

## The Cooper Companies

## Solid FQ1: beats all around as lens business moves past supply issues

Reiterate Rating: BUY | PO: 114.00 USD | Price: 93.60 USD

## Rev 2% beat, EPS 8% beat; Raised F24 rev and EPS guide

FQ1 revenue of \$932m (+7% org) beat the Street by 2% as daily SiHy (+14%) and toric and multifocal (+12%) lenses grew well above market and fertility delivered its 13<sup>th</sup> consecutive DD revenue growth quarter. Supply constraint concerns seem overblown and vision growth should accelerate in FQ2. The 8% EPS beat was notable as both GM and OM were better than expected. COO raised its top and bottom line fiscal 2024 guidance by more than the FQ1 beat and we expect beat and raises throughout the year. We reiterate our Buy and raise our PO to \$114 (from \$105) which is based on 28x (26x prior) our calendar 2025e EPS. The higher multiple reflects increase in peer multiples and COO's strong start to the year. COO remains our top pick for 2024 as we believe strong fundamentals and favorable macro trends should drive upside to 2024 numbers.

## Contact lens market likely grew 9% again in 2023

We estimate that the contact lens market grew 9% again in 2023 on top of 9% growth in 2022. Market growth has accelerated from MSD to HSD driven by favorable market trends – increased wearer demand, favorable mix from daily and premium lenses and positive price – suggest this higher growth is durable. COO and ALC each took 60-70bps of share in 2023, primarily at the expense of JNJ (-90bps). See market model inside.

## We have seen this beat and raise track before

COO raised its fiscal 2024 revenue growth guidance for the overall company (7-8% vs 6-8% prior), vision (8-9% vs 7-9% prior) and surgical (4-6% vs 5-7% prior). The higher growth guide is nearly the same as the raise from FQ1 last year off identical initial guides. Fertility continues to drive surgical strength but acquired Cook products off to good start.

## Underlying DD earnings power with possible help from Fx

COO raised its EPS guidance by 9c to \$3.50-3.58 (+9-12%) with 6c coming from more operating leverage. Underlying operating income growth is now expected to be 14-17% (13-16% prior). Currency rates today are similar to those at the initial guide, so COO left its 5% Fx headwind to EPS unchanged. Further USD weakening (as our rates team still expects) would be upside that management will let fall to EPS.

Estimates (Oct) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.10	3.20	3.54	3.99	4.56
EPS Change (YoY)	-6.3%	3.2%	10.6%	12.7%	14.3%
Consensus EPS (Bloomberg)			3.46	3.89	4.51
DPS	0	0	0	0	0
Valuation (Oct)					
P/E	30.2x	29.3x	26.4x	23.5x	20.5x
EV / EBITDA*	22.3x	20.5x	18.5x	16.6x	14.8x
Free Cash Flow Yield*	2.4%	1.2%	2.5%	3.2%	4.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

01 March 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	105.00	114.00
2024E Rev (m)	3,874.1	3,889.7
2025E Rev (m)	4,169.6	4,186.7
2026E Rev (m)	4,494.8	4,513.5
2024E EPS	3.45	3.54
2025E EPS	3.91	3.99
2026E EPS	4.48	4.56

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## Stock Data

Price	93.60 USD
Price Objective	114.00 USD
Date Established	1-Mar-2024
Investment Opinion	B-1-7
52-Week Range	75.94 USD - 99.91 USD
Mrkt Val (mn) / Shares Out (mn)	18,602 USD / 198.7
Free Float	99.5%
Average Daily Value (mn)	104.25 USD
BofA Ticker / Exchange	COO / NYS
Bloomberg / Reuters	COO US / COO.N
ROE (2024E)	9.1%
Net Dbt to Eqty (Oct-2023A)	32.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Timestamp: 01 March 2024 05:01AM EST

Acronyms on page 3

# iQprofile<sup>SM</sup> The Cooper Companies

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.0%	6.9%	7.3%	7.7%	8.2%
Return on Equity	8.7%	8.7%	9.1%	9.5%	10.1%
Operating Margin	23.6%	23.7%	24.2%	24.8%	25.8%
Free Cash Flow	450	215	461	601	758

