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Glaukos Corp. (GKOS)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to Glaukos Corporation's Second Quarter 2026 Financial Results Conference Call. Copies of the company's press release and quarterly summary document, both issued after the market close today are available at www.glaukos.com. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions] This call is being recorded, and an archived replay will be available online in the Investor Relations section at www.glaukos.com.

I will now turn the call over to Chris Lewis, Vice President of Investor Relations and Corporate Affairs.

Chris Lewis

Vice President-Investor Relations & Corporate Affairs, Glaukos Corp.

Thank you, and good afternoon. Joining me today are Glaukos' Chairman and CEO, Tom Burns; President and COO, Joe Gilliam; and CFO, Alex Thurman. Similar to prior quarters, the company has posted a document on its Investor Relations website under the Financials and Filings, Quarterly Results section titled Quarterly Summary. This document is designed to be read by investors before the regularly scheduled quarterly conference call. To ensure ample time and opportunity to address everyone's questions, we request that you limit yourself to only one question. Please note this is a change versus our previous calls. If you still have additional questions, you may get back into the queue.

Please note that all statements other than statements of historical facts made on this call that address activities, events, or developments we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include statements about our plans, objectives, strategies and prospects regarding, among other things, our sales, products, pipeline technologies and clinical trials, US and international commercialization, market development efforts, product approvals, the efficacy of our current and future products, competitive market position, regulatory strategies and reimbursement for our products, financial condition and results of operations, as well as the expected impact of general macroeconomic conditions, including foreign currency fluctuations on our business and operations.

These statements are based on current expectations about future events affecting us and are subject to risks, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Therefore, they may cause our actual results to differ materially from those expressed or implied by forward-looking statements. Please review today's press release and our recent SEC filings for more information about these risk factors. You'll find these documents in the Investors section of our website at www.glaukos.com.

Finally, please note that during today's call, we will also discuss certain non-GAAP financial, including results on an adjusted basis. We believe these financial measures can facilitate a more complete analysis and greater transparency into Glaukos' ongoing results of operations, particularly when comparing underlying results from period to period. Please refer to the tables on our earnings press release available in the Investor Relations section of our website for a reconciliation of these measures to their most directly comparable GAAP financial measure.

With that, I will turn the call over to Glaukos' Chairman and CEO, Tom Burns.

Thomas William Burns

Chairman & Chief Executive Officer, Glaukos Corp.

Okay. Thank you, Chris. Good afternoon, and thank you all for joining us today. Today, Glaukos reported record second quarter consolidated net sales of $185.6 million, up 50% on a reported basis and 49% on a constant currency basis versus the year-ago quarter. As a result of our second quarter outperformance, we are raising our full-year 2026 net sales guidance to $680 million to $700 million, an increase of $60 million to $65 million over our prior guidance of $620 million to $635 million.

Our second quarter results reflect strong performance across our global commercial and development priorities, underscoring the successful execution of our teams, the strength of our differentiated technology platforms, and our continued evolution as an increasingly diversified leader in ophthalmology.

Looking ahead, we believe we are well-positioned to sustain this momentum driven by two transformational growth drivers, including the further advancement of the interventional glaucoma treatment paradigm with iDose TR and the launch of Epioxa, establishing a new standard in interventional keratoconus and rare diseases. Together, these compelling and durable market opportunities reinforce our confidence in our ability to deliver our best-in-class growth and margin profile well into the next decade.

At the same time, we continue to invest strategically across our industry leading pipeline and commercial infrastructure, while maintaining a focus on disciplined capital allocation to support sustained operating leverage cash flow. While our priority remains to maximize near- and long-term growth, we were pleased with our progress across our P&L in the second quarter.

Now, let's discuss our second quarter results in more detail. Within our US glaucoma franchise, we delivered record second quarter net sales of $118.5 million on strong year-over-year growth of 64%, driven by growing contributions from iDose TR, which generated sales of approximately $74 million in the second quarter. iDose TR continues to deliver strong clinical outcomes that meaningfully improve patients' lives, resulting in strong physician interest and adoption, while helping to accelerate a broader treatment paradigm shift towards earlier interventional glaucoma care.

From an execution standpoint, we remain focused on our key initiatives, including expanding our base of trained surgeons and active accounts, increasing utilization, broadening market access, scaling targeted commercial investments, and expanding the robust and growing body of clinical evidence, which now includes 24 peer reviewed publications complemented by a broad portfolio of active Phase 4 studies across diverse real-world clinical settings, further enforcing and reinforcing its consistent performance in real-world practice.

