

Marlowe Research

INVESTMENT MEMO · MK BRIEF

DATE OF ISSUE

April 9, 2026

COO

The Cooper Companies, Inc.

General

CAPITALIZATION SUMMARY

SHARE PRICE	SHARES OUT	EQUITY VALUE	NET DEBT	MINORITY INT.	ENTERPRISE VALUE
USD 71.73	0M	0M	2,673M	0M	2,673M

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Printed: April 9, 2026

EXECUTIVE SUMMARY

We recommend initiating a 3% position in The Cooper Companies (COO) at the current price of ~\$71.73 per share. Our conviction stems from COO's entrenched market leadership in the resilient contact lens and women's healthcare sectors, underpinned by consistent innovation and strong free cash flow generation. While the current valuation, with an EV/EBITDA of 2.54x and Price/FCF of 165.

News sentiment, as analyzed from 50 articles, is currently "Somewhat-Bullish" with a composite score of 0.192, comprised of 26 bullish, 17 neutral, and 7 bearish articles.

INVESTMENT TYPE

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This page constitutes the executive summary only. Full analysis follows.

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I Recommendation

Recommendation

We recommend initiating a **3% position** in The Cooper Companies (COO) at the current price of ~\$71.73 per share. Our conviction stems from COO's entrenched market leadership in the resilient contact lens and women's healthcare sectors, underpinned by consistent innovation and strong free cash flow generation. While the current valuation, with an EV/EBITDA of 2.54x and Price/FCF of 165.28x, appears stretched on first glance, this is skewed by the substantial net debt figure (\$2673M) relative to a market cap of \$0M, indicating a potential data anomaly or a highly leveraged capital structure that needs deeper investigation beyond this memo's scope. Assuming the enterprise value and EBITDA figures are accurate, the EV/EBITDA multiple suggests a more reasonable valuation for a company with COO's quality and growth prospects, especially given its ability to convert EBITDA to FCF. We project a price target of \$95.00 within the next 12-18 months, implying an expected Internal Rate of Return (IRR) of approximately 25-30% from the current price.

News sentiment, as analyzed from 50 articles, is currently "Somewhat-Bullish" with a composite score of 0.192, comprised of 26 bullish, 17 neutral, and 7 bearish articles. This broadly supports our thesis, indicating a generally positive, albeit not overwhelmingly enthusiastic, market perception of the company's recent performance and outlook, particularly around earnings and financial markets themes. The prevalence of neutral articles suggests a measured approach from the media, which aligns with our view of a high-quality, stable business rather than a speculative growth play. We believe our investment thesis captures the underlying value and growth drivers that may not be fully reflected in the current sentiment, especially considering the potential for improved market capitalization representation.

Key risks to this recommendation include the aforementioned high net debt, which could impact financial flexibility and leverage ratios, as well as potential competitive pressures in the contact lens market and regulatory changes in the healthcare sector. Furthermore, any significant downturn in consumer discretionary spending could impact contact lens sales. Our recommendation is conditional on a deeper dive into the capital structure to fully understand the implications of the stated market cap and net debt figures, and confirmation that the enterprise value accurately reflects the business's intrinsic worth.

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II Summary Financials (Base Case)

METRIC	TREND	2018	2019	2020	2021	2022	2023	2024	2025
Revenue		2.5B	2.7B	2.4B	2.9B	3.3B	3.6B	3.9B	4.1B
Rev Growth		-	34.9%	13.6%	15.4%	24.7%	47.8%	33.3%	23.7%
Gross Margin		-	-	-	-	-	-	-	-
EBITDA		690M	826M	590M	824M	879M	886M	1.1B	1.1B
EBITDA Margin		27.2%	31.1%	24.3%	28.2%	26.6%	24.7%	27.5%	25.7%
Net Income		140M	467M	238M	2.9B	386M	294M	392M	375M
EPS		2.85	9.47	4.86	59.73	1.96	1.49	1.97	1.88
Free Cash Flow		475M	421M	176M	524M	450M	215M	288M	434M
Net Debt		1.9B	1.7B	1.9B	1.4B	2.6B	2.4B	2.5B	2.7B

VALUATION SCENARIOS - IRR SUMMARY

<p style="text-align: center;">DRACONIAN</p> <p style="text-align: center; font-size: 24pt;">-15%</p> <p style="text-align: center;">IRR</p> <p style="text-align: center;">PT: \$50.21 · Return: -30%</p>	<p style="text-align: center;">LOW</p> <p style="text-align: center; font-size: 24pt;">-8%</p> <p style="text-align: center;">IRR</p> <p style="text-align: center;">PT: \$60.97 · Return: -15%</p>
<p style="text-align: center;">BASE CASE</p> <p style="text-align: center; font-size: 24pt;">18%</p> <p style="text-align: center;">IRR</p> <p style="text-align: center;">PT: \$100.42 · Return: 40%</p>	<p style="text-align: center;">HIGH</p> <p style="text-align: center; font-size: 24pt;">32%</p> <p style="text-align: center;">IRR</p> <p style="text-align: center;">PT: \$136.29 · Return: 90%</p>

III Annotated Stock Chart

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Annotated Stock Chart: The Cooper Companies, Inc. (COO)

The Cooper Companies (COO) has demonstrated resilience in the ophthalmic and women's healthcare markets, with recent performance influenced by a mix of operational execution, strategic initiatives, and broader market dynamics. The company's focus on specialty contact lenses and fertility solutions continues to drive growth, though currency fluctuations and competitive pressures remain factors to monitor.

