what is the stand-alone effective tax rate looks like? Thanks.

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

Yeah. I don't want to speculate too much on that. I would say that given where we are from a CapEx perspective in CooperVision, as a stand-alone entity, we'll generate decent free cash flow. And I would imagine a significant portion of that would go to a very consistent share buyback program. I'll hold off on providing more color until we have a little bit more visibility on a transaction.

On the margin question, I'm going to hold off answering that one, too. But I will say, just to be clear, although we have received significant interest on the individual pieces of Surgical, we are proceeding as of today with the entire business because we have enough interest at high enough levels in the entire business that that's the way we're proceeding. That business is fairly integrated. So if you look at fertility and medical device, we have co-located plants, co-located distribution facilities. I'm not saying that you can't split things like that up, but it becomes very difficult to do something like that.

So right now, that's not where the focus is. The focus on the entire business.

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

Helpful, thanks.

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**Operator**

Navann Ty, BNP Paribas.

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**Navann Ty** - *Exane Bnp Paribas - Analyst*

On CVI, if you could discuss the contribution of the new launches. I know you mentioned the Myopia Control in Japan, the MyDay MiSight in Europe. So I would be interested to hear about the contribution in Q2 and for the rest of the year. And then on CooperSurgical, your closest competitor had called out improving market conditions and IVF cycles. So do you see similar trends as well continuing and also changes in the competitive landscape as the competitor has also called out market share gains?

And then just a quick one on the strategic review, thank you for the helpful color on the interest. Would you say that the litigation has slowed down the review process by your quarter or so? Thank you.

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

Yeah, a couple there. So let me hit those. The last one is litigation slowed down the process. The answer to that is -- yes. However, the litigation is now done and settled and we're moving on from that and able to move quickly. So yes, it did, but it's behind us. We needed to get that done and we did get that done.

If I look at fertility, I would agree with our peers who have talked about a strength in the market. I mentioned that earlier. We are continuing to see strength in the market. I know we've had some peers come out and say that they're taking share. Numbers are numbers. I don't know what to comment on other than look at the numbers. If you look at new launches within CooperVision, you're touching on MiSight, there's a push and pull going on in MiSight right now. As glasses continue to enter the market, that is a negative to contact lenses short term. I continue to say that short term we want more kids in myopia control products, and we're seeing more and more kids go on myopia control products. Glasses are doing incredibly well around the world. But that is a short-term negative for us. It's pulling our growth down.

The flip side is the positive reaction to MyDay MiSight in Europe, which is great. MiSight in Japan, which is going really well. We have quite a bit in R&D and new products that we're developing and some new products that we're going to launch that I'm really excited about. So there's definitely a push and pull going on right now within that space. But that's why we did, 23% growth last quarter, 24%, did a little over $100 million last year in revenue.

So it's a real product line that's continuing to grow. And I think as long as we can stay focused on it, which we will, and we can drive performance and come out with new and innovative products, which we're going to, we're going to continue to see nice growth from our myopia control franchise.

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**Navann Ty** - *Exane Bnp Paribas - Analyst*

Thank you for that color.

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**Operator**

Joanne, Citigroup.

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**Joanne Wuensch** - *Citi - Analyst*

Hey. How are you doing today? I want to touch basically on just two things and give an update on the manufacturing of your MyDay lenses. And also PARAGARD looks like it was flat sequentially or year over year might be the right answer, which is better than I think most expected. And if you could just give us a feel for what's going on there? That too would be great. Thank you so much.

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

Joanne, yeah, with PARAGARD, it was flat against last year, remember from last year was a pretty hard comp as we were launching the single hand inserter. So yeah, we were expecting PARAGARD to be down. It was flat this quarter. So it's doing well.

That product grew nicely last year. And right now, it's well positioned, that single hand inserter is helping us. We're well positioned. Team is doing a really nice job selling it. I continue to think that we've got a chance to put up good numbers in PARAGARD.

On the manufacturing of lenses, not too much to add there. We're continuing to crank along. I think the one thing that Brian highlighted, which is important is our inventory levels internally got a little high as we were supporting MDR and supporting customers around the world through our logistics, which can get complex with all the private labels we do. We implemented a new AI-based inventory control system and the team has done a really, really nice job with that. And that targeting and that work they're doing is allowing us to reduce our inventory levels and we're going to continue to do that. That's going to be an effort that's going to happen the rest of this year and all of next year. So that does have a negative impact that Brian mentioned in terms of less production, higher cost per unit, but it has a clear positive impact on cash flow. We'll give more color on that as we proceed through that as those details come out. But yes, we're continuing to work through that process. Ultimately, that is about a more efficient business. So to me, it's positive.

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**Joanne Wuensch** - *Citi - Analyst*

Thank you.

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**Operator**

Robbie Marcus, JPMorgan.

