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STAAR Surgical Co. (STAA)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the STAAR Surgical First Quarter 2026 Results Call and Webcast. During today's presentation, all parties will be in a listen-only mode.

I would now like to turn the call over to Connie Johnson, Director of Investor Relations.

Connie Johnson

Director-Investor Relations & HPMS, STAAR Surgical Co.

Thank you, operator. Good afternoon, and thank you for joining us. On the call today are Warren Foust, Interim Co-CEO, President, and Chief Operating Officer of STAAR Surgical; and Deborah Andrews, Interim Co-CEO and Chief Financial Officer of STAAR Surgical.

Earlier today, we reported our first quarter 2026 results via press release and Form 8-K. We posted our results release and Shareholder Letter to our investor website at investors.staar.com. Today's call is scheduled for one hour and will include Q&A for publishing analysts. Webcast participants can also send questions for today's Q&A session to ir@staar.com.

Before we get started, I want to remind you that during today's call, we will be making forward-looking statements. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. I encourage you to read the disclosures in

today's release, as well as disclosures in our filings with the SEC. Except as required by law, STAAR assumes no obligation to update these forward-looking statements to reflect future events or actual outcomes.

In addition, during today's discussion, we will reference certain non-GAAP financial measures, including Adjusted EBITDA and constant currency sales. Please refer to today's release for definitions and reconciliations of non-GAAP metrics. For brevity, unless otherwise specified, all comparisons on today's call will be on a year-over-year basis versus the relevant period.

Finally, a quick reminder. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the Investor Relations section. Accordingly, investors should monitor our investor website in addition to following our press releases, SEC filings, and public conference calls and webcasts.

And with that, I would like to turn the presentation over to Interim Co-CEO, Warren Foust. Warren?

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Good afternoon, everyone, and thank you for joining us. Deborah and I are excited to be with you once again and to update you on the progress that we have made in our first 100 or so days since we began leading the company as interim co-CEOs. I'm really happy to talk about Q1 of 2026, as we have now largely moved past many of the challenges that we faced in 2025. Significant disruption stemming from the potential Alcon merger process, elevated channel inventory in our largest market, and risks of rising tariffs, to name a few. Those issues are behind us.

Now turning to Q1. We see that we're off to a very positive start as reflected in our first quarter results. I would point to solid execution across the business and continued momentum broadly across our key markets. We made substantial advancements in pursuit of our core objectives, in particular relative to revenue growth and expansion of our profitability. We remain focused on these efforts, as well as working to strengthen our product portfolio and developing our next-generation pipeline.

In the first quarter, we delivered strong net sales growth, both sequentially and year-over-year. We also delivered a meaningful improvement in profitability in the quarter, with Adjusted EBITDA turning positive. This performance was driven primarily by strong results in China, our first greater than \$6 million quarter in the United States, and solid growth from each of our three regions. We were also excited to reach a significant milestone, surpassing 4 million ICLs sold globally.

I'm proud of our committed teams and distribution partners around the world who are driving revenue growth. At the same time, we are maintaining spending discipline and improving profitability through focused execution. I believe that our results are an early indication that our approach is beginning to work.

Beyond the financial results, the quarter also included several important business milestones that reinforce our confidence in STAAR's long-term opportunity. First, we made further advancements in the launch of EVO+ ICL in China and began shipping meaningful volumes into the market. Second, we entered Q1 with inventory levels in China normalized and aligned with our contractual targets, and we were able to grow sales while maintaining and even slightly reducing inventory levels during the quarter. Third, our Nidau, Switzerland manufacturing facility continues to scale and is planned in 2026 to supply 100% of the EVO and EVO+ lenses shipped to China without import tariffs. And finally, we are progressing through the rollout of our new Oracle ERP system with limited business disruption to date and expected benefits in visibility, coordination, and scalability over time. Together,

these milestones are important because they support both our near-term execution and our longer-term ability to scale the business more efficiently.

Let me now provide more context on China, which was the primary driver of our first quarter and remains a key focus area for STAAR. In China, our first quarter performance reflected continued share gains in premium lens-based refractive surgery. The key messages were clear: Continued strength in EVO ICLs, strong early demand for EVO+ ICLs, normalized inventory levels, better downstream visibility, and a more stable market environment. Refractive market conditions in China were more stable in the first quarter than during the volatile period from 2022 to 2024.

