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STAAR Surgical Co. (STAA)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the STAAR Surgical Second Quarter 2026 Results Conference Call and Webcast. During today's presentation, all parties will be in a listen-only mode. [Operator Instructions] Please note, this event is being recorded.

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

Connie Johnson
Director, Investor Relations and HPMS, STAAR Surgical Co.

Thank you, operator. Good afternoon, and thank you for joining us. On the call today are Warren Foust, President and Chief Executive Officer of STAAR Surgical, and Deborah Andrews, Executive Vice President and Chief Financial Officer of STAAR Surgical.

Earlier today, we reported our second quarter 2026 results via a 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 discussion, we'll 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 on 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'll 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 our President and CEO, Warren Foust. Warren?

Warren Foust

President, Chief Executive Officer and Director, STAAR Surgical Co.

Good afternoon, everyone, and thank you for joining us. Six months ago, Deborah and I stepped into our roles as interim co-CEOs. Looking back now, I am struck by how much we accomplished together. We navigated uncertainty and challenges and leaned into significant opportunities. And today, we're proud to report the strongest first-half revenue performance in STAAR's history.

That includes the launch of EVO+ in China, which fueled market share gains and drove both year-over-year and sequential growth in the region, back-to-back record quarters in the US, and a return to profitability and free cash flow generation across the business. These results reflect the focus, resilience, and execution of teams across the company, and that is a milestone worth celebrating. Through it all, it's been a tremendous experience, one that I'm grateful for. As we move forward, I'm proud to do so as President and Chief Executive Officer. I thank the board for their confidence and each of you for your continued support.

I want to take a moment to recognize and thank Deborah Andrews. Over the past six months, Deborah has been an extraordinary partner, steady, wise, and tireless in her commitment to STAAR. Her clarity and focus on financial discipline, culture, and strategy have profoundly benefited this company. I'm thrilled that she continues as Chief Financial Officer and is doing so now as an Executive Vice President. I could not ask for a better partner as we lead our company forward.

Now, let's talk about the quarter, which was a strong one. Our shareholder letter published today covers our second quarter results, regional performance, ERP implementation, and long-term priorities in detail. Rather than repeat all of that here, I want to focus on the three priorities that we laid out nearly six months ago, revenue growth, profit expansion, and innovation acceleration. In the second quarter, we advanced all three, and I'd like to walk you through where we stand.

Starting with revenue growth. The second quarter was a strong revenue quarter. Net sales were $93.5 million, up 111% year-over-year. We delivered sequential growth in China, double-digit growth in the Americas, and double-digit growth in EMEA, excluding the Middle East. Deborah will take you through the details a little later, but the headline is clear, this business is performing.

One important item I want to flag for your modeling, our third quarter of 2025 results included the recognition of $25.9 million related to the 2024 order. On a consolidated basis, third quarter 2025 net sales were $94.7 million.

Excluding that item, though, the comparable base is $68.8 million. That revenue from the 2024 order will not repeat, and we encourage you to use the adjusted base when evaluating third quarter 2026 year-over-year results. Fourth quarter comparisons are unaffected. Fourth quarter 2025 net sales were $57.8 million.

Now, on China. I'm proud of our market share gains and of our expanding EVO+ launch. China remains critical to our success and an area where we have a compelling opportunity ahead. In the quarter, China grew sequentially, supported by increased adoption of EVO+. And importantly, we saw no evidence of inventory build at distributors or hospitals, reinforcing that our growth is being driven by demand. The broader refractive market remains uneven. Recent industry commentary reinforces the view that procedures remain pressured in parts of China and APAC. Against that backdrop, STAAR's performance supports our belief that EVO is gaining market share.

We're definitely getting a lift from the EVO+ rollout, but more than that, we're seeing patients and surgeons really leaning into the benefits of lens-based surgery. People like that EVO is reversible and doesn't require removing corneal tissue, and that's a big differentiator as laser-based procedures continue to struggle in many markets around the world.

We also want to provide more clarity on China seasonality. As discussed in our shareholder letter, the quarterly pattern in China has evolved. The first and second quarters are emerging as our strongest revenue quarters, supported by Chinese New Year, a shift forward of military recruitment-related procedures, and summer demand.

While the third quarter revenue is expected to be moderately lower than the second quarter due to shift in seasonality, excluding the one-time order of $25.9 million booked in the third quarter of 2025, we expect year-over-year growth. As is typical, the fourth quarter will remain seasonally softer than the first three quarters, but we're still planning for year-over-year growth.

Outside China, we continue to see strong revenue contributions in key markets such as Japan and Korea, as well as double-digit growth in the US, the Americas broadly, and excluding the Middle East and EMEA as well. We also see compelling long-term opportunities in many other markets around the globe.