Earlier this month, CMS issued its proposed rules for 2027, which, as drafted, largely maintained the 2026 APC assignments, associated facility payments and relative physician fee rates associated with our procedures across both the hospital outpatient and ASC settings. Additionally, as many of you know, during the quarter, five of the seven Medicare administrative contractors issued proposed local coverage determinations for iDose TR. We were encouraged by the overwhelming support from physicians, medical societies and other stakeholders throughout the open meetings and public comment period, validating the meaningful clinical value that iDose TR is delivering to patients. We continue to believe that the strength of iDose TR's clinical evidence, real-world outcomes and broad stakeholder advocacy support appropriate Medicare coverage that preserves physician decision making and patient access.

Moving on, our international glaucoma franchise delivered record net sales of $36.6 million on year-over-year growth of 17% on a reported basis and 16% on constant currency basis. The strong growth was once again

broad-based as we continue to scale our international infrastructure and execute our plans to drive mix forward as a standard of care in each region and major market in the world.

As previously discussed, we continue to expect new competitive product trialing headwinds in some of our major international markets as we progressed through 2026, partially offset by growing contributions from iStent infinite, following its EU MDR certification and associated European commercial launches late last year. We also expect the currency tailwinds to abate going forward based on the current rate environment.

And finally, our corneal health franchise delivered net sales of $30.4 million on year-over-year growth of 48%, including Epioxa net sales of approximately $11 million. Turning to Epioxa, we remain very encouraged by the early progress of our commercial launch. As the first and only FDA-approved epithelium-on corneal cross-linking therapy for keratoconus, Epioxa has been met with strong interest from surgeons and the broader ophthalmic community, reinforcing our confidence in its potential to redefine the treatment paradigm for this rare sight threatening disease that is currently far too often undiagnosed and untreated.

Our launch priorities remain centered on expanding patient access, building awareness, optimizing referral networks and driving corneal diagnosis. We continue to make meaningful progress across each of these areas, including the ongoing expansion of our site of care network, establishing broad market access and the implementation of our specialty pharma infrastructure and robust patient support programs.

First, I'm proud to report that we've successfully established and continued to selectively expand our broad-reaching site-of-care network. Our acquired O2N systems are already actively deployed across locations serving roughly 85% of the US population with the pipeline progressing through various approval processes that we expect will expand our treatment center reach to approximately 95%.

Next, we continue to make considerable progress with payers to secure access pathways for policy coverage for Epioxa, with access pathways now established for more than 125 million covered commercial lives in the United States, including with the five largest payers, reflecting encouraging initial receptivity of Epioxa's clinical value. While we expect the pace of policy adoption to build over time, we remain focused on driving broader coverage across both commercial payers and Medicaid programs to support more streamlined access pathways over time.

As anticipated, Epioxa's new product specific J-code, J2789, became effective on July 1, 2026. While we expect it will take some time for this to be solidified operationally by providers and our specialty pharma partner, we believe this now effective code will help streamline the reporting and reimbursement processes for Epioxa among US payers over time. Beyond market access, we're proud to lead the way once again in forging a new path for interventional keratoconus by advancing targeted marketing and DTC initiatives to drive awareness, education and early detection, supported by greater optometric engagement and strengthened advocacy partnerships.

Finally, we've launched a co-pay assistance program for eligible patients. While we remain in the early stages of the launch, we're encouraged by the solid progress we're making against our core launch priorities and remain very excited by the significant potential Epioxa offers to patients living with keratoconus.

Beyond Epioxa, we continue to advance a broad and differentiated clinical pipeline across our five novel therapeutic platforms, encompassing 13 publicly disclosed programs and additional undisclosed assets supported by a robust portfolio of active clinical and Phase 4 studies. Within our iDose platform, we are advancing a Phase 2b/3 clinical program for iDose TREX, our next generation iDose therapy; and patient follow-up in a Phase 3b study for iDose TRIO with a targeted FDA approval by the end of 2027. We also continue to advance various additional Phase 4 studies.