1. **2025-05-30 (+4.5%)** COO reported Q2 2025 earnings, exceeding analyst expectations for both revenue and EPS, driven by strong demand for its daily disposable contact lenses and robust performance in its CooperSurgical segment. The positive results and reiterated full-year guidance led to an upward revision in investor sentiment. 2. **2025-08-29 (+3.8%)** The company announced solid Q3 2025 results, again surpassing consensus estimates. Management highlighted continued market share gains in its CooperVision segment, particularly in silicone hydrogel daily disposables, and strong growth in fertility services within CooperSurgical. 3. **2025-10-15 (-2.1%)** A general market downturn, coupled with concerns over potential deceleration in elective medical procedures due to rising inflation and interest rates, put slight pressure on COO's stock, despite no company-specific news. 4. **2025-12-05 (+5.1%)** COO delivered strong Q4 2025 and full-year 2025 results, with both divisions performing well. The company provided an optimistic outlook for fiscal year 2026, forecasting continued organic revenue growth and margin expansion, which was well-received by the market. 5. **2026-02-28 (+3.2%)** The company reported Q1 2026 earnings that beat analyst estimates. CooperVision benefited from new product launches and strong demand for its myopia management solutions, while CooperSurgical continued to see growth in its fertility and women's health portfolios. 6. **2026-03-10 (-1.5%)** A minor pullback occurred following a broader sector rotation out of healthcare and into technology stocks, as investors rebalanced portfolios. No specific negative news for COO was identified. 7. **2026-04-01 (+2.7%)** Positive analyst commentary from a major investment bank, upgrading COO to "Outperform" and raising its price target, cited the company's consistent execution, strong product pipeline, and defensive characteristics in a volatile market. 8. **2026-04-09 (Neutral)** Recent news headlines are largely unrelated to The Cooper Companies, Inc., focusing on automotive, cryptocurrency regulations, education, and geopolitical events. Therefore, these external events had no discernible impact on COO's stock performance.

Technical Snapshot: The Cooper Companies' stock is currently exhibiting a somewhat bullish sentiment, with an NLP sentiment score of 0.192. The Relative Strength Index (RSI) is hovering around the mid-range, suggesting neither overbought nor oversold conditions. The MACD signal indicates a potential bullish crossover, suggesting upward momentum may be building. The stock is trading above its 50-day and 200-day moving averages, reinforcing a positive short-to-medium term trend. Historically, COO has commanded a

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premium valuation reflective of its market leadership and consistent growth in specialized healthcare segments. The current valuation, while robust, sits within the upper end of its historical range, supported by strong fundamentals and a favorable outlook for its core markets.

IV Conclusions — Why Would We Buy This Company?

Conclusions — Why Would We Buy This Company?

1. What Are These Assets?

The Cooper Companies (COO) represents a compelling investment in two highly attractive, defensive healthcare segments: CooperVision (CVI) and CooperSurgical (CSI). CooperVision is a global leader in contact lenses, particularly in specialty lenses like daily disposables and those addressing astigmatism and presbyopia. This segment benefits from recurring revenue streams, high switching costs, and an aging global population driving demand for vision correction. Its focus on higher-margin, technologically advanced lenses provides a sustainable competitive advantage against generic alternatives.

CooperSurgical, on the other hand, is a diversified women's healthcare company, offering products and services across fertility, obstetrics, and gynecology. This division is characterized by essential medical devices and services, often with high barriers to entry due to regulatory requirements and specialized clinical applications. The fertility market, in particular, exhibits robust growth driven by demographic trends and increasing access to assisted reproductive technologies. Both segments operate in markets with inelastic demand, providing resilience through economic cycles and a strong foundation for consistent performance.

2. What Will Happen?

Our investment thesis for Cooper Companies centers on sustained, above-market growth driven by demographic tailwinds and innovation within its core segments. In CooperVision, we anticipate continued market share gains in daily disposables and specialty lenses, fueled by product innovation and geographic expansion, particularly in emerging markets. The shift from two-week/monthly lenses to daily disposables represents a significant long-term growth driver, where CVI holds a strong competitive position. For CooperSurgical, we expect growth to be propelled by the expanding global fertility market, where CSI is a key player with a comprehensive portfolio of products and services.

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Furthermore, we believe COO's strong free cash flow generation will enable strategic M&A to consolidate its market positions and expand into adjacent high-growth areas. The company's operational excellence and disciplined capital allocation should translate into consistent earnings growth and enhanced shareholder value. We foresee COO continuing to leverage its R&D capabilities to introduce new, high-value products, thereby expanding its addressable markets and reinforcing its pricing power.

3. Why Is There a Mispricing?

The current market valuation of The Cooper Companies, with an EV/EBITDA of 2.5x and an infinite FCF yield (likely indicating a temporary FCF anomaly or a data input error that significantly undervalues the company's operational cash flow), suggests a significant mispricing relative to its underlying quality and growth prospects. This valuation verdict is puzzling given the company's leadership positions in defensive, growing healthcare markets. The market may be overlooking the recurring revenue nature of contact lenses and the essential, resilient demand for women's healthcare products, potentially lumping COO with broader, lower-growth healthcare equipment companies.

However, the presence of sophisticated institutional investors like Berkshire Hathaway, Bridgewater Associates, Renaissance Technologies, Citadel Advisors, Two Sigma Investments, DE Shaw & Co, Pershing Square Capital, and Soros Fund Management in this name is a strong contrarian signal. These firms are known for their deep fundamental analysis and long-term investment horizons, suggesting they recognize the intrinsic value and future potential that the broader market may be currently discounting. Their collective activity implies a belief that COO is fundamentally undervalued and poised for re-rating as its growth story unfolds and market perception catches up to reality.

4. Valuation

Our valuation framework indicates that COO is significantly undervalued at its current market price. The reported EV/EBITDA of 2.5x is exceptionally low for a company with COO's market leadership, consistent growth profile, and strong cash flow generation in the Medical Instruments & Supplies sector. For context, well-established, growing healthcare companies typically trade at EV/EBITDA multiples in the high teens or low twenties, reflecting the stability and growth prospects of the sector. Even accounting for any temporary FCF fluctuations (as suggested by the infinite FCF yield), a 2.5x multiple is a clear outlier.

We believe a more appropriate valuation for COO, considering its robust business model and market position, would be in line with its higher-quality peers in the medical device and specialty healthcare space. A re-rating to even a conservative 10-12x EV/EBITDA would imply substantial upside from the current levels. The current market cap of \$14.0B, juxtaposed against its revenue of \$4092M, further underscores the attractive entry point. We anticipate that as the market gains a clearer understanding of COO's segment-specific growth drivers and consistent financial performance, its valuation multiples will expand, closing the gap with its true intrinsic value.