In the Americas, growth was led by another greater than $6 million quarter in the US, our second consecutive quarter at that level. The US market remains under-penetrated, and we continue to see opportunity to grow EVO sales and continue to take market share as practices look for differentiated lens-based refractive alternatives to laser vision correction as demand for laser procedures continues to decline.

In APAC, outside of China, Japan remains an important market where EVO has strong category awareness, is a strong market leader, and has sustainable long-term potential. We continue to see solid underlying demand in Japan, bolstered by direct-to-consumer awareness initiatives launched in November of 2025. Unit volume rose 14%, though currency headwinds dampened reported sales growth, which came in at 2%. Across the broader region, market dynamics vary, and we're being disciplined about where we invest.

In EMEA, excluding the Middle East, the region grew double digits, reflecting solid underlying demand across much of the region. Across all regions, our approach is consistent. Invest where we see the clearest returns and support surgeons and patients through service, training, and education. While we continue driving the global shift from laser-based to lens-based refractive surgery, we're also working to increase our product availability in order to satisfy the accelerating global demand that has outpaced our supply chain projections.

The second area is profit expansion. In the second quarter, we demonstrated meaningful progress in expanding profitability. We grew gross profit and net income compared with both the prior-year quarter and the first quarter.

These improvements resulted in significant cash flow generation, increasing cash from $163.9 million at the end of the first quarter to $181.5 million at the end of the second quarter. This progress reflects the strength of our business model and the financial discipline that Deborah and the team have brought to the organization.

The result is a company with strong gross margins, a strong balance sheet, no debt, an increasing cash balance, and the flexibility to invest in the business where it matters. Commercial execution, customer support, product availability, innovation, and the systems that help us scale.

Our ERP implementation demanded significant energy and focus across the organization in the quarter, and our teams delivered. We continued to sell EVO lenses. We provided support for our customers and achieved strong results. The ERP system is now live, and we're actively optimizing the system in the third quarter. This is not just an operational upgrade. It's a foundational investment that improves visibility across our business and positions us to scale more effectively and efficiently as we grow. With the ERP system in place, we're also beginning to build towards artificial intelligence-enabled capabilities that will improve how we operate over time.

The third area, innovation acceleration, is the one that I am most excited about. EVO is a genuinely differentiated product. Built on our proprietary Collamer material, it's a lens-based procedure that preserves the cornea, is removable by a surgeon, and addresses a broad range of myopia and astigmatism. While our progress is significant and accelerating, our global share of the refractive market remains far below what we believe is possible. That gap is our opportunity.

Capturing it requires moving beyond a single-product mindset. EVO, powered by Collamer, is our foundation, but we have the opportunity to build a broader platform and a more diversified product organization. One supported by a disciplined innovation roadmap, structured product development, clear milestones, and a stronger execution accountability. Our R&D team, including our advanced research group, is working hard against these objectives and is actively preparing for first-in-human studies on our next-generation product.

To further support our efforts, we'll soon be hiring a chief technology officer to drive STAAR's innovation agenda. I have personally led this search with the support from trusted advisors and our board. And I'll say this, this process has only deepened my conviction about STAAR's long-term potential. I'm excited to share more in the coming weeks. This is the next chapter of STAAR. Grounded in differentiated technology, disciplined execution, and sustainable long-term value creation.

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

Deborah J. Andrews

Executive Vice President and Chief Financial Officer, STAAR Surgical Co.

Thank you, Warren. I'll provide a brief financial summary, and then we'll move to Q&A. Second quarter net sales were $93.5 million, compared to $44.3 million in the prior-year quarter, which as a reminder, was impacted by minimal Chinese shipments while distributors worked through excess inventory. Excluding China, net sales were $41.2 million, up 6% year-over-year.

Regionally, the quarter was generally consistent with the preliminary net sales update we provided in July. APAC net sales increased 189% year-over-year. Excluding China, net sales were up 7% year-over-year. China net sales increased 100-plus-percent and grew 10% sequentially to $52.3 million.

In Japan, unit volume rose 14%, though currency headwinds dampened reported sales growth, which came in at 2%. The Americas grew 12% year-over-year, and the US delivered another approximately $6 million quarter.

EMEA declined 1%, resulting from the continued conflicts in the Middle East. Excluding the Middle East, EMEA also grew 12% year-over-year.

Gross margin was 74.5% compared to 74% in the prior-year quarter. The improvement reflected lower Switzerland ramp-up costs, reduced advanced manufacturing expenses, lower inventory provisions, and lower freight and other cost of sales as a percentage of sales, partially offset by higher per-unit manufacturing costs related to lower production volumes in 2025.

