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# STAAR Surgical Co. (STAA)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

### Brian Moore

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

### Stephen C. Farrell

*Chief Executive Officer & Director, STAAR Surgical Co.*

### Warren Foust

*President & Chief Operating Officer, STAAR Surgical Co.*

### Deborah J. Andrews

*Interim Chief Financial Officer, STAAR Surgical Co.*

## OTHER PARTICIPANTS

### Thomas M. Stephan

*Analyst, Stifel, Nicolaus & Co., Inc.*

### Anthony Petrone

*Analyst, Mizuho Securities USA LLC*

### Ryan Benjamin Zimmerman

*Analyst, BTIG LLC*

### Simran Kaur

*Analyst, Wells Fargo Securities LLC*

### Patrick Wood

*Analyst, Morgan Stanley & Co. International Plc*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings and welcome to the STAAR Surgical First Quarter 2025 Earnings Call and Webcast. As a reminder, this event is being recorded today, Wednesday, May 7, 2025. During today's presentation, all parties will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]

I would now like to introduce your host, Brian Moore, Vice President of Investor Relations with STAAR Surgical. Please go ahead.

### Brian Moore

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

Thanks, operator. Good afternoon and thank you for joining us. On the call today are Steve Farrell, CEO; Warren Foust, President and COO; and Deborah Andrews, Interim CFO.

Earlier today, we reported our first quarter results via press release and Form 8-K. We have posted our earnings release and presentation to our investor website at [investors.staar.com](http://investors.staar.com). Today's call is scheduled for one hour, and will include Q&A for publishing analyst. Webcast participants can also send questions for today's Q&A session to [ir@staar.com](mailto:ir@staar.com).

Before we get started, I want to remind you that during today's discussion, 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 disclaimers in today's release, the presentation, 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 and the presentation 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 release, SEC filings, and public conference calls and webcasts.

And with that, I would now like to turn the presentation over to CEO, Steve Farrell. Steve?

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## Stephen C. Farrell

*Chief Executive Officer & Director, STAAR Surgical Co.*

Good afternoon, everyone, and thank you for joining us today. I'm excited to speak with you as STAAR's new CEO. While I've been a member of the company's board, I'm honored to now lead the management team at this critical time for STAAR. The building blocks of the company's success are in place, and I'm eager to work with our stakeholders around the world as we continue to deliver upon our vision to be the first choice for surgeons and patients seeking visual freedom. As we said in today's earnings release, we have to do better, and we will.

My commitment to you is for transparency, the good and the bad, as we return this great company to sustainable growth that reflects our brand's earnings power and strength. Like other companies, we find ourselves in interesting times, but the structural drivers for lense-based vision correction and the adoption of our proprietary EVO ICL technology remain intact. Globally, the prevalence of myopia continues to grow, and patient preference for reversible, proven, high-quality solutions is increasing. With rising wealth in emerging markets and the growing middle class demand for premium procedures, we believe we are well-positioned to continue to take share. While we have made excellent progress in my first 70 days as CEO, we have work to do to return to the level of financial performance that our shareholders expect and deserve and that we are capable of achieving.

To that end, we've spent the past few months addressing the short-term tactical issues like channel inventory, cost discipline and tariffs, so that we can soon turn our complete focus to more strategic growth-oriented activities.

Let me give you a few highlights of our accomplishments. One, we streamlined the management structure to be more effective and more efficient. This includes promoting Warren Foust to President, overseeing our day-to-day operations. Warren, who has joined me on the call, is a proven industry executive and a problem solver who shares my enthusiasm for disrupting the market.

Our new management structure also includes bringing back Deborah Andrews as Interim Chief Financial Officer. Deborah was previously CFO of STAAR, and she built trust with investors through transparency. Deborah was the architect of cost optimization and financial initiatives that resulted in a period of high cash flow generation.

We also elevated Magda Michna to the newly created role of Chief Development Officer. Magda is leading our renewed efforts to diversify our product portfolio and improve the pipeline, and has already brought discipline to our R&D efforts.

Collectively, with the entire management team, we are committed to winning in the marketplace and to driving shareholder value.

Two, we are working with our distributors in China to manage through their inventory levels so that our Q3 revenue more closely aligns to in-market procedure volume. Better days are ahead as the macroeconomic headwinds appear to be diminishing in China, and we expect a good second half of the year.

Three, to mitigate the potential impact of tariffs, we negotiated consignment agreements and shipped consigned inventory to our distributors in China. That is inventory that we own that's on our books and is held by our distributors. We believe that this mitigates most of the China tariff issue through at least the beginning of 2026. I want to thank the team for acting so quickly and decisively to meet this tariff challenge head on.

Four, we have identified a series of actions to meaningfully reduce costs, including reduction of underutilized facilities and fixed assets, marketing savings and personnel reductions. We believe these actions will position us to exit 2025 with an SG&A run rate of approximately \$225 million. Our approach to cost optimization is designed to reinforce, not restrict our top-line growth ambitions. And we will spend and invest every dollar like it is our own. This streamlining, which mostly focused on inefficiencies in our US operations, prepares us for future strong cash flow generation after our revenue rebounds in Q3.