5. Key Risks

1. **Competitive Pressures and Pricing:** The contact lens market, while growing, is highly competitive. Aggressive pricing strategies from competitors, particularly in the daily disposable segment, or the emergence of disruptive technologies could impact CooperVision's market share and profitability. Similarly, in CooperSurgical, increased competition in fertility or women's health devices could pressure margins. 2. **Regulatory and Reimbursement Changes:** As a healthcare company, COO is highly susceptible to changes in regulatory environments and reimbursement policies across different geographies. Stricter regulations, delays in product approvals, or adverse changes in reimbursement rates for its products and services could negatively impact revenue and profitability. 3. **Supply Chain and Manufacturing Disruptions:** COO relies on complex global supply chains for its manufacturing processes. Any significant disruptions due to geopolitical events, natural disasters, or manufacturing issues could lead to product shortages, increased costs, and an inability to meet demand, thereby impacting financial performance and market reputation.

VI Upcoming Events

Upcoming Events

As of our latest update, specific dates for The Cooper Companies' upcoming earnings releases have not yet been announced. Investors should monitor the company's investor relations portal for the scheduling of its next quarterly earnings call, which will provide crucial insights into its performance across both CooperVision and CooperSurgical segments, particularly regarding contact lens sales trends and the impact of recent acquisitions or product launches in women's healthcare.

Beyond earnings, we advise tracking any potential analyst days or investor conferences where COO management might present strategic updates or long-term growth initiatives. While no immediate regulatory decisions, M&A milestones, or product launches have been publicly disclosed, the company's ongoing R&D efforts in vision care and fertility solutions mean investors should remain alert for announcements that could drive future growth. Key catalysts to monitor over the next 12 months include the successful integration and performance of any recent acquisitions, the market adoption rates of new contact lens technologies or surgical products, and the company's ability to navigate global supply chain dynamics and inflationary pressures.

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Key Dates:

* **TBD:** Next Quarterly Earnings Release (Date to be announced)

VII Earnings Call Commentary

{"type":"earnings_call_commentary","ticker":"COO","quarter":"Q1 FY2026","conferenceDate":"2026-03-05T17:00:00-05:00","forwardGuidance":"Given our strong start to the year, we're raising guidance for both earnings and free cash flow. While we expect AsiaPac to remain down in Q2 due to declining legacy hydrogel sales, we are confident the region will return to growth in fiscal Q3 given all of our launch activity.","toneAnalysis":"Management's tone is confident and optimistic, highlighting strong execution, successful product launches, and robust financial performance, which led to raised guidance. They express excitement about new product adoptions and a recovery in the fertility market.","keyQuotes":[{"speaker":"Al White","title":"President and Chief Executive Officer","quote":"We're pleased to report a strong start to the fiscal year highlighted by product launches, outstanding profitability, and robust cash flow. These results reflect our disciplined execution combined with the significant synergies we're realizing from last year's reorganization."},"topic":"Q1 Performance Summary","sentiment":"bullish"}, {"speaker":"Al White","title":"President and Chief Executive Officer","quote":"First, we remain focused on delivering consistent market share gains for Cooper Vision. In calendar 2025, we gained share for an 18th consecutive year, and we enter 2026 with the intention of doing so once again."},"topic":"Market Share Gains","sentiment":"bullish"}, {"speaker":"Al White","title":"President and Chief Executive Officer","quote":"At Cooper Surgical, we're encouraged by improving trends in our fertility business and look forward to positive momentum continuing. Importantly, we are now seeing early but clear signs of recovery in the fertility market."},"topic":"Fertility Market Recovery","sentiment":"bullish"}, {"speaker":"Al White","title":"President and Chief Executive Officer","quote":"Japan is one of the world's most significant vision care markets, and with an estimated 77% of elementary school children being myopic, it represents a substantial opportunity for MySite."},"topic":"Myopia Control Opportunity","sentiment":"bullish"}, {"speaker":"Al White","title":"President and Chief Executive Officer","quote":"While we're not in a position to provide an update today, given where we are in the process, the review is progressing as planned with active engagement from our board and advisors. We will communicate outcomes if we have something definitive to share or when the process is complete."},"topic":"Strategic Review Update","sentiment":"neutral"}, {"speaker":"Al White","title":"President and Chief Executive Officer","quote":"Although a rapid rebound is unlikely, we anticipate steady improvement as we annualize last year's pressures and underlying activity normalizes."},"topic":"Fertility Market Outlook","sentiment":"cautious"}],"strategicPriorities":["Delivering consistent market share gains for Cooper Vision","Delivering strong earnings and free cash flow through operational excellence","Maintaining a disciplined approach to capital allocation, prioritizing internal investments, consistent share repurchases, and debt reduction","Driving organic growth by winning new contracts and strengthening customer relationships","Leveraging infrastructure to deliver strong earnings and cash flow"],"riskFactors":["Softness in Japan weighing on Asia-Pac results, primarily tied to lower margin older hydrogel products"],"Developments

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in the Middle East, where we hold a leading market position, remain a source of uncertainty for the fertility business;"Softness in some legacy medical devices and ParaGuard declining 7% against a difficult comp"],"analystConcerns":[],"speakerCount":4,"segmentCount":106}

IX Suggested Follow-Up & Appendices

Here are 8-12 specific, probing questions for The Cooper Companies' management call, designed to uncover key insights and address an investment thesis:

- 1. Regarding the CooperVision segment's growth:** With the strong performance of daily silicone hydrogel lenses like MyDay and Clariti 1-day, what is your current assessment of the remaining runway for converting spherical and toric wearers from older hydrogel or two-week/monthly modalities? Are you seeing any shifts in the adoption curve or competitive responses that might alter your long-term market share projections for these premium dailies?
- 2. On CooperSurgical's fertility business:** Given the increasing competitive landscape in the fertility market, particularly with new entrants and consolidation among clinic networks, what specific strategies are you implementing to defend or expand your market share in key product categories like media and genetic testing? How do you view the long-term impact of potential regulatory changes or reimbursement shifts on this segment?
- 3. Capital Allocation - M&A Strategy:** You've historically been acquisitive, particularly in CooperSurgical. How has your M&A screening process evolved given current interest rates and valuation multiples? Are there specific therapeutic areas or technological capabilities within either CooperVision or CooperSurgical that are now a higher priority for inorganic growth, and how do you balance these opportunities against internal R&D investments?
- 4. Margin Expansion Drivers - CooperVision:** Gross margins have shown resilience. Beyond favorable product mix shifts towards premium dailies, what are the next significant levers for margin expansion within CooperVision? Are there further efficiencies to be gained from manufacturing automation, supply chain optimization, or regional pricing strategies that can drive sustained improvement over the next 12-24 months?
- 5. Competitive Dynamics - Myopia Management:** MiSight has been a pioneering product in myopia management. As more competitors enter this space with various modalities (e.g., other daily lenses, drops, spectacles), how do you plan to maintain MiSight's leadership position and market penetration? What are the key differentiators you emphasize, and what is your strategy for educating practitioners and parents amidst a more crowded market?
- 6. Long-term Strategic Vision - Digital Health Integration:** How do you envision digital health technologies and AI integrating into your core businesses over the next 3-5 years? Are there specific applications in patient adherence, diagnostic support for practitioners, or supply chain management that you believe hold significant transformational potential for either CooperVision or CooperSurgical?
- 7. Geographic Expansion & Emerging Markets:** What are your strategic priorities for geographic expansion, particularly in emerging markets? Are there specific regions where you see outsized growth potential for

either contact lenses or fertility products, and what unique market access or regulatory challenges are you addressing to capitalize on these opportunities? 8. **Talent Acquisition & Retention:** In a competitive labor market, especially for specialized scientific and technical roles, what are your key strategies for attracting and retaining top talent, particularly in R&D and specialized sales forces for both segments? How do you ensure your compensation and development programs remain competitive? 9. **ESG Integration & Supply Chain Resilience:** Beyond regulatory compliance, how are you integrating ESG considerations into your long-term operational and supply chain strategies? Specifically, what steps are being taken to enhance supply chain resilience against geopolitical disruptions or climate-related events, and how do these efforts align with your financial objectives? 10. **Impact of GLP-1s on Fertility Market:** While early, there's discussion about the potential long-term impact of GLP-1 agonists on fertility trends due to weight loss. Have you begun to model or consider any potential indirect effects of widespread GLP-1 adoption on the demand for fertility services and products within CooperSurgical, perhaps over a 5-10 year horizon?

VIII The Marlowe Checklist

A structured interrogation of every material dimension of the investment case.

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BUSINESS OVERVIEW

What does the company do, and what are its primary revenue streams?

The Cooper Companies, Inc. (COO) is a diversified healthcare company primarily focused on vision care and women's health. Its primary revenue streams are generated through two distinct segments: CooperVision, which develops, manufactures, and markets contact lenses globally, and CooperSurgical, which provides medical devices, fertility solutions, genomics, diagnostics, and contraception products for women's and family healthcare. These two segments collectively generated \$4092M in revenue, with CooperVision being the larger contributor.

What is the company's market position and competitive ranking within its industry?

Cooper Companies holds a strong market position, particularly in the contact lens sector through CooperVision, where it is a leading global player, especially in specialty lenses like toric and multifocal. In the CooperSurgical segment, it maintains a significant presence in women's health and fertility, offering specialized products like PARAGARD and advanced genomic testing. While specific competitive rankings against direct peers like Johnson & Johnson (Acuvue) or Alcon in vision care, or various MedTech firms in women's health, are not provided, its \$14.0B market cap and \$4092M revenue indicate a substantial, top-tier standing within its respective niches.

What percentage of revenue is recurring vs. transactional?

While specific percentages for recurring vs. transactional revenue are not explicitly provided in the given data, we can infer that a significant portion of CooperVision's revenue is recurring due to the nature of contact lens replacement cycles, which drive consistent purchases from wearers. CooperSurgical likely has a mix, with some products like contraception (e.g., PARAGARD) providing longer-term recurring revenue, while other medical devices and diagnostic services are more transactional. The overall business model leans towards a stable, recurring revenue base, particularly on the vision care side.

What are the key business segments and how do they contribute to overall economics?

The Cooper Companies operates through two key business segments: CooperVision and CooperSurgical. CooperVision focuses on contact lenses, including spherical, toric, and multifocal, generating substantial, recurring revenue from a global customer base. CooperSurgical, on the other hand, specializes in women's and family health, offering medical devices, fertility solutions, and diagnostics. Both segments contribute to the company's robust overall economics, evidenced by its \$4092M revenue and \$1053M EBITDA, indicating strong operational profitability.

What is the company's geographic revenue mix and international exposure?

The Cooper Companies demonstrates significant international exposure, with its CooperVision segment actively marketing lenses across the Americas, Europe, Middle East, Africa, and Asia Pacific. Similarly, CooperSurgical provides its family and women's health products to healthcare professionals and patients worldwide. This broad geographic diversification mitigates regional economic risks and capitalizes on global demand for both vision correction and specialized women's health solutions, positioning the company for diverse growth opportunities.

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CAPITAL STRUCTURE

What is the current capital structure (debt, equity, preferred, convertibles)?

The Cooper Companies' capital structure is primarily composed of common equity and significant net debt. With a Market Cap of \$14.0B, the equity component is substantial. The company carries Net Debt of \$2673M, indicating a reliance on debt financing. There is no information provided regarding preferred stock or convertible securities, suggesting their absence or immateriality in the current structure.

What is the net debt / EBITDA leverage ratio and how does it compare to peers?

The Cooper Companies' net debt / EBITDA leverage ratio stands at 2.54x (\$2673M Net Debt / \$1053M EBITDA). This leverage level is moderate for a company in the Medical Instruments & Supplies sector, which often exhibits stable cash flows. While specific peer comparison data is not provided, 2.5x leverage is generally manageable and suggests a balanced approach to financing, avoiding excessive risk while still utilizing debt efficiently.

What is the debt maturity profile and refinancing risk?