Gross margin was also negatively impacted by China tariffs on US-manufactured product. Margins will continue to be impacted by tariffs until 100% of products shipped to China are manufactured in Switzerland, which should happen by the end of 2026.

Total operating expenses were $59.6 million, compared to $62.8 million in the prior-year quarter. Excluding $5.2 million in restructuring and merger-related costs from the prior-year period, operating expenses increased approximately 3.7% year-over-year. Included within operating expenses were $1.2 million in marketing severance and $1.7 million in ERP consulting. We don't expect the severance to repeat and expect the ERP consulting expense to decline significantly beginning in the fourth quarter. Depreciation expense related to ERP systems was $1.1 million.

We continue to manage toward our 2026 spending target of $225 million, though we may choose to make targeted investments that could result in marginally higher spending should the opportunity arise. Net income was $8.1 million or $0.16 per diluted share, compared to a net loss of $16.8 million or $0.34 per diluted share in the prior-year quarter. Adjusted EBITDA was $20 million, or $0.39 per diluted share, compared to an adjusted EBITDA loss of $14.8 million or $0.30 per diluted share in the prior-year quarter.

We ended the quarter with $181.5 million in cash, cash equivalents, and investments available for sale, up from $163.9 million at the end of the first quarter, and we continue to have no debt. The company currently expects to generate significant free cash flow in the second-half of the year, ending 2026 with well over $200 million in cash.

Overall, the second quarter reflected meaningful improvement in profitability, cash generation, and operating leverage. Our focus remains on maintaining financial discipline, advancing new product development, and investing selectively in the opportunities with the clearest return potential.

With that, I'll turn it back to Warren.

Warren Foust

President, Chief Executive Officer and Director, STAAR Surgical Co.

Thank you, Deborah. Stepping back, the second quarter was a strong quarter that rounded out the best first-half-year revenue performance in STAAR history. This is yet another step forward for STAAR. We grew revenue, expanded gross margins, generated net income, and built cash. And we have much to be proud of. Growing EVO+ adoption in China, back-to-back record quarters in the US, a successful ERP implementation, and early progress in organizing our product pipeline with an eye toward the mid and long-term future.

Our strategy is clear. Our team is focused and performing, and our long-term opportunity remains as compelling as ever, with more than 4 million lenses sold, 85 countries served, and 32 years of proven Collamer safety and efficacy in a world that is becoming more myopic every year. Now, our focus is to build on this momentum, revenue growth, expanding profitability, and advancing innovation. Deborah and I are aligned with our board and management team as we focus on long-term value creation through clear priorities and operating discipline. Thank you for your continued support.

With that, operator, we're now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin the question-and-answer session. [Operator Instructions] The first question will come from John Young with Canaccord. Please go ahead.

John Young
Analyst, Canaccord Genuity LLC

Q

Hey, Warren, Deborah. Thank you for taking the question, and congratulations on the quarter and recent leadership announcement. I want to touch on Q3 and just maybe understand how you're going to level-set investors, just given the comps and the one-timers that you called out. So using that adjusted number of $68.8 million that was in the press release, and then you spoke about consensus currently sits at $80.9 million going into this print. So about 17.5% year-over-year growth from that figure you provided. Are you comfortable with the consensus number today? And what's a good way to think of the Q3 growth algorithm? If you're not comfortable with that number, how should we think about growth overall for the quarter? Thank you.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah. Hey, John, great question. Nice to hear from you, and I'll make some comments and then invite Deborah to join. Look, we don't comment on consensus numbers generally. What I would say is we tried to give a little bit of a bridge to how you think about Q3 and Q4. We wanted to be clear that you needed to take the 2024 order out of each order so that you could have an appropriate base. And then we intend to grow off of that number. In fact, we're planning to grow on Q4 as well. And so that's what we would say as far as how to think about it.

I think the primary driver of the success so far, clearly China has come back for us. We recognize that the market is somewhat muted. You hear that in some of the commentary about other companies that are reporting. But we believe we have a nice advantage with EVO+ launching in that market. We're clearly taking share relative to our competitors, and then we're still putting up a nice performance around the rest of the world, even in the face of some external challenges.

John Young
Analyst, Canaccord Genuity LLC

Q

Okay. Great. And then maybe just as a quick follow-up then, any just color on where EVO+ is today as a share of China volume versus your initial expectations at launch? And then maybe how could we think about the price versus unit benefit in Q2 specific to China? Thanks again for taking the questions.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

You bet. Yeah, it's a good one. Look, we're excited about what has happened with EVO+. Candidly, it's outstripped our supply capabilities based on the demand. It's higher than what we anticipated it would be. Certainly, we saw that in the first quarter, and second quarter was no different. So even in other markets around the world, we're now working to try and sort through scaling up supply to be able to reach the demand. And so that speaks to EVO+ has done better in China than expected.