Within our iLink platform, we remain on track for our planned commercial introduction of our KC screening device later this year and are preparing to commence a Phase 3 clinical program for our third-generation, customized, topographically guided iLink therapy in 2027. Within our iStent surgical glaucoma platform, we're advancing a PMA pivotal trial for iStent infinite in mild to moderate glaucoma patients and recently completed patient enrollment in our 510(k) pivotal study for the PRESERFLO MicroShunt.

Within our iLution platform, we recently completed patient enrollment in a Phase 2 study for demodex blepharitis and expect to have top line results in hand by the end of this year. And finally, within our retinal platform, we are advancing a first-in-human clinical development program for GLK-401, our intravitreal multi-kinase inhibitor retinal program in wet AMD patients.

We believe that each of these novel differentiated platforms have the potential to generate transformative therapies that significantly improve the existing treatment paradigms for patients suffering from chronic eye diseases.

So in conclusion, at Glaukos, we're in the business of pioneering new marketplaces within ophthalmology. Our record second quarter performance highlights the strength of our strategy and execution as we continue evolving into an increasingly diversified ophthalmic leader with multiple transformational growth drivers in iDose TR and Epioxa as we advance our mission to transform vision therapies for the benefits of patients worldwide.

So, with that, I'll open the call – open for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Tom Stephan with Stifel. Your line is open. Please go ahead.

Thomas M. Stephan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Hey, guys. Congrats on the nice quarter here. Maybe on corneal health, nice start to the Epioxa launch. Joe, maybe for you, can you talk about, I guess, where your expectations now stand on 2026 corneal health revenue growth? I think, previously, it was high-single digits. And then if you can help us understand the puts and takes as we think about the Q3 and Q4 cadence. I know the earnings summary, I think, mentions some transient headwinds in 3Q amidst the transition to Epioxa, but any more color on the cadence would be great. Congrats again.

Joseph E. Gilliam

President & Chief Operating Officer, Glaukos Corp.

A

Yeah. Thanks, Tom. Happy to jump in there. Obviously, we were very encouraged by the contribution of Epioxa in its first full quarter really of commercial availability, particularly when you consider the unavoidable challenges that go along with the miscellaneous J-code period that's there. And as you heard Tom mention, obviously, our primary focus today remains on those building blocks that we think really set up Epioxa for long-term success. And I can certainly talk more about that as we make our way through the call here. But as I think about the translation of how this plays out for the remainder of this year, and again, orienting you back to where our focus is at is making sure that we get the right puzzle pieces in place to drive optimization in 2027 and beyond.

We know that the third quarter will come with some transition as it relates to the permanent J-code. We've talked about that for some time. So, you know the third quarter having sunset largely Photrexa, while launching, if you will, Epioxa in this permanent J-code setting, and so there will be some volatility around that. It makes it much more difficult than usual for us to forecast during that stretch. And so, there's a wider variety of scenarios, I guess, the way I would say it, around the potential outcomes of Epioxa as we transition that way throughout the third quarter and certainly into the fourth.

I think as we get into the fourth quarter, we have a lot more conviction that some of those J-codes in the translation or transition related issues should start to get behind us, and we should start to see that uptick as we think our way – or making our way through the fourth quarter and into the beginning of next year. So, I think we're going have some transition here, while we make our way through. And we may ultimately deliver terrific results. But I think we want to make sure that we're staying somewhat conservative here as we navigate really what is a unique transition for us.

And then for the full year, as it relates to Epioxa, really our overall corneal health franchise, we started off this year saying, we're confident we would still grow. And then we, ultimately, I think, upgraded that to high-single digits. And now, I think we're confident saying that for the overall year, corneal health should now be able to grow, call it, 20% plus or minus on a year-over-year basis, just again, based on that strong Q2 performance and then the growing Epioxa contributions as we make our way through the remainder of the year.

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

Q

Got it. Congrats again.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Thanks, Tom.

Operator: Your next question from the line of Adam Maeder of Piper Sandler. Adam, your line is now open.

Adam C. Maeder
Analyst, Piper Sandler & Co.

Q

Hey. Good afternoon, and thank you for taking the questions and great quarter. I guess, just one for me. I'm going to be pulling on the modeling thread question. You just talked about expectations for the corneal health business, but, Joe, in the past you've given a lot of really helpful color across the different segments. So, just wanted to see if you could kind of provide updated thoughts on how you're thinking about iDose contribution versus the stent business versus OUS in corneal health for the second half. Thanks so much.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Yeah, I'm happy to do that. As both you and Tom alluded, we're obviously very pleased with the strong second quarter. And really, each of our franchises exceeded expectations. And so, as a result, we're happy to be able to raise guidance in line of what you heard Tom mention earlier to the $680 million to $700 million mark.