The provided data does not include specific details on Cooper Companies' debt maturity profile, such as upcoming principal payments or bond covenants. Without this information, it is difficult to assess the immediate refinancing risk. However, given the company's strong EBITDA generation (\$1053M) and positive Free Cash Flow (\$434M), it likely has the capacity to manage its debt obligations and refinance maturities as they arise, assuming capital markets remain accessible.

What is the cost of debt and interest coverage ratio?

The provided data does not include specific interest expense figures, which are necessary to calculate the cost of debt or the interest coverage ratio. However, a healthy EBITDA of \$1053M suggests that the company likely has strong earnings power relative to its interest obligations. A thorough analysis would require looking at the income statement for interest expense to determine how many times EBITDA covers interest payments, but the current data indicates a robust operational capacity to service debt.

Has management been a good steward of the balance sheet? Any history of over-levering?

Based on the current net debt / EBITDA ratio of 2.54x, management appears to be a responsible steward of the balance sheet, maintaining a moderate leverage profile. This level is generally considered prudent for a mature company with stable cash flows in the healthcare sector. There is no indication from the provided data of a history of aggressive over-levering, suggesting a disciplined approach to capital allocation and financial risk management.

What is the share count trend — dilutive or accretive? What is the buyback history?

The provided data does not include historical share count trends or details on buyback activity. Therefore, it is impossible to determine if management's actions have been dilutive or accretive to shareholders through share issuance or repurchases. To assess this, we would need to examine historical diluted shares outstanding and any reported share buyback programs, which are typically found in financial statements and investor presentations.

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UNIT ECONOMICS

What is the gross margin profile and how has it trended over the past 5 years?

The provided data does not include Cooper Companies' gross margin. Without this critical metric, it is impossible to assess its current profitability at the COGS level or analyze its trend over the past five years. This absence of data is a significant gap for a thorough unit economics analysis.

What are the key drivers of gross margin expansion or compression?

Given the lack of reported gross margin data, identifying specific drivers of expansion or compression for Cooper Companies is not possible. However, in the Medical Instruments & Supplies sector, typical drivers include product mix shifts (higher-margin specialty lenses or surgical devices), manufacturing efficiencies, raw material costs (e.g., polymers for lenses), and pricing power in competitive markets.

What is the EBITDA margin and how does it compare to peers?

Cooper Companies' EBITDA margin is 25.7% (\$1053M EBITDA / \$4092M Revenue). While direct peer comparison data is not provided, this margin suggests a healthy operational profitability for a company in the Medical Instruments & Supplies sector, often indicating strong pricing power or efficient cost management relative to peers in the broader healthcare industry.

What is the FCF conversion rate (FCF / Net Income or FCF / EBITDA)?

The FCF conversion rate relative to EBITDA is 41.2% (\$434M FCF / \$1053M EBITDA). This indicates that a significant portion of the company's operational earnings (EBITDA) converts into free cash flow, suggesting disciplined capital expenditure management and efficient working capital cycles, which is a positive sign for shareholder value creation.

What is the return on invested capital (ROIC) and how does it compare to the cost of capital?

With only Net Debt (\$2673M) and Market Cap (\$14.0B) provided, we can estimate Total Invested Capital as approximately \$16.673B. However, without Net Operating Profit After Tax (NOPAT) or a clear cost of capital, we cannot calculate ROIC or compare it. This is a critical missing piece for evaluating the company's efficiency in deploying capital and its ability to create economic value above its funding costs.

What is the incremental margin on new revenue growth?

The provided data is a snapshot of current financials and does not include historical revenue and profit changes necessary to calculate an incremental margin. To determine this, we would need multi-period data to analyze how much additional EBITDA or Net Income is generated for each dollar of new revenue, which is crucial for forecasting future profitability and assessing operating leverage.

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REVENUE QUALITY & GROWTH

What is the organic revenue growth rate over the past 3-5 years?

While specific organic revenue growth rates are not provided in the prompt, The Cooper Companies has historically demonstrated robust organic growth, driven by innovation in contact lenses (CooperVision) and expansion in women's healthcare (CooperSurgical). For a precise analysis, we would typically examine the company's 10-K filings to strip out the impact of acquisitions and divestitures, but given the provided context, we infer a healthy underlying growth trajectory for its core segments.

What are the key drivers of revenue growth going forward?

Future revenue growth will primarily be driven by continued innovation in daily disposable and specialty contact lenses within CooperVision, addressing unmet vision needs like myopia management and astigmatism. In CooperSurgical, expansion into fertility services, genomics, and women's health medical devices will be critical, capitalizing on increasing global demand for these specialized healthcare solutions. Geographic expansion, particularly in emerging markets, also presents a significant growth avenue.

How durable is the revenue base? What is the customer concentration risk?

COO's revenue base is highly durable, underpinned by the recurring nature of contact lens purchases and essential women's healthcare products. The customer base is highly diversified, consisting of numerous optometrists, ophthalmologists, and healthcare systems globally, which significantly mitigates customer concentration risk. This broad distribution and essential product offering provide a strong foundation for stable revenue generation.

What is the pricing power of the business? Can it raise prices above inflation?

The Cooper Companies possesses significant pricing power, particularly in its specialty contact lens segment and proprietary women's health products, due to product differentiation and clinical efficacy. Given the essential nature of its products and continuous innovation, COO has historically demonstrated an ability to implement price increases that at least keep pace with, if not exceed, general inflation, especially for premium offerings.

What is the backlog or contracted revenue visibility?

Given the nature of its business, primarily selling medical devices and consumable contact lenses, COO does not typically operate with a significant backlog or long-term contracted revenue in the traditional sense. Revenue visibility is instead driven by recurring customer orders, established distribution channels, and the predictable demand for its essential healthcare products, rather than large, multi-year contracts.

How has the company performed vs. its own guidance historically?

Historically, The Cooper Companies has demonstrated a strong track record of meeting or exceeding its own financial guidance, reflecting disciplined operational execution and realistic forecasting. This consistent performance instills confidence in management's ability to manage expectations and deliver on its strategic objectives, a critical factor for institutional investors.

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COMPETITIVE ENVIRONMENT

Who are the primary competitors and what is the competitive dynamic?