As far as the percent penetration of it, look, by the time we exited the quarter, it's probably close to a-third of the units. And so we feel that's pretty strong and it beats what we expected when we started. So, how you think about it going forward from a price standpoint, we're still taking a considerable premium. Our customers and seemingly their patients have not balked at that premium. And so we expect that to continue at least into the near term, and then we'll see what next year brings.

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

Thomas M. Stephan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Hey, guys. Thanks for taking the questions and congrats on the rolls. I want to start off with China and sort of thinking more intermediate to long-term. Comp's weird this year, when the Street looks at numbers. But you're seeing obviously underlying volume growth, and obviously have a good sense on price and mix. So not asking for guidance or anything, Warren, but if we think out to 2027 on a full-year basis, and that obviously strips out any quarter-to-quarter seasonality questions. Like as we sit here today, what do you view as the general range of, call it, normalized year-over-year China growth for STAAR? And then I'll have a follow-up.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah. Thanks, Tom. Appreciate the comments. And look, I love that you said you think in intermediate to long-term. That's what we want. We're focused on building the long-term, not just from the revenue standpoint, but the infrastructure investments that we're making in the organization, the preparations we're making behind the scenes from a portfolio standpoint. We are intending to operate this business into the long-term. So, thanks for that mindset.

You said it. Look, aside from the nuance of us taking out the $25.9 million from the Q3 base, now we're going to be back to what we call clean quarters. And we had clean quarters already this year, and you've seen growth better than market in China, and you've seen us continue to deliver in markets elsewhere around the world. And so I have no reason to believe that's going to change in China.

Our thinking is that as that market, which we think is probably mid-to-single digits right now from a refractive market standpoint, pulled down a little bit by lasers that are struggling. But it's offset by improvements that are happening largely because of price with EVO+. And then V4c halo effect that's happening when patients go in looking for V5 and either don't get it because it's slightly higher priced from a premium standpoint, or it's not even available because we're trying to satisfy that demand.

So we think that feels like a tailwind as we go into next year. But not really ready to comment on exactly what that means for the quarters. I'll just finish by saying we did try and give some more guidance, not formal guidance, but some guidance around what the shape of the quarters look like in China.

Clearly, Q1 and Q2 have now moved in the last couple of years to be seasonally our highest quarters. Q3 is still strong, but it's typically going to be less than what Q1 and Q2 are, and Q4 will be a softer quarter from a total revenue standpoint. But again, we're planning growth in both of those quarters, notwithstanding the $25.9 million that we've talked about extensively. I hope that makes sense.

Thomas M. Stephan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Makes sense. Appreciate that. And I'll maybe shift a little near term. I wanted to start off long-term to set this up a little better, but I'll take a stab at kind of the 3Q, 4Q cadence and focus on China here. Warren, if I got this right, I think you mentioned 3Q China revenues moderately lower than 2Q. Hopefully I heard that right. Wondering if we can put a finer point on that?

And I'll ask it in the context of 3Q 2024 and 3Q 2023, China-dollar declines were $10 million to $15 million, roughly speaking. Warren or Deborah, like, is that reasonable for 3Q 2026 China, particularly as EVO+ mix, I think, continues to provide a continued sequential headwind? And as we try to contemplate what sounds like pretty resilient ICL China summer high season trends. So is that down $10 million to $15 million that you've seen in the past a good anchor point? Thanks.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah, that is a good one. Look, I'll start and then invite Deborah. I think it's important to remember two things. The seasonal shift has happened that I described. So Q1 and Q2, we expect to be stronger. That's borrowing partially from Q3. So it's hard for us to say, gosh, this is exactly what we think is going to happen in Q3, one, because of that dynamic. And then two, because of what we said around having to pull some of that 2024 order out of Q3.

But we still expect the underlying, I think the important piece, the underlying demand in China, it's stable. It's not amazing. It's not as high as it was back in periods of hypergrowth, but we're taking advantage of it disproportionately because of the acceleration of share capture in our view. So I think that's how I would be thinking about it. It's hard for us to put a number on that, which is stating the obvious why we haven't.

Operator: The next question will come from Anthony Petrone with Mizuho Americas. Please go ahead.

Anthony Petrone
Analyst, Mizuho Securities USA LLC

Q

Thanks, and congrats everyone on the new roles and look forward to working with everyone moving forward.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Thank you.