The macro environment remains mixed, but based on what we are seeing and hearing from customers, refractive procedure demand continues to grow at a moderate pace. We are encouraged by our team's performance in Q1 and the early response to EVO+, an important step in our innovation strategy, where strong surgeon adoption and clinical differentiation have already required higher output from our Swiss manufacturing site. Moving forward, we remain focused on disciplined execution and sustaining this momentum over the course of the year while carefully monitoring macroeconomic factors in the market.

Now, as we look at the United States, we are encouraged by our first quarter sales that exceeded \$6 million, and we continue to view this market as an important long-term growth opportunity for STAAR. We also received FDA approval, expanding the EVO ICL indication to patients aged 45 to 60, further increasing our addressable market.

Net sales grew 22% year-over-year against a backdrop of continued sluggishness of laser vision correction procedures that require removal of corneal tissue. The continued adoption of EVO ICL reinforces our belief that the future of refractive surgery is largely lens-based. We believe our performance reflects increased surgeon adoption, improved commercial execution, and a more focused marketing strategy around customers who are incorporating EVO ICL more meaningfully into their refractive offerings.

The US remains underpenetrated relative to more mature ICL markets, which is why we continue to view it as an important long-term growth opportunity. Outside China and the US, several markets experienced geopolitical and trade-related disruption during the quarter, particularly in parts of the Middle East. The impact on net sales was limited to less than \$2 million. We continue to monitor these developments closely, along with the broader macro uncertainty in Europe and in parts of Asia.

We also continue to see attractive long-term opportunities in markets such as India, even though near-term price sensitivity and macro volatility require a measured approach. More broadly, as we pursue global growth opportunities, we are being disciplined in how we allocate capital and resources. We are prioritizing markets and commercial programs where we see the strongest potential while continuing to benefit from the cost reduction efforts we initiated in 2025. As sales grow, we expect this approach to support operating leverage going forward.

Overall, our view is unchanged. The global shift toward lens-based refractive surgery remains a meaningful long-term growth driver for STAAR. Taken together, these updates reflect the progress we are making commercially and operationally while maintaining the discipline needed to build more consistent performance over time.

With that, I'll turn the call over to Deborah to walk through the financials in more detail. Deborah?

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

Thank you, Warren. Our first quarter results reflect strong execution across both sales growth and profitability, consistent with the framework we outlined in our fourth quarter Shareholder Letter. Net sales were \$93.5 million, increasing 119.6% year-over-year, driven by strong China sales and double-digit growth in the Americas. China net sales were \$47.4 million in the first quarter, driven by the commercial launch of EVO+ and continued demand for EVO. Distributor inventory remained comparable to year-end 2025 levels and within our targeted range to appropriately service the refractive market. Excluding China, net sales grew 6%, which we view as solid given the macroeconomic environment.

First quarter net sales were bolstered by a solid quarter in the US market despite the downtrend in laser vision correction in the country, partially offset by macroeconomic and geopolitical headwinds in the Middle East and India. Adjusted EBITDA was \$24.4 million compared to an adjusted EBITDA loss of \$26.3 million in the prior year quarter, reflecting higher net sales, improved gross profit, and the benefits of the cost actions we've implemented since 2025. We are beginning to see operating leverage emerge consistent with our path to sustainable profitability.

Gross profit margin in the first quarter of 2026 was 73.6% of total net sales compared to 65.8% in the prior year quarter. The year-over-year improvement was primarily driven by the elimination of period costs related to the ramp-up of manufacturing in Switzerland, a reduction in advanced manufacturing expenses, lower inventory provisions, and decreased freight and other cost of sales as a percentage of sales. These benefits were partially offset by higher per unit manufacturing costs resulted from lower production volumes in 2025.

Total operating expenses for the first quarter of 2026 were \$60.9 million compared to \$85.4 million in the prior year quarter. Excluding restructuring and merger-related costs, operating expenses were \$51.5 million compared to \$62.7 million in the prior year quarter, a decrease of 18% year-over-year, reflecting the cost reduction efforts initiated in 2025 and continued spending discipline. The company remains on track with its spending target of \$225 million in 2026.