If you think about your kind of models by franchise, and I think it requires adjustments across all the franchises given that outperformance, first, on international glaucoma, I would say we've increased our expectations there

now, where we expect to achieve low- to mid-teens year-over-year growth for the overall year. If you think about the second half dynamics within that, you do have the FX tailwinds abating. We've called that out before and we certainly expect that and we're kind of past the bulk of FX benefit now on a year-over-year basis. So, that will be a relative headwind as we make our way in the second half.

And we'll continue to navigate competitive dynamics in those international markets and some reimbursement headwinds that have emerged in Germany and Switzerland, but offset that by continued growth of PRESERFLO and infinite and really our overall interventional glaucoma market developments abroad. So, I think we're pleased to be able to increase our expectations there to low- to mid-teens for the overall year.

You heard me reference the corneal health side of things before, so I won't spend as much time there. But just again, reiterating that the 20% growth year-over-year plus or minus attempts to factor in, especially in the third quarter, the impact from sunsetting Photrexa, and shifting to the permanent J-code for Epioxa. It's possible we'll have a bit of an air pocket there as we make our way through this quarter. But we remain confident that that air pocket will be behind us by the time we get into the fourth and moving out of the full year.

And then finally on the US glaucoma side, we now expect full-year growth of right around 50% plus or minus for that business. And that's really driven by two things. Obviously, I think we now can say that we would expect for the year at least low-single digit growth of our broader portfolio and then the continued expansion of iDose TR, which, I think when you do all the math, you're going to land somewhere in that, I'll call it, $275 million to $280 million range for iDose in 2026.

Adam C. Maeder
Analyst, Piper Sandler & Co.

Q

Very helpful. Thank you.

Operator: Your next question from the line of Larry Biegelsen of Wells Fargo. Larry, your line is now open. Please go ahead.

Lawrence Biegelsen
Analyst, Wells Fargo Securities LLC

Q

All right. Thanks for taking the question. And yeah, pretty impressive quarter here, guys. So, I'll be the first to ask about the iDose LCD. So, since the open meetings for the iDose LCD, how has your confidence in a revised policy changed? Which provisions do you think are most likely to be changed in a potential final LCD? And if the proposed LCD stayed the same, how would that impact your thinking around iDose over the next few years? Thank you.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Yeah. Thanks, Larry. I mean, to your point, clearly, a lot has transpired on this front, between the draft LCDs that came out in May, the open meetings in June, and the formal submissions in early July. And really, I think the way – we always had conviction, as you can imagine, around the evidence associated with iDose in a multitude of settings and use cases that – and certainly perhaps, most importantly, the study that supported the approval of iDose and all the evidence that generated a wide open label in that regard. So, we were encouraged, as I think many of you were, by the overwhelming support from physicians and the medical societies and even patients throughout the country. The objective and high-quality evidence that was presented really just validated our belief in the clinical value of iDose.

So, at this point, we certainly believe that the MACs are digesting all that evidence that was presented and submitted. And while there's no statutory next step or even timing in that regard, we do believe that ultimately, it should come out in a more favorable position, to the extent that it is proposed to the final LCD.

As I think about in the context of moving forward, what may or may not shift, I think it'll be a recap of what you heard during those meetings. I think there was pretty strong opposition to the underlying criteria associated with each of the provisions. There certainly was a lot of opposition to the idea of having multiple components to the so-called the step edit associated with both drops and SLT. You heard significant pushback around glaucoma as a disease and the right way of treating it and thinking about it clinically, and really not reducing the optionality for physicians to utilize multiple tools that are complementary in the case of iDose and other MIGS. And so, I think all of those things had compelling evidence presented and certainly are in play as it relates to the overall.

As I think of the final part of your question, which is, how does this impact the years to come if it were to finalize as it is, while I think it's highly unlikely that that would be the outcome of any process here, I think it's important to remind some things that we talked about when investors were on the road. I think the continued strength of the business that you see in iDose today, I think, shortens the putt, if you will, in the context of the bridge to the expectations that existed previously around 2027 and beyond. And maybe more importantly, even in an SLT world, I just remind investors that there are 500,000 to 600,000 SLTs done a year, and that's being done for quite some time, meaning that there's a pretty large market there of patients both in terms of annual incidence as well as the overall prevalence pool for iDose to continue to make a meaningful contribution.