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**Robert Marcus** - *JPMorgan Chase & Co - Analyst*

Oh, great. Good afternoon. Thank you for taking the question. Two for me. First, Al, sorry to come back to this. Just wanted to ask again on the Asia Pac market weakness. You said it's a bit Cooper-related, a bit market related. Is it that volumes are going down in the market? Is it that consumers are shifting to private label? Are they extending wear more than usual? Are they trading back to glasses? Maybe just give us a little more flavor for what exactly is happening to cause the slowdown so we can get a better sense of how transient it might be.

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

You're definitely getting some of what you were just talking about, Robbie, which is some changing in wearer behavior. We see that every once in a while in different markets. We're seeing that there. It's always tough to fine-tune that as to whether it's somebody wearing glasses,or how often they're doing it, or what they're doing with their contact lenses. But we are seeing that type of activity. When we've seen that in the past, that will happen for a year and eventually, you annualize that. And eventually, it swings back the other way as people start wearing contact lenses more. So I think that's what we're seeing.

The other thing we're seeing there is a little bit more online purchase activity, meaning, a little bit more e-commerce activity. That is not where we're strong. We're strong with the fitters. We're a little bit weaker when you talk about online activity.

So there's been a little bit of shift over there, which is a little bit of a negative for us. But I think if you're talking about the market, it's largely tied to the dynamics you were talking about. And you don't have pricing over there. That's the other thing is we're able to get positive pricing around the world and the shift of more premium products and in that market, you don't really have any pricing.

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**Robert Marcus** - *JPMorgan Chase & Co - Analyst*

Got it. Okay. Separate question. As we think about a potential separation of the women's health business, how should we think about the fully burdened operating margin for each of the companies and the free cash flow that each generates? Because you talked before about one of the strong rationales as you've integrated it well in the back office. So I'd imagine there's probably a good amount of dissynergies to stand that up if whatever acquirer doesn't have those back-office capabilities to stand it up with. And then I know there's some tax dissynergies as well, anything you could comment on that just as we think about maybe splitting them up and what a RemainCo might look like? Thanks a lot.

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

A few different comments on that. There's definitely some back-office consolidation work that we've done. We did that in Q4 of last year. I think about that in the context of like HR, finance, IT. But CooperSurgical still has a full team of people working on that. So yes, there are some dissynergies, but it's probably not as significant as you think. We don't have co-located facilities. That's probably the biggest thing, meaning that the manufacturing and distribution of CooperVision products is separate from CooperSurgical products. So from that perspective, that's a big one in terms of your ability to do something with the transition services agreement and everything else that comes along with it.

If I look at a couple of other things like free cash flow, on a per dollar revenue basis is higher at CooperSurgical than it is CooperVision. But I would say the upside of future free cash flow is actually greater at CooperVision because our CapEx is going to come down a lot, still a little elevated this quarter but as you get to Q4, it's going to start coming down. It will be down a decent amount next year.

So there is some upside coming from future free cash flow in CooperVision. You'll see some of the details. When you look at the Q tomorrow you'll see some of the improvements at CooperSurgical on a GAAP basis.

We don't have nearly as many non-GAAP adjustments as we used to, and we're going to try to keep those to a minimum. You'll see those improvements. But I won't go too much into the operating margins because if there is a transaction, Robbie, we're rolling up our sleeves, looking at things, and we need to drill through those numbers and get you guys some real information, which we will.

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**Robert Marcus** - *JPMorgan Chase & Co - Analyst*

And tax?

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

Tax would be, I guess, a RemainCo CooperVision tax would probably be fairly similar to what it is today.

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**Robert Marcus** - *JPMorgan Chase & Co - Analyst*

Thank you very much. Appreciate it.

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**Operator**

Brett Fishbin, KeyBanc Capital Markets.

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

Hey, guys. Good evening. Thanks for taking questions. Just going to shift gears a little bit back to operating margin in the quarter, which was definitely a bright spot. And I was interested if you could just provide some color or directional split on how much of the improvement was really driven by some of the durable changes in cost structure that you're taking versus other factors like FX or favorable mix with lower sales in APAC CVI this quarter? Thank you.

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

I'll comment quickly. Certainly, Brian knows the numbers like the back of his hand. CooperSurgical drove a decent amount of that operating margin upside just because of all the leverage that we're getting out of that from the consolidation, the back office stuff, I was just talking to Robbie about. I would say the bigger side was there. You've got some certainly in corporate where we were able to leverage expenses here also.

That does not diminish Vision, who's done a really nice job leveraging their P&L also. And then, yes, FX is certainly a positive that Brian highlighted compared to the beginning of the year where FX is a nice positive to us, in the back where it's a decent negative to us, it kind of flattens out for the year. But that's part of the win, does that help?