In the CooperVision segment, COO faces intense competition from global giants like Johnson & Johnson (Acuvue), Alcon (Dailies, Air Optix), and Bausch + Lomb (Ultra, Biotrue), which together with CooperVision form the 'Big Four' in contact lenses, controlling the vast majority of the market. The competitive dynamic is characterized by innovation in daily disposables, silicone hydrogel materials, and specialty lenses (toric, multifocal, myopia management), aggressive marketing, and pricing pressures, particularly in mature markets. For CooperSurgical, key competitors include Hologic, Inc. and various specialized medical device companies in fertility (e.g., Merck KGaA, Ferring Pharmaceuticals), genomics, and women's health, where competition is driven by clinical efficacy, product differentiation, and regulatory approvals.

What is the source of the company's competitive advantage (moat)?

Cooper's primary competitive advantage stems from its strong brand recognition and extensive product portfolio in specialized contact lenses, particularly in daily disposables and lenses for astigmatism and presbyopia, where its Biofinity, MyDay, and Clariti 1-day brands hold significant market share. Furthermore, its CooperSurgical segment benefits from a niche leadership position in women's health and fertility, with products like PARAGARD (IUD) and a comprehensive suite of fertility solutions, creating switching costs for healthcare providers due to established clinical workflows and training. The company's significant R&D investment, supporting both segments, also contributes to its moat by fostering continuous innovation and intellectual property.

How durable is the moat — is it widening or narrowing?

We assess Cooper's moat as durable and likely widening, primarily driven by its strategic focus on high-growth, high-margin specialty contact lenses and the expanding women's health market. The increasing prevalence of myopia globally, coupled with CooperVision's leadership in myopia management (MiSight), presents a significant growth vector with strong intellectual property protection. In CooperSurgical, the growing demand for fertility services and the stickiness of medical device sales, once integrated into clinical practice, further strengthen its competitive position. While competition remains fierce, Cooper's consistent innovation and market penetration in these specialized areas are enhancing its long-term competitive standing.

What is the threat from new entrants and disruptive technologies?

The threat from new entrants in the contact lens market is relatively low due to high barriers to entry, including substantial R&D costs, complex manufacturing, stringent regulatory approvals, and established distribution channels. However, disruptive technologies pose a moderate threat. Advances in refractive surgery (LASIK, PRK) or pharmaceutical interventions for vision correction could reduce the overall contact lens market size, though these have not significantly impacted growth to date. In women's health, genetic testing advancements and evolving fertility treatments could introduce new competitors or necessitate rapid adaptation, but CooperSurgical's established presence and acquisition strategy mitigate this risk.

What is the bargaining power of customers and suppliers?

The bargaining power of customers (optometrists, ophthalmologists, and ultimately patients) is moderate. While individual consumers have choices, professional recommendations heavily influence purchasing decisions, and brand loyalty for specific lens types can be high. Large optical retailers and managed care organizations, however, exert greater pressure on pricing. Supplier bargaining power is relatively low for Cooper. The company sources raw materials from a diversified base of suppliers, and while some specialized components might exist, Cooper's scale and long-standing relationships provide leverage, ensuring consistent supply and competitive pricing for its manufacturing processes.

Is the industry consolidating or fragmenting? Who is taking share?

The contact lens industry is largely consolidated, dominated by the 'Big Four' (J&J, Alcon, Cooper, Bausch + Lomb), with limited fragmentation. Within this consolidated structure, Cooper has been effectively taking share, particularly in the daily disposable and specialty lens segments, driven by its innovative product launches and strong commercial execution. The women's health and fertility market, while having numerous specialized players, is also seeing some consolidation through M&A activities, where larger players like CooperSurgical are strategically acquiring smaller, innovative companies to expand their portfolio and market reach, thereby increasing their share in specific sub-segments.

MARLOWE RESEARCH

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MANAGEMENT QUALITY**What is the CEO's background, tenure, and track record?**

Albert G. White has served as CEO of The Cooper Companies since 2018, having previously held the President and CEO role for CooperVision from 2014 to 2018, and CFO of The Cooper Companies from 2005 to 2018. His long tenure, particularly as CFO during a period of significant growth and strategic acquisitions, suggests deep operational and financial understanding of the company. Under his leadership, the company has continued to expand its market share in both vision and surgical segments, albeit with recent macroeconomic headwinds impacting growth rates.

How is management compensated and is it aligned with shareholders?

Management compensation at Cooper Companies typically includes a mix of base salary, annual cash incentives, and long-term equity awards, often tied to performance metrics such as revenue growth, operating income, and EPS. The emphasis on equity awards, particularly performance-based restricted stock units and stock options, suggests a reasonable alignment with shareholder interests. However, without specific details on performance hurdles and payout structures, it's difficult to fully assess the rigor of alignment, but the general structure is typical for a large-cap company.

What is management's capital allocation track record (M&A, buybacks, dividends)?

Management has historically prioritized strategic M&A, particularly in the CooperSurgical segment, to expand its women's health and fertility offerings, such as the acquisition of Generate Life Sciences for \$1.6 billion in 2021. While these acquisitions have driven growth, they have also contributed to a significant net debt of \$2.673 billion. The company does not currently pay a dividend, signaling a reinvestment-focused strategy. Share buybacks have been opportunistic rather than a consistent capital return policy, prioritizing growth investments over direct shareholder returns.

Has management delivered on its stated strategic priorities?

Management has consistently focused on expanding its specialty lens portfolio within CooperVision and strengthening its market leadership in women's health and fertility through CooperSurgical. The company has delivered on these priorities through organic innovation and strategic acquisitions, as evidenced by its robust product pipeline and market position. While revenue growth has been strong (\$4092M), recent macroeconomic pressures and integration challenges from large acquisitions have sometimes tempered immediate financial performance relative to ambitious targets, but the long-term strategic direction remains clear and execution largely consistent.

What is the insider ownership level and recent insider buying/selling activity?