Operating income for the first quarter of 2026 was \$8 million compared to a loss of \$57.4 million in the prior year quarter. Net income for the first quarter of 2026 was \$5.2 million or \$0.10 per diluted share compared to a net loss of \$54.2 million or \$1.10 per diluted share in the prior year quarter. The year-over-year improvement net income was primarily attributable to higher gross profit and lower operating expenses, demonstrating our ability to grow net sales while maintaining spending discipline.

We ended the quarter with \$163.9 million in cash, cash equivalents, and investments available for sale with no outstanding debt. On a sequential basis, cash declined from the fourth quarter of 2025, primarily due to costs including seasonal bonuses and other employee incentives, global sales meetings, severance, and costs associated with the cooperation agreement with Broadwood Partners. With these items now behind us, we expect to build cash throughout the remainder of the year.

Overall, we are encouraged by the profitability and operating leverage demonstrated by our first quarter results. We remain focused on balancing growth with disciplined investment and maintaining financial flexibility.

With that, I'll turn the call back over to Warren. Warren?

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Thank you, Deborah. To close, Q1 was a strong quarter. It demonstrates the progress we are making toward building a stronger STAAR with differentiated technology, greater operating discipline, and a clearer path to

sustainable growth and profitability. We believe STAAR is better positioned today than it was entering the year. In the quarter, we demonstrated strong growth, return to profitability, improved Adjusted EBITDA margins, and operational improvements.

We launched EVO+ ICL in China, advanced our Swiss manufacturing capabilities, continued the rollout of our Oracle ERP, and strengthened our cost structure. At the same time, our long-term opportunity remains compelling. STAAR possesses differentiated Collamer material and advanced optical technology in EVO ICL. Additionally, we see growing global adoption within a large market supported by increasing myopia prevalence and a shift toward lens-based refractive surgery.

Now, our focus is to build on this momentum against our core objectives: Revenue growth, expanding profitability, and advancing innovation. Deborah and I are aligned with our board and focused on long-term value creation through clear priorities and operating discipline. Thank you for your continued support.

Operator, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question will come from John Young of Canaccord Genuity. Please go ahead.

John Young

Analyst, Canaccord Genuity LLC

Q

Hi, Warren and Deborah. Thanks for taking the questions this evening, and congratulations on the progress that you guys have been making. I appreciate you guys are not giving guidance right now, but I first wanted just to touch on just consensus into the print was \$311 million, \$312 million. Are you comfortable with that figure? And then just as a follow-up too, on China, what is the confidence that you have in the Q2 high season, just given the Q1 success that you've seen so far? Would sequentially flat Q2 China revenue be a good way to think about next quarter? Thanks for taking the questions.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah. Hey, John. Thanks for the question, and I appreciate both of them. Look, we understand why you'd want guidance. Historically, Q1 has been really strong, and we're proud of the Q1 performance. But what's happened in the past is you've seen a tendency for the high season to maybe not show up in this period of 2022 to 2024, where things were a little softer.

So we're optimistic, but we're just not ready at this point to say, hey, we're certain about everything that's going to happen downstream with all of the stuff that's going on macroeconomically and geopolitically, not just in China, but elsewhere. A couple of wars going on, a couple of challenges going on in various markets relative to currency. So we're not – we're just not ready to do that. So I can't comment on the \$311 million to \$312 million.

As it pertains to China, look, the market – you've seen reports from our biggest customer there that the refractor market seems more stable than it's been. We certainly saw that as we went out of 2025, and I think Q1, we're pleased so far with where we are, and let's see what the high season brings, but we'll certainly be ready for it as – if the high season comes.

John Young

Analyst, Canaccord Genuity LLC

Thank you.



Operator: The next question will come from Tom Stephan with Stifel. Please go ahead.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Great. Hey, guys. Thanks for taking the questions and congrats on the results here. I'll start off on China competition. Warren, maybe if you can talk about what you're seeing in China from a competitive standpoint with Eyebright. How big has that gotten in its first 12-plus months in the market? And what are your expectations moving forward on Eyebright's impact as well as potential additional China phakic IOLs on the come? And then I'll have a follow-up.



Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Yeah. Hey, Tom. Thanks for the question. Look, we love the idea of competition. It just further validates our view that the future of lens-based refractive surgery is exactly that. It's lens-based and we stand to gain from that. So good to have competition. As it pertains to Eyebright, we see them. We know that there were some implants that happened early on, and I think surgeons are probably taking a measured approach. There's no Toric available, so it's a sphere-only lens. We respect them as competitors, but thus far it's just been – it's been a non-issue for us.



Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Got it. Super helpful. And then I'll take a stab at the revenue outlook here. But I mean, I look at 1Q, it seems like it was a normal quarter by all accounts, really, notably from an inventory standpoint. And in fact, I think you mentioned, it was down sequentially.



So my question is like for us, is it fair to use 1Q as a clean base and think about typical seasonality in the business for 2Q and moving forward? I mean for 2Q specifically, as you mentioned, it usually sees a pretty meaningful sequential uptick driven by China. Like is there anything that would prevent that from occurring? And yeah, I guess the heart of my question, like is 1Q kind of a clean base off, of which we can think about modeling the rest of the year on revs? Thanks, guys.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Yeah, you bet. Maybe I'll start and then invite Deborah to round out the comments. Look, I think, we know that last year there was a little bit of pull forward in the first quarter relative to military procedures and things of that nature. We don't participate in those procedures in China, but there's somewhat potentially of a halo effect where you get clinics out that are recruiting for these patients to come to their clinics. And certainly, those patients that could end up being candidates for EVO ICL could get it. So we'll see if that's a repeat as we go into the second quarter here.



As far as seasonality, students are still going to graduate from college. Their parents are still going to want them to get out of glasses and contacts. Those people that could become patients will evaluate their options, and we think and see that increasingly folks are choosing EVO ICLs. Now, what that's going to mean from a seasonality standpoint, hard to say. It is true that typically June and July are higher months if you look back in history. But we

just can't say yet that we think that's going to be the case. Again, the strength in Q1 is real. Let's see what Q2 brings. But Deborah, anything to add?

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

No, I think we're optimistic about the future. We expect to have a good Q2. The results of Q3 remain to be seen yet. And – so we're kind of cautious about our giving guidance or anything like that, at least in the short term. And we'll revisit it later on in the year.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

And I will just say to your question about it being the first clean quarter. Look, we had a lot of noise in 2025 and even back to the end of 2024 relative to the things that happened with inventory and the timing of recognizing the revenue and the timing of recognizing COGS associated with it. As I said in my prepared remarks, all that stuff is now out of the system.

And so in-market demand, which is really important, and we monitor it closely, we said at the end of 2025, we think it was in that mid-single-digit range. We've said today, and I think that we've seen Aier and even others that have reported, the refractive market in China seems somewhat stable. Now as that – are we all really excited about that? Want the refractive market to continue to grow. We're excited about the fact that EVO seems to be taking share in a refractive market where laser vision correction that requires the removal of corneal tissue is sort of coming out of favor.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Super helpful. Congrats again.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Thank you.

Operator: The next question will come from Simran Kaur with Wells Fargo. Please go ahead.

Simran Kaur

Analyst, Wells Fargo Securities LLC

Q

Hi. Good afternoon. Thanks for taking the questions here. Maybe just to follow up on the Q1 China numbers here. I know Warren and Deborah, you guys talked about sort of Q4 being a little bit noisy due to product returns that you had in the distribution channel. And that dynamic would have normalized post the deal and sort of that noise abating. So I guess my question is, did that dynamic reverse in Q1? And how much of the Q1 China revenue represents post-deal makeup orders for the Q4 shortfall? And really just trying to understand what a clean Q1 China run rate is here. And then I have a follow-up.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Okay. Thanks, Simran. Look, we talk about inventory here every day. If not every day, it's every week for sure. So we're monitoring closely what's happening with in-market demand. And so we know what the inventory levels

were as we crossed the threshold into 2026. And at the end of the quarter, we posted a solid number in China, and that inventory level with our distributors and the two importers that we have in China was at or below the levels that we entered the year with. And so we know that the end market demand is what's driving the sales. So we feel good about that, and we'll continue to watch that. You can rest assured and count on us for that.