Five, we are devoting corporate resources to drive growth initiatives in our global operations, including Asia Pacific, which is our largest market. To that end, I want to thank Wei Jiang, who is a Board Member, for stepping in as Interim Chief of APAC Strategy.

Let me take a minute to elaborate on what we're seeing in terms of ICL demand in China. In-market demand in China is getting stronger, and I believe that should be a key takeaway from today's call. In the first quarter of 2025, we saw an improvement in ICL procedures that is sell through to hospitals by our two distributors following a weak back half of 2024. First quarter reported China sales this year were just \$389,000 as our two distributors consumed their existing inventory instead of ordering from us. This \$389,000 compares to first quarter China reported sales in the year ago quarter of \$38.5 million. Despite the dramatic reduction year-over-year in our reported revenue, we are bullish because we believe in-market ICL procedures in the first quarter of 2025 were similar to or perhaps even better than the first quarter of 2024.

We are on track to resume more normalized reported sales for China beginning in Q3 as planned. We expect to recognize in Q3 the \$27.5 million of sales associated with the Q4 2024 order by one of our distributors in China. As previously reported, we did not recognize revenue on this order upon shipment, but will recognize revenue upon payment.

During our Q4 earnings call, we indicated that we thought having these ICLs in-country in China could help address challenges and delays associated with importation and logistics and could mitigate potential impacts from geopolitical risk and tariffs. I think we are fortunate and perhaps a bit lucky to have this inventory in-country given the current tariff environment.

I am proud of what the team has accomplished in a short period of time.

I will now turn it over to Warren to share additional commentary on our China tariff response and an update on the launch of our EVO+ lens in China. Warren?

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## Warren Foust

*President & Chief Operating Officer, STAAR Surgical Co.*

Thanks, Steve. And hi, everyone. It's really nice to speak with you in this forum for the first time.

A couple of thoughts on tariffs. In April, when China announced retaliatory tariffs on US goods, we moved quickly. We worked with our distributors in China to set up consignment agreements and shipped ICLs ahead of tariff implementation deadlines. This consigned inventory is still owned by STAAR, but instead of sitting in our US or Swiss warehouses, it's now positioned with our distribution partners in China, offering additional tariff-free product available to surgeons in China.

I want to give another shout-out to our teams, especially in Switzerland, but really across three continents, who pulled this off in under three days. It was a great example of how STAAR employees pull together and execute under pressure.

Between the inventory our distributors already had and the consignment stock we've now forward deployed, we believe we will have enough ICLs in China to meet most demand through early 2026. We hope the tariff situation eases before then, but we're also planning for the long term. That includes increasing our production capacity in Switzerland, which we believe will allow us to ship product to China without an additional tariff on US origin goods. Of course, tariff policies and rates are evolving and difficult to predict. We have made great progress in Switzerland and are now very close to our facility having the validations and product approval necessary to manufacture product for China and other markets from Switzerland. We expect to be fully validated and approved this summer.

Once we cross the finish line, we'll be able to manufacture EVO ICLs for the China market from the US and Switzerland. Importantly, we're already building lenses there in Nidau in advance of being able to release them to the market. Switzerland has a longstanding reputation for precision engineering, innovation and quality. So, this just reinforces the quality and expertise that goes into creating a high-performance product like EVO ICL.

Our Swiss facility will have the capacity to make over 300,000 lenses a year by the end of 2026, with longer-term potential for more than 800,000 lenses annually. We're on track to finish up final inspections and certifications in the coming months.

Increased manufacturing capacity in Switzerland will further support our future growth plans. We've seen that when surgeons and clinics are confident in EVO, both clinically and economically, they tend to grow their usage and convert more patients. That's especially true in Asia, where surgeons have years of experience with our technology, and therefore the EVO brand is the strongest. We are building that same clinical and economic confidence globally, and that's really the foundation of what we call the culture of EVO, the mindset and approach that helps drive consistent EVO ICL procedure growth. We believe the future of refractive surgery is lens-based, and this is further validated by new market entrants which should help raise awareness and adoption. And that's good for us.

With over 30 years of clinical experience with Collamer, we offer a differentiated premium solution that will continue to win in the market.

Finally, our EVO+ lens technology, also known as V5, is on track for approval in China, which is expected later this summer. It's our first new lens in that market in over 10 years, our first larger optical zone, and has been eagerly anticipated by ophthalmic surgeons and patients alike. We're excited to further extend EVO ICL's position as the standard for lens-based refractive vision correction in this market.

Deborah is now going to share additional commentary on our Q1 financial results. Deborah?

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## Deborah J. Andrews

*Interim Chief Financial Officer, STAAR Surgical Co.*

Thank you, Warren and Steve. And good afternoon, everyone. Let me start with some high-level comments on sales, profitability and margins.

Historically, the company has reported net sales and ICL sales separately. Sales attributed to our IOLs and other products have decreased over time. The difference between our net sales and ICL sales is now quite small. With today's report and moving forward, we intend to discuss our total net sales. Additional details are available in our 10-Q filed today.

Our total net sales for the first quarter of 2025 were \$42.6 million, as compared to \$77.4 million in the year-ago quarter. The change in net sales was due to minimal purchases by the company's China distributors as they consumed existing in-country inventory, partially offset by positive global sales growth outside of China. China sales were \$389,000 in the first quarter of 2025, as compared to \$38.5 million in the year-ago quarter. Net sales, excluding China, were \$42.2 million for the first quarter of 2025, representing 9% sales growth over the year-ago quarter.