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

Yeah, that's helpful. So it sounds like a combination of some of the underlying improvement and then maybe like split with some of the more temporary benefits like FX and product mix.

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

Correct. Yes.

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

All right. And then maybe just on a completely different topic. On the MiSight Japan launch, it did sound like momentum has picked up a little bit. I was wondering if you just had any new thoughts on the broader opportunity here around either the TAM or just overall contribution to the MiSight revenue story over the next, call it, six quarters?

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

Yeah. The myopia control market, I've always been an optimist about that, and it was progressing a little slowly for a little while when we were basically the only company driving it. But now that you have spectacles out there, it is definitely accelerating. It's a really good market. I mean spectacles are doing well. You're seeing markets like China that have just exploded, throughout Europe, you're seeing similar momentum. We have a joint venture on one of those. The numbers are just really strong, and they continue to be strong, and we continue to see really nice growth on the spectacle side of things.

I think that the myopia control market is going to be a big market. At the end of the day, almost every kid gets braces right now, every kid who's got myopia should be wearing some form of myopia control product. So, I feel good about where we're at. Japan is one of those markets where you have a lot of children that are myopic, this product is going to be fantastic for them.

We're actually looking at that right now from an investment perspective because as that market picks up and it's doing better, we're challenging ourselves how to invest and where to invest and where to be more aggressive to ensure that we're capitalizing on our position.

We're the only contact lens company with an FDA-approved product out there. So we're doing well. I think we're going to continue to do well. And I feel good about the market in the near term and the long term.

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**Operator**

Chris Pasquale, Nephron.

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**Chris Pasquale** - *Nephron Research LLC - Analyst*

Thanks. Al, I wanted to circle back to fertility. 10% growth this quarter, you talked about mid-singles in the back half of the year. Is the delta there really a bolus of capital sales that you got this quarter that we should view as kind of onetime in nature? Or are there other factors?

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

Yes. I touched on that a little bit in the script. It's a great question. Because I think in the back half of the year, when we look at Q3 and Q4 fertility, it will probably be somewhere in the mid-single digits. So that delta that you were looking at was a combination of two things. One, it was capital. The other one was when the airspace opened in the Middle East, we talked about that some last quarter. We had distributors buy product from us and buy in advance in case the airspace shut down again. So we actually had a couple of positives there that pushed us up to the 10%.

It was a great quarter. We did really well. We're not back yet to throwing down double digits. I think we did 14 out of 15 quarters stretch double digits. We're not back there yet, but we're at least back to mid-single-digit growth in fertility.

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**Chris Pasquale** - *Nephron Research LLC - Analyst*

Okay. And then one quick one for Brian. Do you plan to seek refunds for prior tariff payments? And when do you expect to have clarity on whether you actually get those?

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

We're in process of filing all those refunds. I mentioned in my prepared remarks, we're expecting up to $15 million at this moment. A lot of those have been submitted, though we're submitting some more. We actually just got one refund recently, a small one. So that's not included in guidance. To the extent that we get some of those refunds in the third and fourth quarter, then that's going to be upside to guidance.

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**Chris Pasquale** - *Nephron Research LLC - Analyst*

Thanks.

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**Operator**

David Roman, Goldman Sachs.

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**Unidentified Participant**

Yeah. Hi. Good afternoon, everyone and thanks for taking the question.This is [Marco] on for David Roman. You touched a little bit on this, but I was hoping that you could clarify. As you think about retaining the earnings guidance with the top line reduction, can you talk a little bit about the interplay between protecting the P&L and sustaining growth investments? Thanks.

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

It's a good question. And we look at that very consistently. We are investing in growth opportunities. We're leveraging the P&L through all that work that we've done in back office but we are continuing to invest in growth. We're launching products in different spots around the world, and we're supporting those launches. That's one of the most important things to us.

If you look at how strong we were in the Americas, how strong we were in Europe. We have to get going in Asia Pac. We made a lot of moves. We're doing a lot of things there. So we are investing in growth. At the same time, we want to put up good numbers. I'd just say we've got a lot going on right now. That's the other thing. There's a lot of activity in the company right now, no surprise.

So you've got some risk around disruption in other areas as we jump through hoops and do all the things that we're trying to do. I think we're trying to balance all of that and I think, as Brian said, that guidance range is a good way to look at it. And to me, that was a prudent guidance range right now given everything that's going on.

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**Operator**

Thank you. There are no further questions at this time. I will now hand the call back over to Al for closing remarks.

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

Great. Thank you, operator, and thank you, everyone, for being on the call today. I'll just end by restating that there's a lot going on right now. We're working super hard. We're making a lot of progress in a lot of areas.

We look forward to continuing to make a lot of progress and communicating that progress in the future. So with that, I thank everyone for the call and look forward to talking to you in the coming months.

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**Operator**

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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