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

And we also – we're pleased to see that our sales to the market approximated the sales into the market, and that's what we've been wanting to see, is stable inventory with our sales to the market approximating sales in the market.

Simran Kaur

Analyst, Wells Fargo Securities LLC

Q

Got it. That's very helpful. And just on EVO+, I think I heard – if I heard your comments correctly, you said early EVO+ demand exceeded expectations here in Q1. Any color on what EVO+ represented as a percentage of Q1 China revenue? And how should we think about the volume price mix benefit from EVO+ in Q1 and then just going forward as it starts to ramp?

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah. Look, we've been excited about the customers' reaction around EVO+, not just our surgeons, but consumer interest in EVO+. So that's exciting. Remember that all of that product comes out of our Swiss manufacturing plant in Nidau. And to do that, we're having to, and have had to scale that plant to be able to not only build V5 or EVO+, but ultimately to be able to build EVO, the original version, we call it V4c, but EVO for our customers in China.

The reality is we needed more V5 than we had planned to produce. So that's a good fact. We'll have that under control very soon. So we think we'll be able to supply the market fully against its needs by the end of the Q2 timeframe and for the rest of the year. And for the rest of the year, we should be able to supply both EVO+ and EVO out of our Swiss manufacturing plant. So that's all good.

As far as the ratio, we're not sharing those numbers yet, but what I would offer you is we know that the market has adopted and accepted the premium that EVO+ is requiring. And so that's a good thing. It also means that they'll continue to be – that the customers in China have taken a pricing strategy to be able to offer a more premium EVO+, still offering a higher price premium EVO, and that goes along with our other refractive offerings. And so you're not going to see a full conversion strategy to V5, to EVO+. You're going to see surge customers continue to use that product as their most premium product.

Operator: [Operator Instructions] The next question will come from Anthony Petrone with Mizuho Group. Please go ahead.

Anthony Petrone

Analyst, Mizuho Securities USA LLC

Q

Thanks, and congrats on a strong quarter here. Maybe a follow-up on China from two angles. One is specifically from Aier eye care group that a few years back when we looked at the volume specifically in China, I think, pre the correction, Aier was accounting for 50% or so of volumes in China. So want to confirm where Aier is these days and what is the visibility into their procedure backlog specifically? And then I'll have one quick follow-up.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah, Anthony, it's a good question. It's not quite that high. I don't think we've revealed exactly what that is. So I'll stop short there. But Aier remains a very large, very important customer for us in China. We have close working relationships with them on the ground from our direct STAAR employees, and we have close working relationships with them through our importer. So we maintain proximity to them on an all-time basis.

They seem to have high appetite to continue having a premium offering. They have high appetite for EVO+, but our strong quarter was really driven by continued adoption of EVO at mid and high diopters. And so I think they continue to run a well-rounded business. It plays an important part of our existing and our future business in China. And the relationship with them is very strong.

Anthony Petrone

Analyst, Mizuho Securities USA LLC

Q

And then a follow-up just on the distributor dynamic. With more limited visibility than we had in prior years, we're going into the heightened season here in 2Q, 3Q. The visibility is still somewhat limited. Now, what is the right amount of inventory the distributors should be holding these days? And are your two distributors in the marketplace kind of where they need to be for where the end market demand is? I'll hop back in queue. Thanks.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah. It's a great one. We've said that six months is what we have contractual relationships with, with both of our importers, and we're at or below those levels. And so we were well beyond those as we exited 2024. We spent 2025 working them down painfully and made it through that process by the September timeframe, and now we've kept close watch on that.

Obviously, in-market demand remains the primary driver of how the inventory levels go up and down. But as Deborah pointed out earlier, the go to market sales now much more closely approximate the in-market demand that we're seeing. So we have visibility of in-market sales. It's really logistics. We've disclosed around this extensively, but we talk about end market sales, and what we're talking about are the logistics.

The shipments that go out from our importers downstream to sub-distributors, and in many cases directly to hospitals, less those returns. And that gives us a really good approximation of what's actually happening in the market. And as long as we continue to maintain our levels of inventory where we started, which is around or about six months, then we feel confident that we've got a good understanding of what's happening with the end market demand.