Our profitability in the quarter was impacted by lower sales, lower gross profit, and \$22.7 million for restructuring, impairment, and related charges, which include severance, operating lease, and other impairment costs. These restructuring charges were incurred in order to right-size the business and its operating footprint in order to improve long-term profitability. Excluding these charges, total operating expenses for the first quarter of 2025 decreased by \$574,000 to \$62.7 million, from \$63.3 million in the year ago quarter. As the company continues to implement cost savings initiatives during Q2, we expect to report additional restructuring, impairment, and related charges.

Adjusted EBITDA for the first quarter of 2025 was a loss of \$26.4 million as compared to earnings of \$5.3 million in the year-ago quarter, with the \$31.7 million decrease primarily attributable to the \$33 million decrease in gross profit. Please note that you will see a higher level of consignment sales as a component of our total net sales in future quarters based on the consignment lenses we shipped to China in April, but for which we have not yet recognized revenue. We will recognize revenue on that consignment inventory when it is sold to our distributors in future quarters. STAAR already have consignment sales in other large markets, which, as disclosed in our financial filings, have averaged approximately \$20 million per year since 2022.

Turning to our regional sales performance. Net sales, excluding China, were up 9%, driven by growth in APAC sales outside China. In the Americas, sales growth was 9% in the first quarter. In EMEA, sales growth was 10% in the first quarter, and APAC sales, excluding China, were up 8% in the first quarter. Japan, South Korea, and India all contributed to the solid first quarter performance.

Moving down the income statement for the first quarter of 2025, gross margin was 65.8%, as compared to 78.9% in the year-ago quarter. Gross margin declined primarily due to higher manufacturing cost per unit based on the lower production volume in our US manufacturing operations and other costs of sales, including period costs associated with the expansion of the company's manufacturing capabilities in Switzerland, which reduced gross margin by approximately 6 points and increased excess and obsolete inventory reserves, which reduced gross margin by approximately 4 points.

We are targeting 70% gross margin in the second half of 2025, which is better but still at a temporarily depressed level since we expect the higher cost per unit and period costs associated with ramping up our Swiss manufacturing will persist through 2025 due to lower production volume and the initial inefficiencies associated with new manufacturing. We will, however, continue to drive gross margin improvement. After we ramp up manufacturing in our Switzerland facility and drive higher output levels, we expect a return to gross margin in the range of 75% to 80%.

The \$22.7 million of restructuring, impairment, and related charges on our income statement includes approximately \$9.4 million of cash expense related to severance, reduction in workforce, and consulting expenses during Q1. \$13.3 million of the charges are for non-cash impairment of fixed assets, operating leases, property right-of-use assets, and internally developed software, also reported on our statement of cash flows under impairment of fixed assets and operating leases.

Turning to our balance sheet, STAAR ended the first quarter with \$222.8 million of cash, cash equivalents, and investments available for sale at March 28, 2025. We reduced our accounts receivables in the first quarter by 38% year-over-year and 49% from year-end 2024.

Our accounts receivable balance at March 28, 2025, was \$40 million. Our cash balances will dip temporarily in Q2 and Q3, but we do not expect our cash to drop below \$140 million before we start improving cash flows in the back half of the year. We do believe we will return to profitability in the second half of the year, and we do expect to also resume cash generation as we exit 2025. STAAR continues to have no debt.

Now, we'll turn the call back over to Steve. Steve?

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## Stephen C. Farrell

*Chief Executive Officer & Director, STAAR Surgical Co.*

Thank you, Deborah. In our press release today, we withdrew the company's outlook provided on February 11, 2025. Despite confidence in our recent efforts to mitigate tariff exposure and our optimism regarding short-term and long-term business trends, government policy and economic uncertainty make it more challenging to forecast, particularly in the short-term.

Let me take a minute to highlight some of the reasons why I'm optimistic for the future and excited about being part of the STAAR team. First, our short-term tactical challenges will mostly be addressed by the end of Q2. We are monitoring inventory in China more closely. Cost controls are in place and the new management team is committed and motivated.

We have mitigated most of the short-term tariff risk in China by increasing our inventories in-country and believe we will be able to mitigate most of the longer-term risk with the expansion of our manufacturing capabilities in Switzerland. As we return to higher levels of sales and growth in Q3, you can expect to see the savings from our cost initiatives fall to the bottom line.

The second reason I am optimistic about the future is because we have a unique proprietary polymer material and a first-mover advantage that creates a sustainable competitive advantage. The scales are tilted in our favor from a technology perspective, and we have a 30-year head start over new entrants. We have a proven solution and EVO ICL should be the choice procedure across all markets.

Our lenses are comprised of a biocompatible Collamer material that is stable in the eye and that is extremely difficult to reproduce, especially at scale. We believe that our EVO ICL will become the preferred surgical solution

because it is an additive procedure and our lenses are implanted in front of the natural crystalline lens. EVO does not compromise the integrity of the eye because it does not permanently reshape the cornea and it's removable. EVO offers UV protection and an improved visibility and a quick procedure with a fast recovery. Although we are just getting started, we believe there are opportunities to use our proprietary Collamer material in other therapeutic areas, especially within the eye.