Now clearly, if something came forward that was not aligned with what we believe is appropriate clinically, not only would we object strenuously to that alongside the society, but we would also continue to provide the evidence that we have already generated or will generate to make sure that for the long-term of iDose in interventional glaucoma that we rectify any wrongs that are part of the final proposed LCD.

Lawrence Biegelsen
Analyst, Wells Fargo Securities LLC

Q

All right. Thank you.

Operator: Your next question from the line of Ryan Zimmerman with BTIG. Ryan, your line is now open. Please go ahead.

Ryan Zimmerman
Analyst, BTIG LLC

Q

Thanks for taking our questions. And let me echo my congrats. It's really impressive. Maybe turning back to Epioxa for a minute, Joe, you talked about some of the patient co-pay dynamics that you're standing up. And I'm wondering if you could elaborate on kind of how you think about the gross to net pricing for Epioxa over time?

And the second component of my question, I'll sneak in a two-parter into one question just to keep to Chris' rules. But when you think about the O2 placements, the 85% of the user base, what are you seeing? Are you seeing new users take over these systems? Are you seeing upticks in a select cohort of corneal surgeons in terms of higher utilization early on some of the early adopters? Just if you could kind of reflect on kind of that user base dynamic as well. Thanks for taking the questions.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Of course. I'll pretend like it was one question, Ryan, so that I won't get in trouble with Chris. First, as it relates to the Epioxa kind of gross to net dynamics, obviously, that's something that we'll be watching. Alex will be watching alongside of us here as we get a bit more maturity in the market launch of Epioxa. But what I think generally we've said to investors is I think a safe place out of the gate is to think about in that kind of net $60,000 range, and that's really meant primarily to account – or include the impact of Medicaid pricing and the various other required discounts as a part of the launch.

We're not necessarily doing much beyond that at this stage of the launch. So, it comes down to that mix that happens with Medicaid, and places like the Department of Defense and things like that. So as we make our way through, we'll hone that in a bit more from there, but I think $60,000 is a good place.

On the O2N system side, we made a lot more progress during the quarter, and we were already well ahead of our expectations. I think at this stage, to be able say you've got systems deployed at the sort of 85% of the US population and that pipeline progressing towards 95% of the country, when you actually think about the country from a geographic perspective, that's about as good as it gets in terms of the way you think about an installed base, certainly, at this stage of the launch. And as the J-code came online, we've seen, even though some of those folks who were a little bit slower in their process and approvals, picking up the pace of getting that in line going forward.

I wouldn't say it's not so much about any particular cohort of patients or sites. We've got private sites. We've got parts of large groups that have sites in their network. We've got hospitals and 340B institutions that are there. There certainly are some new, but I would say a bit much more about taking a look at our prior base of customers and leaning in to those folks that historically have both geographically and from a patient focus standpoint provided the optimum care in terms of their treatment times, their commitment to the education with the optometrists in their community, and all the things that you want to see to make sure that you're optimizing your network, especially these early days, where you can't afford to have a massive number of centers.

So, we've really leaned into, what I would call, the Tier 1 and Tier 2 sites, and our conversion of those have been extremely high. And so, we're pleased with what that looks like. And in terms of that early utilization, I think it's really been pretty profound in terms of the number of patients that almost all of these sites have started to put into our hub and seeking to get approval for Epioxa, given the clear benefits of that therapy over the legacy of an Epioxa solution like Photrexa.

Ryan Zimmerman
Analyst, BTIG LLC

Q

Thank you.

Operator: Your next question from the line of Allen Gong with JPMorgan. Allen, your line is now open. Please go ahead.

Allen Gong
Analyst, JPMorgan Securities LLC

Q

Thanks for the question. I guess starting off on like a different tack. I think, not only did the top line did quite well, it looks as though your performance down the P&L was also quite strong, once we back out the one-time SBC charge that you look to have recognized in SG&A. So, I know that, in the past, the messaging really has been

focus on reinvestment back into the pipeline. We saw that with R&D stepping up another $8 million sequentially. But how should we think about the potential for profitability in the back half of the year? Is that something that you're willing to let fall through, or are you just going to ramp up your investment even more to reflect your success?