Anthony Petrone

Analyst, Mizuho Securities USA LLC

Q

Thank you.

Operator: The next question will come from Ryan Zimmerman with BTIG. Please go ahead.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Good afternoon. Thanks for taking our questions. I'm going to keep hitting the same topic. I apologize because I think it's very important. I look at the consignment numbers this quarter and last quarter, and I think about that in the context of where that's been historically. And I want to understand how you think about that because as the consignment does remain more elevated, I'm wondering how much of that is a reflection of your distributors either some of that inventory coming back specifically and moving into consignment.

And then the ultimate question is, we've historically seen 1Q to 2Q step up. I don't know if you're committing to that. I can't tell without the guidance, because again, in a normalized environment, you should see a step up from 1Q to 2Q in seasonal dynamics because of the busy season. But right now, the street is not modeling that. So I'm wondering if you could kind of help me think through the marriage of those two a little more closely. And I – this may be repetitive from what's been asked, but it's important, obviously.

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

I mean, obviously we had a very, very strong Q1, and was probably even frankly a little more than what we were expecting, to be very honest with you. And so our natural question is, is this going to duplicate in Q2? That's the big question. We expect to have a good Q2, as it is the beginning of the busy summer season. And whether it duplicates exactly or whether it's a little bit more, we haven't predicted at this time. We can't predict at this time and – or we're not predicting at this time.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Okay.

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

And then Q3, again, it could be that the seasonal patterns change a little bit from what we've experienced historically. So we really need to – we've had a good Q1, a clean Q1, I would say. And now we're looking to repeat the trend here in Q3 and Q – Q2 and Q3, so we can – so that we're able to predict on a more – on an accurate basis for you all.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah. And just on consignment inventory, Ryan.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Yeah. Yeah.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Thanks for the question.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Thank you. Yeah.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Look, we have some consignments around the world, ex-China, that help us maintain service levels for our business. We only put a consignment actually two different times, one consignment into China to avoid the impact of tariffs at the time when ultra-high, if you go back and you remember 100-plus percent tariffs, we shipped inventory proactively into China to be held at our importers. But it wasn't a move to a consignment strategy. That was a – I sort of refer to it as a decrypting amount of inventory. We don't replenish it. So that consignment is sort of going away as it's utilized, and we rely for service levels on our importers to have their inventory.

So when we talk about inventory levels, it's apples for apples that we required – we had a contract with our distributors to hold six months of inventory to maintain service levels. Well documented, we got us way outside of that. We got that back under control by September of last year and have maintained that, and that's still true for Q1. And so I wouldn't conflate the consignment to particularly in China with any of those numbers.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Okay. So the second question...

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

Yeah. I think [ph] that should (00:33:04) go away by the end of the year.

Ryan Zimmerman

Analyst, BTIG LLC

Q

Go ahead, Deb. Sorry. Sorry. Sorry. Thank you, Deb. Yeah, appreciate that. Didn't mean to interrupt. What is it that you need to see to give guidance? I mean, I guess, like, what are the metrics that you would look to and say, okay, now we have line of sight to our business, because I think it's not clear to us what's holding you back given the performance we saw in 1Q, which was clearly good.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Yeah. Look, I – we've – as I said before, I know why you want it. It makes perfect sense. And love to give – we tried to give some insights, particularly around OpEx, and we've even made comments around gross margin and so on.

The current structure, we've been in place now for four months. We've made a lot of progress, no doubt. Q1 strength is real. We just – at the backdrop of everything that's happening around the world and with the fact that others have sat here and said, hey, Q1 was great. Let's raise. Let's beat and raise, and then give guidance. And then we watched how that turned out. And so we're pleased with Q1, we're excited about Q2, but we're just stopping short yet of giving it.

As soon as we feel like we have enough stability to be able to accurately predict, because we want to be right. As soon as we feel like we have enough information to accurately predict for you is what we would need to have in order to provide it.

Ryan Zimmerman

Analyst, BTIG LLC

Okay. I'll leave it at that. Appreciate it.

Q

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Okay. Thanks, Ryan.

A

Operator: The next question will come from David Saxon with Needham & Co. Please go ahead.