The third reason I'm optimistic about the future is that we operate in a very large and growing market, so we will generally enjoy tailwinds, even though that has not been the case recently. While data regarding laser vision correction indicates overall procedure volumes are dropping, ICL procedure volumes are increasing, and we believe the total addressable market for lens-based refractive vision correction is a much bigger opportunity.

Although my assessment of our current addressable market is a work in process, I thought it was important to give you some preliminary thoughts on how we think about this opportunity. We believe that the benefits of the EVO ICL procedure will make it the clear choice for refractive vision correction globally over time, as it has already become in markets like Japan where surgeon confidence is high, where patients have a greater awareness of ICL as an alternative to laser vision correction, and where the market environment has been favorable to ICLs.

Although the data is not perfect, Market Scope estimates the global refractive surgical market at almost 5.2 million procedures in 2025, which we think that might be a little bit high but it's in the ballpark of our estimates. We sell our individual lenses at prices that average \$500 to \$600 globally, but that pricing [ph] varied (00:26:32) significantly from a little under \$400 per lens to over \$1,200 depending on the specific attributes of the lens and the volume of purchases.

As we mentioned in our press release, we succeeded this quarter in expanding our labeling in Brazil so that we can now effectively address the entire global refractive market there. We are pursuing labeling changes, including spherical power in other key markets globally so that we eventually have the approval to participate in most of those 5.2 million procedures.

So, on the low side, our market opportunity could be defined as the 5.2 million global refractive procedures times our ASP of \$500 to \$600. However, we think that perspective of the market understates our opportunity.

We have historically focused on attracting the surgeons who treat the small percentage of patients who have elected the surgical option, which includes LASIK, PRK, SMILE and our EVO ICL. However, the overwhelming majority of people with myopia have not taken the surgical route and have opted instead to go untreated or to wear glasses or contact lenses. Roughly one-third of the global population, or 2.7 billion people, have myopia today, approximately 1.1 billion of whom are between 21 and 45 years old, which is the target market for our EVO ICL technology. That's 2.2 billion potential procedures.

Many of these people could be treated using our lens without any label expansion. Our challenge is to find ways to overcome the obstacles that prevent our target population from seeking visual freedom with EVO ICL. These obstacles include efforts to keep patients in glasses and contacts, surgeon reluctance, lack of patient awareness, patient ability to pay, and patient aversion to eye surgery, among others. These obstacles will be challenging to overcome, and we don't have all the answers yet. However, we know that we need to identify pathways to capture the tens of millions of patients who have not elected the surgical vision correction option but are able to afford our ICL and would benefit from the visual freedom that our ICL could provide.

We are spreading the word about EVO, and surgeons and patients are increasingly turning to EVO ICLs for refractive vision correction. The prevalence of myopia is growing globally as a result of excessive use of computers and smartphones, combined with decreased exposure to natural light and reduced outdoor activities. We have only just begun to tap into this market opportunity and it's growing fast.

We have work to do, but I'm confident in our path forward. I look forward to sharing our progress with you each quarter, and more importantly, delivering financial results that will speak for themselves.

Warren and I will meet with investors in Asia next week, including at the CICC Investor Conference in Shanghai. The team also looks forward to meeting with many of you at the upcoming Stifel Ophthalmology Summit, the Wells Fargo West Coast Bus Tour, the William Blair Annual Growth Stock Conference, and the Jefferies Global Healthcare Conference.

Thank you for your interest and your continued support of STAAR. Operator, we will now take questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Tom Stephan with Stifel. Please go ahead.

**Thomas M. Stephan**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Great. Hi, everyone. Thanks for taking the questions. Sorry if any of this was addressed, hopping between calls, but maybe if I can start on China. Curious if you can elaborate a bit more on how ICL sell-out tracked in 1Q 2025, if you're able to give any color by month, that'd be great. It sounds like possibly flat to up, but any more granularity would be appreciated. And then any comments on how 2Q has trended so far and early insights into the summer high season kind of as we approach that? And then I have a follow-up.

**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah. Hey, Tom. It's Warren. Great to hear from you. Good question. Look, we're pleased with how the year started, particularly coming out of the back half of 2024 that was soft. And so, to your question around the pace of January, February versus March, they were all fair – in-market sales were all fairly constant. So, don't know that I would make a distinction between any one of the three months. But again, I would just say, consistent with what we said, we were pretty pleased with the pace and gave us a chance for the distributors that we partner closely with to burn down some of the inventory that they had built up. So, coming out of Q1 in a reasonable spot.

**Thomas M. Stephan**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

That's great. Appreciate that. And then pivoting to competition, maybe if you can talk about [indiscernible] (00:33:19) and what you're seeing there in terms of the competitive impact on ICL today. Know it's still early, but what are your customers saying? Are there any adoption tendencies you're noticing? And then is there any rough revenue impact we should think about for 2025? Thanks.