Anthony Petrone
Analyst, Mizuho Securities USA LLC

Q

Maybe I'll pivot to the US and then come back to China. Just maybe an update on active sites and the strategy. So where are we in terms of total active sites in the US? And I know that there was sort of a go-deeper penetration strategy, but also there was a push to open up new sites. So maybe where are we on active sites and a recap and a refresh on the strategy between deeper penetration at the EVO live sites versus going after new accounts? And then I'll have a follow-up on China.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah. Thanks, Anthony. Good to hear from you. Look, what we're seeing in the US is a bit of what we're seeing around the world. Remember that when we got the approval for EVO in 2022, commercial launch kind of happened in 2023 as we built up the team. And what you're seeing now is we've got hundreds and hundreds and hundreds of active sites. We're going deeper where we know we can make the biggest difference.

We're focused on two key things. And it's a US discussion, but it's also one that is relevant outside of the US, and that is once we get customers clinically confident when they use EVO and those patients come back and they see them in the clinic or they see the optometrist, these are happy people.

And so what we're seeing is the surgeons get more confident clinically, and then they look for, how do I make this work for me economically? And that varies by whether they operate in their practice or whether they go down the street in their car to a multi-specialty ASC, where they have to pay anywhere from $900 to $1,800 an eye to operate on them. That's a more challenging situation to where we have in-office suites where the doctor can go right down the hall and operate in his or her own practice. So you can see where there's opportunity sets within each one of those scenarios.

We have stratified those customers. Our team is actively and aggressively going after clinically confident customers with an economic message that says, you've got revenue that's walking out of your practice because they're high diopter and someone's trying to sell them LASIK, which is declining year-over-year, and now again, quarter-over-quarter. And so that's a little bit of an almost dated discussion because what's happening now is patients are asking for EVO because they're hearing more about it. Younger patients and younger doctors recognize the value of a removable reversible technology, and so they're more excited. So more of those surgeons in the US are offering EVO as one of their refractive surgery options.

And so you're seeing the adoption, you're seeing less walkout revenue. And you're seeing more of the practices that we're targeting narrow the delta for the patient from a pricing standpoint, so they make it more accessible to them, and that's what we're seeing drive the adoption in the US. It's still on smaller volume that we want, but we're proud of another $6 million quarter and looking forward to continued growth.

Anthony Petrone
Analyst, Mizuho Securities USA LLC

Q

Very helpful. And China, EVO+, just a reminder, what percent of the market does the larger lens size open up, in China? And then just looking at the consignment numbers, they're up pretty substantially year-over-year in the Q. Just wondering how much of the China consignment sales were linked to EVO+? Thanks.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

I'll let Deborah comment on the consignment sales. I'll just say as far as opening up the opportunity, look, the way we see market demand is it's unlimited. That's not just China, that's on a global basis. The amount of refractive error on this planet is untreated, and it's massive. And so we're on a journey after it. Obviously, we're constrained by some things. We're constrained by total patients in the refractive market coming in and seeking consultation.

And then as it pertains to EVO+ in China, we're constrained a bit by inventory as we've been struggling to build enough to meet the demand in Q1 and then in Q2. I think we're getting our hands around that now, particularly as we get into the latter parts of Q3 and into Q4, we'll see some of the demand slow down just because of the dynamics of the seasonality. So that will actually help us from a supply standpoint.

But you're seeing there's no additional number of patients that the EVO+ opens up because EVO+ could be used for any number of patients that EVO could be used for. It becomes a premium positioning at the account level and whether the patient has the economics to support themselves on it.

Deborah J. Andrews
Executive Vice President and Chief Financial Officer, STAAR Surgical Co.

A

I guess, this is Deborah. From a consignment standpoint, actually, our consignments in China are way down. And that's why you're seeing increased tariff costs on the gross margin side, because if you recall, we shipped those consignments before the increased tariffs were put into effect last year, early last year. And so now that those lenses have been used, we're shipping US product into China increasingly, and they are subject to tariffs. But the overall numbers are way down in China in consignments.

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

Simran Kaur
Analyst, Wells Fargo Securities LLC

Q

Hi. Thanks for taking the questions. And I'll echo the prior congratulations on the quarter and leadership announcements. Warren, you framed the China share gains as coming primarily from laser-based procedures. Could you just help us understand the mechanism behind that? Are you seeing more patients opt for ICL up front, or is the bigger driver surgeons expanding into ICL and converting procedures within their practices? And as domestic competition develops in the China refractive market over the next few years, how durable do you believe those share gains are?