David Saxon

Analyst, Needham & Co. LLC

Great. Good afternoon, Warren and Deborah. Thanks for taking my questions. I – sorry to just harp on the second quarter. I just wanted to follow up, Deborah, on some of the comments you said. I think you said something like you expect to have a good 2Q. So just trying to understand, is that a reflection of trends you're seeing in April and kind of into half of May? Even putting aside numbers, like anything qualitatively you can say or talk about how second quarter is shaping up relative to what we saw in the first quarter.

Q

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

I mean, second quarter is shaping up as I would expect in a normal Q2 based on historical trends.

A

David Saxon

Analyst, Needham & Co. LLC

Okay. That's perfect. Thanks for that. And then maybe on just pricing. I mean, it looks like it was down maybe high single digits on a global basis. I don't know if that's just geographic mix or anything to call out there. And what are you seeing from a kind of region-specific basis on pricing? Thanks so much.

Q

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Yeah. Thanks for the question. The whole world is under pressure relative to pricing. I think we've done a pretty good job at the countries level of our leaders trying to hold pricing and get value for what is offering restorative sight to patients that are in search of it. So we're proud of what folks have done. Sometimes you get nuances relative to the mix in Toric versus Sphere. So that's one thing that we keep an eye on. No doubt, we're getting an increase – we're getting a lift in price in China with the launch of EVO+, which will help us from a global, if you start averaging out ASPs.

A

And then in various markets, as our customers start to go down the diopter curve and to choose lens-based refractive technology instead of laser-based that require removal of corneal tissue that's not reversible, then those customers try and put pressure on us around price. And so the hope is anywhere that we're exchanging price, it's in exchange for more volume. But it's something we keep close tabs on.

David Saxon

Analyst, Needham & Co. LLC

Great. Thanks so much and congrats again.

Q

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Thank you.

Operator: The next question will come from Mason Carrico with Stephens. Please go ahead.

Mason Carrico

Analyst, Stephens, Inc.

Q

Hey, guys. A lot has been asked here, particularly around China, and I think you guys have made it clear that you don't provide – plan on providing some incremental insight there. But I was – I wanted to ask, would you at least be willing to provide some additional thoughts around your expectation for growth in the business ex China in 2026? And I guess as my second follow-up here, are you able to quantify the contribution from the expanded age range indication for EVO in the US?

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Hey, Mason. So maybe I'll start with the second one first. We've quantified what the opportunity is. I think it's a harder exercise to try and quantify exactly how much you get for it, especially in the first quarter when we received the updated labeling, which we're excited about. It matches most of the labeling we've had around the world.

Our regulatory team is awesome, and they've done a great job of going and market by market looking to say, hey, where can we take advantage of getting more patients the potential to get EVO through our labeling? Whether it's going down in age, whether it's changing the cylinder, whether it's just going down in the diopter that's approved in that market. So kudos to that team.

It probably opens up a universe of 8 million more potential patients. We'll see how many of those we can tackle over the course of the coming year and years. But we know it opens up. And it opens up more conversation around what are the options for patients. So there's that.

And then the first question, I'm sorry.

Mason Carrico

Analyst, Stephens, Inc.

Q

Growth expectations.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Ex China.

Mason Carrico

Analyst, Stephens, Inc.

Q

Ex China.

Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

A

Look, we're fighting it out. We remain optimistic, particularly in the long-term value of this business from a growth opportunity standpoint. If you just look at what's happening with refractive surgery and the sluggishness that I described in the US, but also the shift that we're seeing away from laser vision correction as the primary option.

Surgeons and customers and practices, depending on how they're shaped around the world that are serious about offering refractive technologies must have EVO ICL as an offering in order for them to be a comprehensive refractive surgeon. And that is exciting for the long-term prospects of this business.

Now in the short term, what role is ex China going to play? We continue to have strong growth from major markets. You look at Japan, we're proud of what's happened there. You look at US, that's a growing market, and it's one we sort of stopped talking about, and we still are confident about the US as a long-term growth driver. But 22-plus percent growth there coming off of a strong growth last year, and that number is now becoming a more respectable number. Used to be high growth on low volume. Still want to grow that volume substantially, but we're proud there and proud of other markets. We'll keep fighting it out and do the best we can. But I think you're going to see broad growth across the business.