**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah, it's a good follow-up. Look, it's been quiet. We've certainly asked our customers about it. Have a few customers that have had some experience with it. Any time a new lens comes into the market, the provider will offer those lenses at no charge. Oftentimes, they try and do pricing deals to get some adoption. It's just been immaterial thus far. So, we kind of welcome competition, we certainly don't discount it, but just haven't seen a lot of uptake. And potentially could be the establishment of EVO for so many years in China and around the world, but in China – and so, we'll keep a watch on it. Certainly, our teams are prepared for it, but nothing much to report thus far.

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Hey, it's Steve Farrell. I'd also add that we welcome the competition on the surgical side because we think increasing awareness, that there are options besides glasses, contacts, is a good thing. So, we think that pie can grow, and we think bringing awareness to that is a helpful thing in the long run.

**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

And then just, Tom, as you think about – and others, as you think about what to model, on the second part of your question, I really couldn't give any guidance on what to model from the standpoint of it's just – it's pretty – it's immaterial to us. It was contemplated in our original thinking. And so, again, we'll keep a watch out for it, but pretty quiet so far.

**Thomas M. Stephan**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Super helpful. Thanks again.

**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

A

Thanks for the questions, Tom. This is Brian Moore with STAAR Surgical. STAAR management team, we do have a webcast participant question.

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Great.

**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

A

So, let me read them. As many other companies have done this quarter, you have withdrawn guidance because of the tariff situation and economic uncertainty. But you also indicated that procedure trends in China have improved and that your cost-cutting is working. Does that mean that if economic trends around the world do not deteriorate from here, on the current picture – the current picture seemed better than what was expressed by STAAR in February?

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Yes. Thanks for that question. There's clearly some global uncertainty. We're mitigating our tariff issue, but it's evolving, and frankly, we don't know exactly what target we're trying to hit. We're working hard to anticipate that, but it is an evolving situation. And we're also working through inventory. And as you mentioned in your question, we're making good progress on the cost side. But we've got a new team and a new approach.

Warren, Deborah, and I want to be certain or near certain that we can do what we tell you that we're going to do. Do we think we have a good shot at hitting our guidance? Yes, we do, but we hold ourselves to a higher standard than a good shot. We want to be certain or near certain.

We're committed as a team to transparency with investors, and we're committed to helping investors think about the business in the same way that we think about the business. That means that we need to really share with you our thoughts and help you think through the future. So, let me try to do that. We want to earn your trust, and we think there's no better way to earn your trust than to produce good results.

So, let me take the guidance question kind of one by one, and let me start with the sales ex-China. The outlook a couple of months ago was \$165 million to \$175 million in revenue and \$40 million per quarter in the first two quarters. We obviously hit Q1 with \$42.5 million of revenue. And in terms of the global sales ex-China, we were up 9%. And our range for the year is up 9% to 15%. So, can we hit the 9% to 15%? Yeah, I think we have a good shot. Is that how we want to work with investors? Not really. We want to be certain with the guidance that we give you.

So, the guidance of \$165 million to \$175 million, do we have a shot to be in there? It's a pretty good shot. Yeah, I think we do. Moving to China. China's coming back quickly. We guided \$75 million to \$125 million. Do I think we're going to hit that? Yeah, I feel really good about hitting that. And so, we're – we feel pretty good on the China side.

Moving to gross profit, we guided to 70% gross profit. We missed that in Q1 by a bit. But I think we've got excellent reasons for missing that, and I think there are reasons that will help drive shareholder value in the long-term. We're ramping our Switzerland facility, that's going to help us with tariffs. It's going to help us with our overall supply. And from a strategic perspective, it's an excellent choice.

In the short-term, we've got too much fixed cost running through too few units, and we need to be efficient from a facilities perspective, and we need our facilities running closer to capacity to get back to that 75% or 80%. Will we get there? Yes, we'll get there over time. Are we going to get there during this year? Probably not. So, if you're thinking about long-term models, I think that 75% to 80% range is a very good range for us.

But right now, we are ramping and we're accelerating our ramp. We think that's in the best interest of shareholders. But does that put our 75% gross margin for the year at some risk? Yes, it does.

Looking to operating expenses, we guided \$212 million to \$288 million on the SG&A line. Today, we announced that we think that the \$225 million range is good. So, we're going to be at the low end of that range, which I think is a good thing, and we are being efficient there. And so, we've given you some commentary on that front.

And then I'll turn to the last piece of the guidance, which is our cash. We announced today that we might drop to \$140 million. We're pretty confident we won't drop below that. And that compares to exiting the year at \$150

million to \$175 million. Do we think that continues to be a good outlook for cash at year-end? Sure. But we've got a long way to go between here and there.

On the adjusted EBITDA side, we guided to approximately a \$30-million loss. We came in ahead of that at \$26.4 million. So, we feel pretty good, especially with our cost controls, that we're going to attain the EBITDA outlook. But I think the takeaway for investors here is that we are committed to transparency with you. We want you to think about the business the way we do. We're excited about the business, and we don't want to be in a position where something happens to us that's outside of our control, that causes us to look bad. We're a new administration here and we want to earn your trust, and we think the best way to do that is by hitting results.

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**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

A

Thank you, Steve. Operator, will you please unmute the next questioner you have in queue?

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**Operator:** Yes. The next question comes from Anthony Petrone with Mizuho Group. Please go ahead.