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.0x	1.1x	1.2x	1.2x
Asset Replacement Ratio	0.7x	1.1x	0.9x	0.8x	0.8x
Tax Rate	12.9%	13.4%	14.5%	14.5%	14.5%
Net Debt-to-Equity Ratio	36.6%	32.4%	24.7%	16.0%	6.7%
Interest Cover	13.7x	8.1x	8.7x	10.4x	12.7x

## Income Statement Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,309	3,593	3,890	4,187	4,513
% Change	13.2%	8.6%	8.3%	7.6%	7.8%
Gross Profit	2,188	2,387	2,592	2,793	3,024
% Change	10.2%	9.1%	8.6%	7.7%	8.3%
EBITDA	949	1,032	1,149	1,277	1,437
% Change	2.0%	8.8%	11.3%	11.2%	12.6%
Net Interest & Other Income	(74)	(114)	(115)	(106)	(98)
<b>Net Income (Adjusted)</b>	<b>617</b>	<b>638</b>	<b>707</b>	<b>797</b>	<b>912</b>
<b>% Change</b>	<b>-6.4%</b>	<b>3.4%</b>	<b>10.8%</b>	<b>12.7%</b>	<b>14.4%</b>

## Free Cash Flow Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	617	638	707	797	912
Depreciation & Amortization	346	368	408	440	474
Change in Working Capital	(174)	(219)	(89)	(107)	(95)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(97)	(180)	(216)	(172)	(172)
Capital Expenditure	(242)	(393)	(350)	(356)	(361)
<b>Free Cash Flow</b>	<b>450</b>	<b>215</b>	<b>461</b>	<b>601</b>	<b>758</b>
<b>% Change</b>	<b>-14.1%</b>	<b>-52.3%</b>	<b>114.3%</b>	<b>30.6%</b>	<b>26.0%</b>
Share / Issue Repurchase	(79)	0	0	0	0
Cost of Dividends Paid	(3)	(3)	0	0	0
Change in Debt	1,279	(181)	0	0	0

## Balance Sheet Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	138	121	581	1,183	1,941
Trade Receivables	558	610	660	711	767
Other Current Assets	838	974	1,033	1,067	1,124
Property, Plant & Equipment	1,433	1,633	1,775	1,893	1,981
Other Non-Current Assets	8,526	8,321	8,120	7,919	7,718
<b>Total Assets</b>	<b>11,492</b>	<b>11,659</b>	<b>12,171</b>	<b>12,773</b>	<b>13,531</b>
Short-Term Debt	413	45	45	45	45
Other Current Liabilities	868	924	945	922	940
Long-Term Debt	2,351	2,524	2,524	2,524	2,524
Other Non-Current Liabilities	687	615	615	615	615
<b>Total Liabilities</b>	<b>4,318</b>	<b>4,108</b>	<b>4,129</b>	<b>4,106</b>	<b>4,124</b>
<b>Total Equity</b>	<b>7,175</b>	<b>7,551</b>	<b>8,042</b>	<b>8,667</b>	<b>9,407</b>
<b>Total Equity &amp; Liabilities</b>	<b>11,492</b>	<b>11,659</b>	<b>12,171</b>	<b>12,773</b>	<b>13,531</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Medical Technology

## Company Description

The Cooper Companies is a global medical device manufacturer with two distinct business - Cooper Vision (CVI) and Cooper Surgical (CSI). Cooper Vision is one of the global leaders in the contact lens market. Cooper Surgical manufactures medical devices used for women's and family health, including fertility products and surgical tools and instruments used in obstetrics and gynecology.

## Investment Rationale

We believe The Cooper Companies contact lens business is best positioned to capitalize on durable, favorable end markets trends and continue to gain share. We expect HSD revenue growth from COO but we see potential for double-digit top-line growth with margin expansion.