Alex R. Thurman
Chief Financial Officer & Senior Vice President, Glaukos Corp.

A

Hey, Allen. It's Alex. I'll take that question. And you're right, we were pleased with the progress that we saw in the second quarter across the entire P&L, from the margin to operating expenses, the bottom line as well, including cash generation in the quarter that we saw. And again, like we've said to investors in the past, and given our company's gross margin profile, there's certainly a clear line of sight that we have today towards Glaukos seeing profitability at some point in the future. And it's increasingly more and more towards the near term as we see the increased revenues from these two transformative drivers.

But that said, we would remind investors that our management focus continues to be on prioritizing and prudently investing back into the commercial business to support these two transformative launches, as well as supporting the R&D pipeline and things that you saw in the quarter as we stepped up, especially in clinical as we've grown our clinical trial programs that Tom was referencing in the prepared remarks. And that is just really again driven to maximize both our near-term and long-term top line growth profile of the company.

Allen Gong
Analyst, JPMorgan Securities LLC

Q

Thanks. I'll just leave it at that.

Operator: Your next question from the line of [audio gap] (00:33:16) Truist Security (sic) [Truist Securities] (00:33:17). Richard, your line is now open. Please go ahead.

Richard Newitter
Analyst, Truist Securities, Inc.

Q

Hi. Thanks for taking the questions, and congrats on the quarter. I guess I just want to ask very quick ones on iDose and one on Epioxa. I guess on iDose, there's such a substantial sequential uplift that I get that the reimbursement environment is getting better. But were there any pull forward or just consideration from your customer base on everything going on in the backdrop of the LCD? I'm just wondering if you're starting to hear or see any of that.

And then on Epioxa, I'm just curious if – from the 340B stamp standpoint, is there anything that we should be thinking about from an ASP standpoint or how that might impact pricing there? Thank you.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Yeah. Thanks, Richard. First, on the iDose front, I felt that there was no, that I'm aware of, LCD-related pull forward dynamics in iDose. I mean, most of the surgeons you talk to, their schedules are pushed out well beyond even that timeframe from when this came on. So, if you're going to see that, I think it would be something that was on the heels of actually a proposed final rule, if it were ever to come out. So, I don't think that was really the case.

What we really saw in the quarter was the first time where you had – obviously, we had meaningful growth in the beginning. But in this quarter, we really saw both an acceleration across the various MACs, I would say, with the

most recent additions of the professional fees in NGS and Palmetto, you saw that contribution pick up. And then maybe even more importantly or equally important, we saw a nice uptick in activity around the commercial and Medicare Advantage patient populations, as well as more of our customers started to expand utilization of iDose into those patient populations. So, I would say it was a diversified performance in the quarter.

The strength of it does give us a little bit of pause, I'll call it, in terms of conservatism around how we think about that into the third quarter and through the remainder of the year. And we're still early in that launch as well. So, when you have quarters of this magnitude, you want to make sure you still stay somewhat cautious about how that will translate certainly into, I'll call, a seasonal down quarter, in terms of ophthalmology procedures in the third here.

As it relates to Epioxa and 340B pricing, that's really factored in as a part of the prior question that I think Ryan asked. So, when we think about the gross to net and what that kind of realized average ASP and we've sort of consistently said around $60,000 is our starting point. That really factors in the impact of the 340B institution related volume and the discounts associated with selling product into those institutions.

Richard Newitter
Analyst, Truist Securities, Inc.

Q

Thank you.

Operator: Your next question from the line of Joanne Wuensch with Citi. Joanne, your line is now open. Please go ahead.

Joanne K. Wuensch
Analyst, Citibank

Q

Thank you so much, and good evening. I want to sort of zero in on some of the expense management that we're looking at. In particular, gross margins have reached a new high, by my math. Last quarter, you gave us 84% to 86% gross margins for the year. I don't know if that's still consistent. And similarly, it looks like you are starting to leverage OpEx. What your current thoughts are for that?

Alex R. Thurman
Chief Financial Officer & Senior Vice President, Glaukos Corp.