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**Anthony Petrone**

*Analyst, Mizuho Securities USA LLC*

Q

Thank you. And congrats on all the new appointments, and good luck as we navigate the rest of the year. Maybe a little bit on the China commentary on consignment inventories as a mitigation exercise in the face of the global trade war here, tariffs. Is there any way to just quantify, I guess, how much inventory there is in the channel and consignment? And when we sort of think about, and I know it's a little bit early, looking ahead to 2026 where perhaps there'll have to be additional mitigation efforts. Maybe just walk us through the high-level thinking on how that can play out and then I'll have a quick follow-up. Thanks.

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**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah. Hey, Anthony. Good to hear from you. Look, we said we have enough inventory to mitigate tariffs through -- about the end of the year into 2026. So, I think what we said previously was we had too much inventory on the [ph] owned (00:43:05) side. So, prior to the tariffs, our two distributors had some excess inventory that we wanted to give them the chance to burn down this year through consumption in the market, which has been strong. So, we're happy about that.

So, we're on track to get down to the levels of inventory that are contractual by around the middle of the year. So, that's good progress. Happy about that. As it turns out, we're happy the inventory's in China, along with having only a few days. You mentioned we give some props to our team, with three days' notice, we even had folks from the US over working in the facility and had a chance to go grab them out of the room where they were implementing our new ERP system and took them down to the warehouse and put them to work. And they were very grateful that they did it. They graciously gave their time and helped us get inventory onto pallets, ultimately onto airplanes within a three-day window and got it to China, to our distributors. And so, a [ph] three-continent (00:43:57) effort getting consignment agreements in place to have that inventory there.

So, that'll get us through this year. That gives us the chance to be building inventory in our Swiss facility, which we're ramping up now. You heard me say we're waiting on the validations internally and the approvals externally. We feel confident about those and those efforts to build inventory in advance of receiving those approvals should have us in best position to mitigate. So, I think that's kind of part one and part two of your question, because it

gives us the next effort to mitigate is going to be the reduction in the tariffs. We certainly can't predict that, so we're planning for the long-term, and then building inventory in Switzerland to offset the demand.

**Anthony Petrone**

*Analyst, Mizuho Securities USA LLC*

Q

No, very helpful. And the follow-up would be maybe just a fresh view from the company now on the pricing strategy, I would say maybe even globally here, what is the latest thinking on how Visian ICL should be priced in China and perhaps how it should be priced in the United States? Is there any major changes in how the team is thinking about the global pricing strategy? Thanks.

**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah, no – good question. No major changes. Patients love EVO ICL, 99%-plus of the time, they say they would do it again. And so, we know that the value that EVO ICL provides to our patients and to our surgeons is really, really high. We're going to continue to, of course, to look at levers to unlock growth with our customers. So, price can always be a component of that, but it's not the main component of it. The reality is the value of the device changing a patient's life is what drives the patient's desire for it. So, we'll continue to look at ways, but we believe in the value of the product.

**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

A

Thank you, Anthony. Operator, please unmute the next questioner.

**Operator:** The next question comes from Ryan Zimmerman with BTIG. Please go ahead.

**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Q

Oh, great. Thanks for taking my question. Stephen, I just want to understand something, and this isn't a question so much as you're talking about numbers for the year, but you withdrew guidance. I just – I'm a little confused as to what you're saying about where numbers can or can't go given the withdrawn guidance.

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

I'm not sure I'm following the question.

**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Q

Well, I think you were talking about kind of where you think you can perform, but you're withdrawing your guidance. So, I guess I'm struggling reconciling these two things. Maybe that's more of a comment than a question, but I don't know if you want to address that or not. But that said...

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Sure. Yeah. No – yeah, thanks, Ryan. Now I get it. We're trying to give you some color on what we think. We're trying to be transparent with you. And so, the answer is we are having a discussion. And I think that's a little bit different than formal guidance. And so, we – I think one of the things that you heard during that discussion was

that in ex-China, we were at 9% growth. Our range is 9% to 15%. One of your takeaways should have been that we're a bit worried about our ability to get to 15%.

And so, we would rather have that discussion with you now and be transparent than we would find out that, at the end of the year, we were at 8.5% and have you guys be upset with us. So, we're trying to give you color for where we think we can go with the business. And we've also – we're clear, I think, in my commentary that the gross margin guidance is probably not going to be hit for this year because we're ramping up our Switzerland manufacturing. So, our objective is not to confuse. I apologize if it did. Our objective is to be transparent and help you understand how we're thinking about the business.

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**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Q

Okay. Yeah. Maybe it's me. I apologize. I appreciate what you're trying to achieve, but it comes off maybe confusing to me. Let me ask a more fundamental question. Warren, you talked about a Version 5 going into China. That's the first we've heard about it. How does this differ from EVO+ and what's the difference in price, if there is a tiered pricing strategy within China?

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**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah. Yeah. Sorry for the confusion there. So, it's the same product. EVO+ is often referred to, in fact, internally it's referred to as V5. So, those are ubiquitous. It's the same. So, no difference there. We've been signaling that we would get V5, or, excuse me, EVO+ at some point in 2025, around midyear. We're on track to do that, we believe, from an approval standpoint. We're still contemplating the commercial opportunity from a pricing standpoint, particularly even with what's happened most recently from a tariff standpoint, we certainly have to take all things into consideration. We believe it will be a premium. Our customers believe that as well. And the feedback that we've gotten from them, final determinations to be made on that. So, stay tuned. Final determinations on the quantity and the customers with which we're going to launch to. Stay tuned. We'll make those plans as we get the approval. But we're feeling pretty good about it.