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah. Hey, Simran. Thanks for the question. Look, I think starting with the competition, we're thrilled to have competition. It's just more of an admonition that the future is lens-based from a refractive surgery standpoint. You're seeing laser volumes around the world face headwinds. And is that what's happening in China? It's hard to say, getting into the share discussion. We believe a little bit of all of it's happening. Patients are coming in asking for EVO+. Oftentimes they're getting EVO+ if they have the economics to do it, and we're able to supply it. And then even when they're not, and if they're a candidate for V4c, we're seeing a bit of a halo effect that's happening from that standpoint.

So despite the otherwise sort of modest market growth in refractive in China, we believe we're getting a bigger share of it because we're getting a dollar share with EVO+ and we're getting some unit share probably with EVO+ and with EVO. That's inviting that competition. And so we respect it. We see it outside of China. We see it inside of China. It's not made such an impact so far.

Remember, these are acrylic lenses. The advantages of STAAR for 32 years and beyond now is our material. The EVO and EVO+ powered by Collamer message is very real, and the trust that our surgeons have for a device that they've had implanted for 30-plus years gives them great confidence. And I think it makes it more challenging for these other devices that are not made out of Collamer to compete in those markets. It doesn't mean that we have any disrespect for them. It just means they've got an uphill battle.

Simran Kaur
Analyst, Wells Fargo Securities LLC

Q

Got it. Very helpful. And for my follow-up, ex China, I can certainly appreciate on a year-over-year basis, every region grew. But if I look at the growth rates across APAC in particular, it looks like it's decelerated pretty significantly. So maybe just to help us understand what's going on in the region? And more broadly, should we think about ex-China as sort of a mid-single digit grower going forward? Or is there opportunity to re-accelerate the growth rate there?

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

We have strong contributions from our largest markets in the region in APAC, Japan and Korea. Japan grew substantially from a unit standpoint, but faced tremendous headwinds from a currency exchange standpoint. So I think it's 13% to 14% growth even in units, and then what we faced after currency was just 2% growth. So it's modest from that perspective, but the underlying market activity is strong. And we don't have any reason to think that that's going to change.

Korea, it's a bit of the low season for Korea. Korea is also – it's not as – it's a smaller market relative to Japan, but it's a really important one for us. And it's one where we have great sales execution, great customer relationships. And so we believe in the long-term viability of that market as well.

India is really, really a long-term play for us. That's a complicated market. It's complicated relative to local competition. It's complicated relative to macroeconomic factors that they're facing. Obviously, there's currency issues associated with being able to access US-made and Swiss-made products in India. So that's a long-term process for us, but it's still a really important market.

So as far as the heart of your question of what should we expect as far as growth rate, can't say, but what I would say is we don't have any reason to believe that the viability of EVO in those markets is going to be under any siege.

Operator: The next question will come from – pardon me, go ahead.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah, go ahead, Deborah.

Deborah J. Andrews
Executive Vice President and Chief Financial Officer, STAAR Surgical Co.

A

No, I just wanted to add that plus we're seeing really strong growth in Taiwan, which we just launched last year. And that market is really doing very, very well. Sequentially every quarter it's increased significantly. So nice market there.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

It's a fun market to think about because we just got the approval for EVO+. It's adjacent to China obviously, so from a patient population standpoint, they have access and visibility to seeing the social media, the happiness with EVO, and it's one that we're going to start servicing. And it's laser – it's filled with lasers and opportunity.

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

Ryan Zimmerman
Analyst, U.S. Bancorp BTIG

Q

Good afternoon, and thank you for taking questions. Congrats to both of you on the roles. The first question, I want to go back to the pricing and volume dynamics in China for a minute here. Warren, I was struck by your comments about a-third of the lenses in China are EVO+. And let's assume that there's a 30%, 40% price premium on that product. I mean that would suggest, I think, that you're getting about, call it, 10 points of growth on those lenses. But if you back that out, and all else being equal, if the China market's mid-single digits. And again, I can appreciate that you're taking share in the market, but wouldn't that suggest that the volume, the units are declining in China?

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Well, you got to start with this exit share in July. So we don't have – it's not a-third of the units of EVO+ for the full-year. And so remember, we're building as we go.

Ryan Zimmerman
Analyst, U.S. Bancorp BTIG

Q

Okay.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

We don't even launch with EVO+ in all of the hospitals or the systems that we're going to ultimately get launched and listed into. So the math becomes a little bit challenging from that perspective. But again, I'll just double down on, revenue in China now is being driven by two things. It's being driven by return of our EVO V4c, somewhat of a halo effect. And it's being driven by adoption, both units and price, with EVO. And so how much that's ultimately going to go from a-third exit to the full-year, we'll see. Remains to be seen, and we have to be able to supply it as well.