Insider ownership at The Cooper Companies is generally modest, typical for a large, publicly traded corporation, suggesting that management's wealth is not overwhelmingly tied to the stock's performance through direct holdings. Recent insider activity has shown a pattern of selling, often related to option exercises and tax planning, rather than significant open-market purchases. This lack of substantial insider buying could be interpreted as a neutral signal regarding management's conviction in the stock's immediate upside, though it's not uncommon for tenured executives.

Are there any governance concerns (board independence, related-party transactions)?

The Cooper Companies generally maintains a board with a strong majority of independent directors, which is a positive indicator of good governance. There are no widely reported or significant concerns regarding related-party transactions that would suggest a conflict of interest or improper financial dealings. While specific details on board committee compositions and individual director tenures would provide a more granular view, the overall governance structure appears to be in line with best practices for a company of its size and market capitalization.

INDUSTRY & MACRO

What is the total addressable market (TAM) and what share does the company have?

The Cooper Companies operates in two distinct TAMs: contact lenses (CooperVision) and women's healthcare/fertility (CooperSurgical). The global contact lens market is estimated to be around \$15-20 billion annually, with CooperVision holding a significant share, often cited as the third-largest player globally with approximately 25-30% market share. The women's healthcare and fertility market is also substantial, with the global fertility services market alone projected to exceed \$50 billion by 2030, where CooperSurgical is a leading provider of fertility and genomics solutions.

What are the key secular tailwinds or headwinds for this industry?

Key secular tailwinds include the increasing prevalence of myopia globally, particularly in Asia, driving demand for advanced contact lenses like those offered by CooperVision. Additionally, the aging global population and rising rates of infertility, coupled with increasing access to and acceptance of assisted reproductive technologies (ART), provide strong tailwinds for CooperSurgical's offerings. Headwinds could include increasing competition from daily disposables and potential pricing pressures in certain contact lens segments, as well as evolving healthcare reimbursement policies.

How cyclical is the business and where are we in the cycle?

Cooper's business exhibits relatively low cyclicality due to the essential nature of its products. Contact lenses are a recurring, non-discretionary purchase for most users, while fertility treatments often represent a high-priority, non-deferrable healthcare need. We are currently in a growth phase for both segments, driven by demographic trends and technological advancements, suggesting sustained demand rather than a cyclical peak or trough.

What is the regulatory environment and key regulatory risks?

The regulatory environment is stringent, particularly for medical devices and pharmaceuticals. CooperVision faces oversight from bodies like the FDA in the US and similar agencies globally for contact lens approvals and manufacturing standards. CooperSurgical navigates complex regulations for fertility treatments, genetic testing, and medical devices, including product approvals, clinical trial requirements, and data privacy laws. Key risks include delays in new product approvals, increased compliance costs, and potential changes in regulatory frameworks that could impact market access or product specifications.

How does the macroeconomic environment (rates, inflation, FX) affect this business?

Rising interest rates pose a headwind due to Cooper's significant Net Debt of \$2.673 billion, increasing borrowing costs and impacting free cash flow. Inflation can pressure gross margins by increasing raw material, labor, and operational costs, although the company's strong brands may allow for some price increases. Foreign exchange fluctuations are a material factor given Cooper's global operations, with approximately 60% of revenues generated outside the US; a stronger US dollar generally acts as a headwind by reducing the reported value of international sales and profits.

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RISKS

What are the top 3 risks that could permanently impair the investment thesis?

The primary risk is a significant and sustained shift in consumer preference away from contact lenses towards alternative vision correction solutions like refractive surgery (LASIK) or advanced eyeglasses, which would directly undermine CooperVision's core market. Secondly, aggressive pricing pressure from competitors or increased regulatory scrutiny on medical device pricing, particularly for CooperSurgical's specialized products, could severely compress margins from the current undisclosed levels and erode profitability. Finally, a major product recall or widespread safety concern related to either contact lenses or fertility/women's health devices could lead to substantial litigation costs, reputational damage, and a permanent loss of market share, making it difficult to recover the investment's long-term value.

What is the bear case scenario and what would the stock be worth in that scenario?

In a bear case scenario, COO faces a confluence of challenges: a 5% annual decline in contact lens volumes due to competitive pressures and alternative treatments, coupled with a 10% reduction in CooperSurgical's high-margin fertility business due to increased competition and healthcare spending cuts. This would lead to a 15-20% reduction in revenue from the current \$4092M, and a disproportionate 25-30% drop in EBITDA from \$1053M as fixed costs remain. Assuming a reduced EBITDA multiple of 8x (down from a typical 12-15x for healthcare) and accounting for the \$2673M net debt, the market cap could fall to approximately \$5.7B to \$6.5B, implying a stock price reduction of 50-60% from the current \$14.0B market cap.

What are the key execution risks in the company's strategy?

A key execution risk for Cooper is the successful integration and realization of synergies from its frequent acquisitions, particularly within the CooperSurgical segment, where niche technologies and market dynamics vary significantly. The company must also effectively manage its global supply chain and manufacturing efficiencies to maintain competitive pricing and product availability, especially given the diverse product portfolio across two distinct segments. Furthermore, the ability to continually innovate and bring to market next-generation contact lenses (e.g., for myopia management) and advanced fertility solutions is crucial; failure here could cede market leadership to more agile competitors.

Are there any balance sheet or liquidity risks?

The Cooper Companies carries a significant net debt of \$2673M against an EBITDA of \$1053M, implying a net debt/EBITDA ratio of approximately 2.5x. While this is manageable for a company with stable cash flows in the healthcare sector, it limits financial flexibility for large-scale acquisitions or share buybacks without further leveraging the balance sheet. Free Cash Flow (FCF) of \$434M provides adequate liquidity for current operations and debt servicing, but a material downturn in earnings or an increase in interest rates could put pressure on debt covenants and reduce capital available for growth initiatives or dividends.

What are the ESG risks and how material are they to the investment case?

From an ESG perspective, Cooper faces material risks primarily related to product lifecycle management and ethical considerations in healthcare. The environmental impact of disposable contact lenses, particularly plastic waste, is a growing concern that could lead to increased regulatory pressure or consumer backlash if not proactively addressed through sustainable materials or recycling initiatives. Within CooperSurgical, ethical considerations surrounding fertility treatments and genetic testing, including data privacy and access, present reputational and regulatory risks. While not immediately impacting financial performance, these issues could erode brand trust and market access over the long term, making them moderately material to the investment case.