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**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Q

Okay. And then just I want to understand – sorry for all these questions. There's a lot of moving parts here, Stephen, that you're undertaking with the business. You have inventory levels in China. You talked about getting back to the third quarter, kind of a more normalized sales cadence. You now have this consigned inventory in China as well. That being said, if the market doesn't turn maybe as fast as you'd like, the sell-out rate doesn't turn because of global macro dynamics, recessionary impact, what have you, how do you think about the inventory levels in the consignment in China going beyond kind of early 2026? Because arguably they would get extended further out if your distributors can work that demand down, and maybe the question speaks to maybe like what you've done, since taking the helm, to see more transparently in China so that this doesn't become another issue again. Thank you.

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**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Sure. Yeah. Good question. So, just to be clear, the consignment inventory in China is owned by us. And so, that's no different than having it in a warehouse in California. It's just through the tariff process. And so, that inventory is no different than if it was sitting here. So, that doesn't create any kind of access issue from a distributor perspective.

If it doesn't turn, I think was the second part of your question?

**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Yeah.

Q

**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

How we work through the inventory levels. And it's turned; and by the end of next month, we're going to be at our contractual levels. And so, we're going to get there from an inventory perspective because we're almost there already. And literally in the next month, we'll be at contractual levels on average in China.

A

**Ryan Benjamin Zimmerman**

*Analyst, BTIG LLC*

Thank you.

Q

**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

Thank you, Ryan. Operator, please unmute the next questioner.

A

**Operator:** The next question comes from Simran Kaur with Wells Fargo. Please go ahead.

**Simran Kaur**

*Analyst, Wells Fargo Securities LLC*

Hey, guys. Thanks for taking the questions here. Maybe just to follow up on Ryan's questions around China. You've realigned some of the leadership for STAAR in China. So, could you elaborate on how this new leadership is helping to inform just your broader strategy in China, especially given that the macro backdrop does seem to be improving in the region? And, Stephen, I can appreciate that you're not providing formal guidance anymore, but you aren't necessarily shying away from the original guidance in China. So, could you talk about the sort of pace of recovery that you expect in China throughout the year? And what's underpinning your level of confidence of sort of being in that original guidance range?

Q

**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

Yeah. Hey, Simran. It's Warren. Maybe I'll start with the China question and then see if Steve has anything to add, and then he can take the other. Look, we have a great team in Asia broadly; and in China in particular, we have a very experienced team. They do an incredible job of training and partnering with our distribution partners. So, we're really proud of the team that we have. From a leadership standpoint, Asia is the most – it's the most revenue in the organization. Of course, China is the most valuable country from a dollars and unit standpoint. And therefore, we want to have our leadership, particularly high-level leadership, co-located in the region. So, that was really the decision that we made from a strategic standpoint.

A

We have the benefit, as we announced publicly, of Wei Jiang joining us to take a leadership position in China on a bit of an interim basis as the APAC Head of Strategy. And he's an accomplished man, he's an accomplished leader, has great experience in the region, not just in China, understands in local language and local custom how

to operate in China. And so, he really is helping us, I won't even say double click, I would say triple click, on where the opportunities are, where we've had success and can replicate that, and where we've had challenges and can overcome those. And so, we're really excited about what he and what the team he's taking with him bring to China. But it doesn't change the underlying fundamental of we've got the right team on the field there in China as it is.

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**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Right. And then the second part of the question was pace of recovery. We know ICL procedures are up year-over-year. They're up dramatically over Q4. The prevalence of myopia is continuing to grow. The Chinese government just this morning announced across the board rate cuts. We will have worked through our inventory by the end of next month. And so, we feel like the the trends are all moving in the right direction for a strong second half of the year for us in China.

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**Simran Kaur**

*Analyst, Wells Fargo Securities LLC*

Q

Okay, that's helpful. And maybe just for my follow-up regarding the cost-cutting measures that you're implementing. It seems like it's targeted primarily at the US business. And you talked about inefficiencies and spend there. Could you elaborate on what those inefficiencies were and what does this signal about your US strategy or just broader commitment to the US opportunity longer term?

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**Warren Foust**

*President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah. I'll take a shot at it, Simran. It's a good question. Look, the US is a critical market for us. It remains a critical market. It also remains a very, very small percentage of our total global business. And we invested very heavily to get uptake in the US business. And you could argue, we've done it. There's 11% growth even in the quarter in the backdrop of what, again, is another quarter of if you listen to Refractive Surgery Council, they'll tell you lasers are down 15.5% [ph] at most (00:56:34). And so, there's still a very wide delta between the laser market and what we've performed in the US. So, we're proud of that. But when you think about the direct-to-consumer marketing, when you think about some of the efforts we've taken, which are very large, to expand the organization, to invest heavily in every conference, every meeting, oftentimes at the gold and platinum level sponsorships. It doesn't mean we're not going to sponsor and support. It just means we need to make sure we take a measured approach as we get growth, but we get measured growth.