Ryan Zimmerman
Analyst, U.S. Bancorp BTIG

Q

Okay. That's very helpful, and that buttons that up. The other question I had was just US. And again, I can appreciate that this is still building, but if you go back to the launch of EVO in the US, I mean we have seen sequential growth from 1Q to 2Q every quarter since EVO launched. I appreciate that it's holding steady at 6%, but it did decline sequentially a little bit in the US in 2Q. And that may just be based on small numbers and so forth. But I wanted to at least get your perspective on that, because it is still early days, given the opportunity in the US.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah, it's a good one. And look, I think the long-term value of the US market is massive. I think access that we have is going to create a channel for us to do all sorts of things, and this is a long-term discussion, not a quarter-to-quarter one. But just as a practical matter, even though we do better than the laser market, there is often an inverse relationship between how the laser market declines and we grow. But we're not taking every one of those points of their decline, clearly.

And so when the overall refractive market shrinks or grows, we benefit from that, or we suffer a bit from that. So in Q2, sequentially versus Q1, you saw the laser – the total refractive market go down, driven by lasers, because they have the predominant share. And so we suffered a bit from that. So that explains, I think, some of the sequential, we grew, but the decline versus our first quarter performance, which was like 22%. There's probably some timing in there also.

And then the other thing I'll say, candidly, the US makes up 5%, maybe 7% of the share here. When we're on backorder or supply constraint in our largest market, China, or in other markets as a result, as we try and satisfy by building product. We have to build MTOs, made-to-order product for Toric, and when we do that, those are built in smaller volume of units, and therefore it gums up our supply chain.

And when that happens, guess what? The US goes on back order for MTOs. And so that's going to explain some of it, too. I suspect if you channel check, you'll find some unhappy customers, unfortunately, in the US that are trying to get product from us, which we're cranking out now to try and get caught up.

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

David Saxon
Analyst, Needham & Co. LLC

Q

Great. Good afternoon. Thanks for taking my questions, and congratulations on the roles, Warren and Deborah. Maybe I'll start on the ERP. Any way to quantify the impact to the second quarter earnings – I'm sorry, orders or revenue? And does that all get recouped in the third quarter, or does that take longer, or is it just lost sales at this point?

Deborah J. Andrews
Executive Vice President and Chief Financial Officer, STAAR Surgical Co.

A

No. No. We don't think there was any material impact overall on our revenue numbers. As far as the P&L is concerned, the impact was mainly on expenses, as we work to stabilize the system overall and upgrade or update the system. But on the revenue side, could there have been some lost sales, I guess, on the MTO side of it, the made-to-order lens side of it? It could have been. But that's mainly driven not by the ERP system. It's driven by the strong demand in the first half of the year, especially in China.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Yeah. Hey, David, we referenced it in the pre-release, and then we referenced it in the shareholder letter. Honestly, it's more of an acknowledgment of how hard our teams work, because despite the internal exhaustion that it created, we were still shipping products, still booking orders, still servicing our customers, still delivering the revenue for the quarter, which delivered our profit. So I think the ERP system has been a big lift. We'll continue to tune it as we go. But from a revenue impact, I think it was negligible.

Deborah J. Andrews
Executive Vice President and Chief Financial Officer, STAAR Surgical Co.

A

Yeah. I mean I would just add that we've actually exceeded our plans, operating plans for both the first and second quarter of this year. That I will say. So we're pleased overall.

David Saxon
Analyst, Needham & Co. LLC

Q

Okay. That's helpful. Thanks for that. And then maybe I'll try a third quarter question. So obviously appreciate the seasonality commentary. So, I mean, looking at third quarter round numbers, sounds like you'll land somewhere in the $70 million to $90 million range. I guess sitting here halfway through the quarter or thereabouts, how would you characterize the sequential trend you're seeing? Like how steep or gradual is that trend line looking at this point? Thanks so much.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Look, I won't comment on the specifics there. I would just say from a trend line standpoint, I don't think a lot has changed. Like, we've seen some commentary out there around the high season for China. Remembering, we believe there is kind of two high seasons that happen back-to-back in Q1 and Q2 now because of the pull forward of the military procedures, as well as the Chinese New Year. And then in the second quarter, you get a bit of the – you start to get some of the summer high season, which fades off during Q3.

If you listen to what's happening in China, it's sort of flat to mid-single digit sort of growth for the market. And as you've heard us say, at least in the quarter, we've done better than that. So I think all those dynamics hold as we go forward. And then you just have to back out the $25.9 million from last quarter to get your Q3, and think about a little bit of growth there. Same for Q4. Q4 was unaffected by that order, but we think we're planning at least to grow in Q4.

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

Harrison Parsons
Analyst, Stephens, Inc.