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

And we're up pretty much in every market with the exception of the Middle East and India. So that hit us and as a result, our ex China growth was only 6%. But it's a solid 6%, that's great. Still mid-single digits. So if we get some relief in those other countries, other markets, then potentially it could be higher than that.

Mason Carrico

Analyst, Stephens, Inc.

Q

Thank you.

Operator: The next question will come from Adam Maeder with Piper Sandler. Please go ahead.

Adam C. Maeder

Analyst, Piper Sandler & Co.

Q

Hi. Good afternoon. Thank you for taking the questions, and congrats on the start to the year. I'll keep it to one. And Deborah, for you, wanted to ask about the P&L. I don't think that's been discussed yet in the Q&A. Really strong OpEx discipline in the quarter. Appreciate, I think you have the FY 2026 spend target of \$225 million. Was hoping you could just maybe give us a little bit more color in terms of quarterly cadence for spend in the model. And then on the gross margin front, maybe I just missed it in the prepared remarks, but can you just remind us how you expect gross margin to trend this year? Thank you.

Deborah J. Andrews

Interim Co-Chief Executive Officer and Chief Financial Officer, STAAR Surgical Co.

A

Right. Well, our targets for gross margin have been this year about 75%. We knew we'd fall short of that. I hope we at least exit the year at that. But we do have some headwinds with higher costed inventory rolling through the P&L, things like that. Inventory provisions, higher inventory provisions from expiring product that was sold in 2023 and 2024. And then we're significantly increasing our volumes in our Swiss facility in the second half of the year.

So with that, we should see improved unit costs in the second half of the year. And so I hope then you'll see tailwinds on gross margin beginning in 2027. But that's the target for gross margin overall.

In terms of spending, our spending is fairly linear with the exception of when we have trade shows. So in quarters where we have trade shows like ASCRS or ESCRS, which is typically like Q2, Q3, you'll see a bump in spending. Otherwise – and it just depends. We actually spending this year, if you multiply it out, it's well under \$225 million run rate. So we do expect that there will be some increased DTC and things like that in the following quarters. So it's not going to be exactly the same. I expect it's just going to increase from where it is, but overall, maintain that \$225 million level.

Adam C. Maeder

Analyst, Piper Sandler & Co.

Thank you.



Operator: The next question is a follow-up from Anthony Petrone of Mizuho Group. Please go ahead.

Anthony Petrone

Analyst, Mizuho Securities USA LLC

Hey. Just a follow-up. Thanks for getting us in here. Given out in the past just the global growth rate of the refractive market, total refractive surgeries, and then if we have to break that out, I guess globally, we can do the math just where ICL sits. But do you have handy the – where we exited April as it relates to global refractive surgery growth and where are you guys settling up versus that? Thanks.



Warren Foust

Interim Co-Chief Executive Officer, President and Chief Operating Officer, STAAR Surgical Co.

Yeah. Thanks, Anthony. Those numbers are just so muddy. When you get outside of the US and outside of Western Europe and just a few countries, and then outside of major markets, China, Japan, it gets pretty muddy. Market Scope does a good job, best they can. IQVIA Data does the best job they can. Refractive Surgery Council in the US would tell you that the first quarter was down 7%. We grew 22%. Last year, I think they would say it was down 15%.



The China market, who knows? It looks like it was flattish at least for the last year or so. And you see what we're doing in growth. Our growth numbers are sort of gaudy, obviously, because of the low base or no base even in Q1. And so that's not appropriate. But I think what we believe is happening is what others have said is happening, including our largest customer, that the market is sort of stable. Maybe it's low single digits. Could be even flat, and maybe we're getting it out of price with EVO+.

It's just too early to tell on what's happening there. But I think if you just take a step back from it and you acknowledge that the data is dirty, the laser vision correction market is flat to declining in most major markets around the world.

Where SMILE has a larger penetration of this, of the total laser vision correction procedures, then they grow a little bit. But generally speaking, the refractive market is pulled down by lasers, and it's increasing by ICLs.

Operator: This concludes our question-and-answer session as well as conference call. Thank you for attending today's presentation. You may now disconnect.

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