So, resources are valuable. We're going to continue to put some in the US, but we're also going to make sure that we're putting maximum resources in the markets that can matter most. Many of those are in Asia, but we're also having success in Europe, particularly in some of our distributor markets where you see the emerging opportunities. So, we'll balance the investments. We'll be measured in our approach with reductions in the US. But we're going to make sure we right-size any particular business for the amount of revenue that we're getting.

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**Stephen C. Farrell**

*Chief Executive Officer & Director, STAAR Surgical Co.*

A

Yeah, I'd make a couple other comments. The first is a big part of what we're doing is right-sizing our facilities. So, we've got underutilized facilities, and we need to improve that. The other thing I would say about the cuts is although they're fairly – the cuts are not small, let's put it that way. All they're doing is getting us back to where we were 18 months ago, and we had a very successful business 18 months ago. And we're just really putting our SG&A level back to that 2023 run rate. So, are the cuts meaningful? Yes, but they're not so deep that they're

going to impact the day-to-day operation. We were a very successful business 18 months ago, and we're going back to those SG&A levels.

**Simran Kaur***Analyst, Wells Fargo Securities LLC*

Q

Got it. That's very helpful. And sorry, just one quick point of clarification on the tariffs. Are you assuming anything in terms of retaliatory tariffs going into effect after the 90-day pause is lifted?

**Stephen C. Farrell***Chief Executive Officer & Director, STAAR Surgical Co.*

A

So, we don't know what's going to happen from a tariff perspective, but we're really in good shape through the end of this year. If the tariffs stay at 145%, we're probably going to have to shift some inventory to China that's not in-country. We don't think it'll be material, but [indiscernible] (00:59:27). And so, we may have to shift some inventory in-country.

Broadly speaking now, I don't think that President Trump's approach or his intent is to throw us into a global recession. And so, we're optimistic that there'll be a solution worked out that dramatically reduces those tariffs. If that doesn't happen, we'll be ramping up our Switzerland facility and we have a safety valve.

You may have seen that the Vice Premier of China and Scott Bessent are meeting in Switzerland because it's a neutral site. Well, that's where we're trying to set up our manufacturing. So, we feel pretty good about our position longer term.

**Simran Kaur***Analyst, Wells Fargo Securities LLC*

Q

Great.

**Brian Moore***Vice President-Investor and Corporate Development, STAAR Surgical Co.*

A

Thank you, Simran. Operator, we are out of time, but let's take – let's unmute the last questioner, please.

**Operator:** The last question comes from Patrick Wood with Morgan Stanley. Please go ahead.

**Patrick Wood***Analyst, Morgan Stanley & Co. International Plc*

Q

Beautiful. Thanks, guys. I'll keep it to one just to keep it snappy. The US side of things – kind of a follow-on from Simran's side of things – how do you think about the go-to-market there, get the investment side of things? But there was a bunch of initiatives, there was Highway 93, and then there was like trying to support surgeons on lens selection. Do you think the strategic approach was the right one, or is that something that you think you might end up changing? Thanks, guys.

**Warren Foust***President & Chief Operating Officer, STAAR Surgical Co.*

A

Yeah. Thanks, Patrick, for the question. Look, we're never satisfied. But I would say I'm proud of what we've done in the US. The reality is that two years in a row since we started in executing some of those strategic initiatives, it's been against the backdrop of sort of a soggy economy and a challenged laser refractive market. And that's

why I think you heard Steve talk about we've got to open up our aperture and stop talking about just laser vision correction procedures and which one of those can spit out the funnel to us. We've got to talk about getting folks out our glasses and contacts and getting people into the funnel. So, you're going to hear us looking for opportunities there.

But as far as strategic initiatives, specific ones you named like U.S. Highway 93 and others, look, we are still focused on helping our customers be clinically capable. We want them to be clinically confident, we want them to be economically confident. And when we accomplish that, that really allows them to create a culture in their own practice that says we're EVO ready, and we have an ecosystem which will welcome a patient who can be open to an EVO ICL and can take them down a road of conversion, which leads to a great clinical outcome for that patient. So, none of that's changed.

The only thing I would say is, in addition to what we've been doing, because U.S. Highway 93 was really just language around how do we segment and target customers, so we use our scarce resources to go after customers who can do more with EVO ICL because of their practice economics, because of their willingness to operate on the eye rather than just use lasers, because they already have a refractive stream of patients coming in, those are all reasons why we would focus on a customer. We'll still do that.

We'll also create pathways, and we've already done it to bring other customers who want to be part of the ICL revolution. They come to us and say, we want to do EVO as well. We have to have an onboarding for them. And so, we're creating that pathway through. Their commitment allows us to invest alongside them. So, I'm probably as excited as I've ever been about the US and the opportunity. We're just simply saying, from a cost management standpoint, we're going to make sure that we right-size that as we go forward.

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**Patrick Wood**

*Analyst, Morgan Stanley & Co. International Plc*

Thanks, guys.

Q

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**Brian Moore**

*Vice President-Investor and Corporate Development, STAAR Surgical Co.*

Thanks, Patrick. Operator, I'll turn the call back to you.

A

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**Operator:** Thank you. This concludes the question-and-answer session, and this also concludes the conference. Thank you for attending today's presentation. You may all now disconnect.

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