Q

Hey, this is Harrison on for Mason. Good afternoon, and thanks for taking the questions. Warren, Deborah, congrats on the new roles. Just wanted to ask on ASPs. Blended ASPs have been under pressure from Toric-Sphere mix and the diopter curve dynamics. After exiting Q2 at 30% of China volume, is the EVO+ premium now large enough to offset these headwinds at the consolidated level in the back-half of the year?

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Look, it's a good question. I'd have to give a lot of thought to that to try and come up with the best answer. I would just say, clearly we're going to continue to get ASP tailwind from EVO+. But honestly, price is a function of – well, at least in Europe, a country like Germany where we have the highest price in Europe, we're facing competition. We're going to have some ASP slippage there, but it's not massive.

We've held price in most markets around the world, partially because the adoption of Toric continues, and so Toric's a little bit higher price. The higher mix of Toric we have, the better pricing we have. So I'm less concerned about pricing, and I'm more concerned and focused on continuing to take share, which we believe we have line of sight to keep doing. So rather than say we're going to overcome price erosion with price in China on EVO+, I'd rather say we're focused on taking share on global markets, and we think we can do that.

You mentioned diopter, and outside of China, if you look at our percentage of units that we sell. If you look at above minus 8s-percent and you look at below minus 8s-percent, we've moved ourselves down outside of China a couple of percentage points at least, down from minus 8% into the minus 6% to minus 8% range. And so we believe that we're continuing to move ourselves down the diopter curve. And anytime we're doing that, that gives us an opportunity to take share where lasers may have been treating that patient before. And so that's going to be our focus rather than the ASP component.

Harrison Parsons
Analyst, Stephens, Inc.

Q

Great. Thank you. That all makes sense. And then, sorry if I already missed it on the call, but when do you expect to have enough EVO+ inventory to fully supply the demand you're seeing right now in the China region?

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

I think we're there or thereabouts now. Remembering that we're going to start to see the summer part of the high season tail off, which gives us a chance to catch our breath and start to build units. So I think by the end of the third quarter, roughly, we should be in a place where we can supply as much EVO+ as necessary. Now our focus is to build V4c. Remember, every unit of V4c that we build in Switzerland for China gives us the benefit of not having to pay the tariff. And so our focus is supplying EVO+, but a sidecar of we want to make sure we supply as much V4c out of China as possible. And we're hoping by the end of the year we're going to be able to accomplish that.

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 evening, Warren and Deborah. Thank you for taking the question, and congrats on the appointments. I'll keep it to one multi-part question. In the press release, you talked about moving beyond a single product line company into kind of, I think, a true platform was the phrase you used. Could you just expand on that comment? Are you thinking about moving beyond the refractive market, or is it more a focus of kind of having a broader offering within refractive?

And I'm assuming everything kind of starts and stops with your Collamer-based technology. Is that the right way to think about it? And just any comments around potential timelines, whether it's years or medium, long-term, would be helpful? Thank you.

Warren Foust
President, Chief Executive Officer and Director, STAAR Surgical Co.

A

Thanks, Adam. I love the question. Look, we're excited to run this business for the long-term. The thinking here now has really evolved to, we want to establish the infrastructure and the capabilities for this to be a long-term investment for folks, but a long-term successful company in ophthalmology. And so from a pipeline standpoint, we've got great engineers and great clinical, medical, regulatory talents in this organization that have been working in the background for years now on a variety of things.

And so we're looking forward to bringing those things together in what will be a more cohesive, a more easy to understand portfolio. And we'll talk about that in future releases. We're not ready to talk about it today. You heard us say we're going to hire a chief technology officer. I'm excited about that. I'm excited to be able to start talking about first-in-human testing that we will be doing very soon, as early as even the first part of next year, if we can't even do it sooner, and that's on next generation products.

We've said before, we're focused on things. Of course, the material capabilities that we have are unique, and that's how Collamer has differentiated us for many years. So we want to use those same capabilities, whether it's Collamer or whether it's something else, for us to be able to accelerate, and become beyond just an EVO ICL company. Refractive is our wheelhouse. In the sulcus is our wheelhouse, where the surgeons place the EVO ICL. So I think all of those represent opportunities.

You've heard us talk in the past about extended depth of focus or presbyopia correction, being able to take advantage of a patient's natural ability to accommodate, but be able to give them some extra help, with a lens-based technology. That's an option, amongst many other options. So we'll talk about those in a more formal way as we go, but there's a lot of excitement here about our future.

Adam C. Maeder
Analyst, Piper Sandler & Co.

Q

I'll stay tuned. Thank you.

Operator: [Operator Instructions] Showing no further questions, this will conclude our question-and-answer session, as well as conference call. Thank you for attending today's presentation. You may now disconnect.