## Stock Data

Average Daily Volume 1,113,805

## Quarterly Earnings Estimates

	2023	2024
Q1	0.73A	0.85A
Q2	0.77A	0.83E
Q3	0.84A	0.90E
Q4	0.87A	0.95E

**Exhibit 1: Global Contact Lens Market Model**

The contact lens market has delivered back to back years of 9% growth on favorable underlying trends including increased wearer demand, favorable mix to daily SiHy lenses and premium lenses and overall positive price

WW Contact Lens Revenue (\$m)	2017A	2018A	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A
<b>WW Reported Sales</b>															
CooperVision	1,730	1,907	1,988	1,865	2,207	554	566	562	581	2,263	589	630	623	622	2,464
J&J	3,036	3,302	3,392	2,994	3,440	910	894	908	831	3,543	953	939	928	882	3,702
Alcon	1,833	1,928	1,969	1,838	2,139	557	547	558	530	2,192	615	594	612	579	2,400
Bausch + Lomb	752	815	848	755	893	215	213	222	219	869	226	215	228	222	891
<b>Total Reported Sales</b>	<b>7,351</b>	<b>7,952</b>	<b>8,197</b>	<b>7,452</b>	<b>8,679</b>	<b>2,236</b>	<b>2,220</b>	<b>2,250</b>	<b>2,161</b>	<b>8,867</b>	<b>2,383</b>	<b>2,378</b>	<b>2,391</b>	<b>2,305</b>	<b>9,457</b>
<b>WW Market Share</b>															
CooperVision	23.5%	24.0%	24.3%	25.0%	25.4%	24.8%	25.5%	25.0%	26.9%	25.5%	24.7%	26.5%	26.1%	27.0%	26.1%
J&J	41.3%	41.5%	41.4%	40.2%	39.6%	40.7%	40.3%	40.4%	38.4%	40.0%	40.0%	39.5%	38.8%	38.3%	39.1%
Alcon	24.9%	24.2%	24.0%	24.7%	24.6%	24.9%	24.6%	24.8%	24.5%	24.7%	25.8%	25.0%	25.6%	25.1%	25.4%
Bausch + Lomb	10.2%	10.2%	10.3%	10.1%	10.3%	9.6%	9.6%	9.9%	10.1%	9.8%	9.5%	9.0%	9.5%	9.6%	9.4%
<b>Total Market Share</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>WW Rolling Market Share</b>															
CooperVision	23.5%	24.0%	24.3%	25.0%	25.4%	25.4%	25.4%	25.3%	25.5%	25.5%	25.5%	25.8%	26.0%	26.1%	26.1%
J&J	41.3%	41.5%	41.4%	40.2%	39.6%	39.7%	39.8%	40.0%	40.0%	40.0%	39.8%	39.6%	39.2%	39.1%	39.1%
Alcon	24.9%	24.2%	24.0%	24.7%	24.6%	24.8%	24.9%	24.8%	24.7%	24.7%	25.0%	25.0%	25.2%	25.4%	25.4%
Bausch + Lomb	10.2%	10.2%	10.3%	10.1%	10.3%	10.0%	10.0%	9.9%	9.8%	9.8%	9.8%	9.6%	9.5%	9.4%	9.4%
<b>Total Market Share</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>WW Reported Growth</b>															
CooperVision	8.0%	10.3%	4.2%	(6.2%)	18.3%	6.0%	1.6%	(0.5%)	3.5%	2.6%	6.4%	11.3%	10.9%	6.9%	8.9%
J&J	9.0%	8.8%	2.7%	(11.7%)	14.9%	6.2%	2.9%	3.0%	(0.2%)	3.0%	4.7%	5.1%	2.2%	6.1%	4.5%
Alcon	4.0%	5.2%	2.1%	(6.7%)	16.4%	9.0%	2.0%	(1.0%)	(1.0%)	2.5%	10.4%	8.6%	9.7%	9.2%	9.5%
Bausch + Lomb	2.0%	8.4%	4.0%	(11.0%)	18.3%	(4.0%)	(1.4%)	(1.8%)	(3.5%)	(2.7%)	5.1%	0.9%	2.7%	1.4%	2.5%
<b>Total Reported Growth</b>	<b>6.7%</b>	<b>8.2%</b>	<b>3.1%</b>	<b>(9.1%)</b>	<b>16.5%</b>	<b>5.8%</b>	<b>2.0%</b>	<b>0.7%</b>	<b>0.3%</b>	<b>2.2%</b>	<b>6.6%</b>	<b>7.1%</b>	<b>6.3%</b>	<b>6.6%</b>	<b>6.7%</b>
<b>WW CC Growth</b>															
CooperVision	7.0%	8.3%	6.2%	(7.0%)	17.0%	12.0%	11.0%	11.0%	10.0%	11.0%	10.0%	13.0%	11.0%	7.0%	10.2%
J&J	9.1%	8.5%	3.8%	(11.4%)	14.2%	10.6%	9.2%	10.8%	7.1%	9.5%	9.5%	6.7%	5.3%	7.9%	7.3%
Alcon	4.0%	4.0%	4.2%	(7.3%)	15.1%	14.0%	9.0%	7.0%	6.0%	8.9%	14.0%	10.0%	9.0%	10.0%	10.8%
Bausch + Lomb	2.6%	8.1%	6.8%	(10.9%)	17.2%	0.0%	5.0%	6.0%	4.0%	3.7%	10.0%	4.0%	5.0%	3.0%	5.5%
<b>Total CC Growth</b>	<b>6.6%</b>	<b>7.3%</b>	<b>4.8%</b>	<b>(9.3%)</b>	<b>15.4%</b>	<b>10.6%</b>	<b>9.2%</b>	<b>9.4%</b>	<b>7.3%</b>	<b>9.1%</b>	<b>10.8%</b>	<b>8.9%</b>	<b>7.6%</b>	<b>7.7%</b>	<b>8.7%</b>