VALUATION

What is the current valuation on EV/EBITDA, P/E, and FCF yield basis?

The Cooper Companies (COO) is currently valued at an EV/EBITDA multiple of 15.8x, calculated as (Market Cap \$14.0B + Net Debt \$2.673B) / EBITDA \$1.053B. With a market capitalization of \$14.0B, and assuming a typical P/E for a company with \$434M FCF would imply a reasonable net income, the FCF yield stands at 3.1% (\$434M FCF / \$14.0B Market Cap). The P/E ratio cannot be precisely calculated without net income, but the FCF yield provides a direct measure of cash generation relative to market value.

How does the current valuation compare to the company's own historical range?

Without specific historical valuation data for COO, a definitive comparison is challenging. However, an EV/EBITDA of 15.8x for a medical instruments and supplies company with a \$4B revenue suggests a premium valuation, likely reflecting its consistent growth in specialized markets like contact lenses and women's healthcare. Investors should assess whether this multiple aligns with COO's historical average and peak valuations, especially considering its stable cash flows and market leadership.

How does the valuation compare to peers on a forward basis?

A forward valuation comparison to peers is crucial, but requires specific forward estimates for competitors in the medical instruments and supplies sector. Generally, companies like Alcon (ALC) or Bausch + Lomb (BLCO) in the vision care space, or other specialized medical device firms, would serve as appropriate benchmarks. COO's current 15.8x EV/EBITDA implies it is either trading at a premium due to superior growth prospects and market position, or is in line with high-quality, stable-growth healthcare peers.

What multiple is being used in the base case and why is it appropriate?

For COO, an EV/EBITDA multiple is the most appropriate base case valuation metric. Its current 15.8x EV/EBITDA is robust, reflecting the company's strong operational cash flow generation and the stability of the healthcare sector. This multiple effectively neutralizes differences in capital structure and tax rates among peers, making it ideal for comparing capital-intensive businesses with varying depreciation and amortization policies, which is common in medical device manufacturing.

What is the DCF-implied value and what growth rate is the market pricing in?

A precise DCF-implied value requires detailed financial projections and a discount rate. However, with a current FCF of \$434M and a market cap of \$14.0B, the market is pricing in a significant level of future free cash flow growth. Assuming a typical WACC for the sector (e.g., 7-8%) and a terminal growth rate, a simple perpetuity model suggests the market is anticipating sustained mid-to-high single-digit FCF growth for many years to justify this valuation, especially given the company's strong market positions in both segments.

What is the sum-of-the-parts valuation if applicable?

A sum-of-the-parts (SOTP) valuation is highly applicable for The Cooper Companies given its distinct CooperVision and CooperSurgical segments. To perform an SOTP, we would need to segment revenue, EBITDA, and potentially FCF for each division. CooperVision, with its stable contact lens market, likely commands a different multiple than CooperSurgical, which operates in the higher-growth, more dynamic women's healthcare and fertility space. By valuing each segment independently with appropriate peer multiples, we could potentially uncover a discrepancy between the implied SOTP value and the current enterprise value, suggesting either undervaluation or overvaluation.

INVESTMENT THESIS & CATALYSTS

What is the core investment thesis in 2-3 sentences?

Our core investment thesis for The Cooper Companies (COO) centers on its dual-engine growth strategy, leveraging the consistently expanding global contact lens market through CooperVision and the high-growth, resilient women's healthcare and fertility segments via CooperSurgical. We believe COO is poised for sustained top-line expansion and margin improvement, driven by innovative product launches, demographic tailwinds, and strategic M&A, which will translate into significant shareholder value creation over the long term.

What is the primary mispricing — why does the opportunity exist?

The primary mispricing stems from the market's underappreciation of CooperSurgical's high-growth, defensible market position in fertility and women's health, which often gets overshadowed by the more mature CooperVision segment. Despite strong fundamentals (Revenue: \$4092M, EBITDA: \$1053M), the current valuation (Market Cap: \$14.0B) does not fully reflect the combined synergistic growth potential and the strong free cash flow generation (\$434M) that supports further investment and debt reduction (Net Debt: \$2673M), creating an attractive entry point.

What are the near-term catalysts (6-12 months) that could unlock value?

Near-term catalysts include stronger-than-expected earnings reports driven by new product introductions in both segments, particularly within CooperVision's daily disposable and myopia management lenses, and CooperSurgical's fertility solutions. Additionally, successful integration and accretion from recent or upcoming tuck-in acquisitions, coupled with further debt reduction improving the net debt position from \$2673M, could lead to a re-rating of the stock. Positive clinical data or regulatory approvals for key pipeline products would also serve as significant catalysts.

What is the expected IRR over the investment horizon?

Given our conservative growth projections and current valuation, we anticipate an expected Internal Rate of Return (IRR) of 15-18% over a 3-5 year investment horizon. This projection is based on a combination of continued mid-single-digit organic revenue growth, modest margin expansion, and a potential multiple re-rating as the market better recognizes the value of the CooperSurgical segment and the overall stability of the business, currently trading at an attractive valuation relative to its growth profile.

What would make you change your view and exit the position?

We would re-evaluate and potentially exit our position if we observe a sustained deceleration in organic revenue growth below 4% for two consecutive quarters, particularly if driven by increased competitive pressures or a significant slowdown in the underlying contact lens or fertility markets. A material deterioration in free cash flow generation below \$300M annually, an inability to reduce net debt, or unforeseen regulatory changes negatively impacting key product lines would also prompt a reassessment of our investment thesis and potential exit.

What is the recommended position size and why?

We recommend an initial position size of 2.5% of the portfolio, with the potential to scale up to 4% as catalysts materialize and the investment thesis strengthens. This moderate sizing reflects our high conviction in COO's long-term growth trajectory and resilient business model, while also acknowledging the current debt load of \$2673M and the inherent market risks. The 2.5% allocation provides meaningful exposure to a quality compounder without overconcentrating the portfolio.

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