Source: Company reports, BofA Global Research

BofA GLOBAL RESEARCH

**Acronyms**

MSD: mid single digit

HSD: high single digit

DD: double digit

Rev: revenue

ALC: Alcon

JNJ: Johnson & Johnson



## Price objective basis & risk

### The Cooper Companies (COO)

Our price objective of \$114 is based on 28x our fiscal 2025 EPS which is at the higher end of large cap medtech. We believe a multiple near the high end of the group is warranted given COO's potential for double-digit sales growth, margin expansion and upside to EPS growth expectations. Upside risks to our PO are 1) faster than expected topline growth, 2) accelerated margin expansion and 3) growth and margin accretive M&A. Downside risks to our PO are 1) increased competitive pressure, 2) continued Fx headwinds, 3) slower than expected margin expansion, 4) macroeconomic concerns.

## Analyst Certification

I, Craig Bijou, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
<b>NEUTRAL</b>				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Merit Medical	MMSI	MMSI US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
<b>UNDERPERFORM</b>				
	Embecta	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

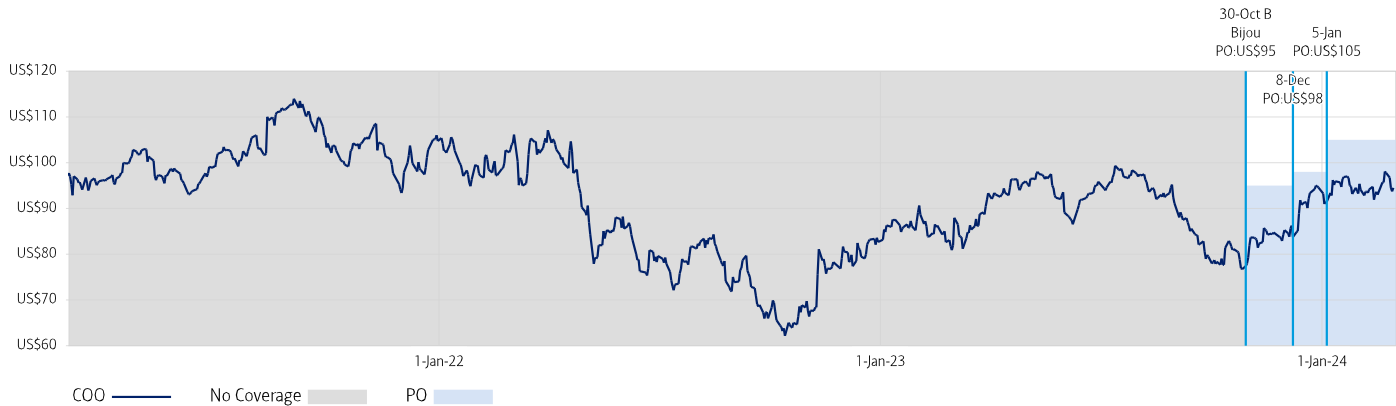
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# Disclosures

## Important Disclosures

### The Cooper Companies (COO) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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