A

Hey, Joanne. It's Alex. Thanks for the question. And yeah, we were pleased absolutely to see the continued accretion in the gross margin during the quarter. And as you mentioned, it landed approximately 85%, which was up, roughly, call it, 90 basis points from last quarter. And that accretion was driven, as you might expect, from the growing contributions of iDose and Epioxa in the overall revenue mix. And you were asking about looking ahead, we would continue to expect modest gross margin accretion over the remainder of the year and, particularly in the fourth quarter, as the iDose and Epioxa sales continue to become a greater share of our revenue mix. Now, that all said, we'll continue to stick with our targeted guidance range for the year of a gross margin of 84% to 86%. We're holding that steady as we move forward at this point.

Joanne K. Wuensch
Analyst, Citibank

Q

And op margins?

Alex R. Thurman
Chief Financial Officer & Senior Vice President, Glaukos Corp.
A

Yeah. On operating expenses...

Joanne K. Wuensch
Analyst, Citibank
Q

For OpEx, [indiscernible] (00:37:51).

Alex R. Thurman
Chief Financial Officer & Senior Vice President, Glaukos Corp.
A

Yeah. No, that's exactly right. We were – obviously, we were encouraged to see the operating leverage in the quarter. And our philosophy remains the same. We're going to continue to push our operating expenses such that we realize the leverage in the model, while still investing in these priorities around commercial and R&D. And that will be our philosophy going forward. And again, you couple that with the cash and what we're trying to do there and we're just trying to manage the business toward a cash flow breakeven stance, and those all kind of fold together and triangulate.

Joanne K. Wuensch
Analyst, Citibank
Q

Excellent. Thank you so much.

Alex R. Thurman
Chief Financial Officer & Senior Vice President, Glaukos Corp.
A

And I guess, Joanne, I'll just end, just to get it out there on the record, that for operating expenses for the year now, given the outperformance on the top line, you can expect our operating expenses to land somewhere around $600 million for the year.

Joanne K. Wuensch
Analyst, Citibank
Q

Thank you again.

Operator: Our next question from the line of Mason Carrico with Stephens. Mason, your line is now open. Please go ahead.

Mason Carrico
Analyst, Stephens, Inc.
Q

Hey, guys. Appreciate the questions here. Going back to the guide, you called out iDose revenue in the $275 million to $285 million range this year. That seems to imply a pretty minimal sequential growth from the Q2 numbers. So, just to confirm, is that largely just driven by your commentary around being conservative on commercial and Medicare Advantage volumes? Is there anything else in the back half we should be aware of?

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.
A

Yeah, Mason. There's nothing I would call out in particular around that. I think I sort of answered that before by saying that whenever you have this level of outperformance in a quarter and it's really the first – we certainly

continue to see sequential growth and progress throughout our launch and strong growth on a year-over-year basis. But the second quarter was so strong, I think we'd like to see another quarter or two of that before we call it a trend. And so, I think we just want to be cautious about how you translate that Q2 number into Q3, in particular, and just knowing that the volumes seasonally tend to be down in the third quarter. And given that outperformance in the second, I just would be a little bit conservative around the third quarter iDose number, and give us a little bit of time to determine whether this is a trend or a bit of an outlier in the context of the strength of that print in the second quarter.

Mason Carrico
Analyst, Stephens, Inc.

Q

Got it. Thank you.

Operator: Your next question from the line of David Saxon with Needham & Company. David, your line is now open. Please go ahead.

David Saxon
Analyst, Needham & Co. LLC

Q

Great. Good afternoon, and thank you for taking my question. And obviously, a really strong quarter here. So, wanted to ask my question on Epioxa, and would love if you could talk about the cadence of prior auth submissions you saw in the second quarter. Did you see any uptake in activity as the J-code became affective here in July? And then how does the backlog of eyes looking in the portal – the cases that are kind of awaiting approvals and would love some color on just the cadence of approvals as you move through the quarter and into July? Thanks so much.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Yeah, David. I think as you – so, let me start with the second quarter and the cadence there. As you might expect, the majority or certainly a significant portion of the $11 million of revenue that we talked about was realized towards the latter part of the quarter. And that stands to reason with an FDA approval that was – as we exited the first. It took time for some of those claims to make their way through the prior authorizations, the contracting around them, and ultimately to get those approved and shipped and those treatments to happen. So, I think we're now thankfully through that part of that process.

But having said that, you kind of get there in June, and then on July 1, a very important milestone, but one that does shift gears for us a bit is the permanent J-code being established. So, you made that progress, you got those patients treated, and you did that in the miscellaneous code environment. Then on July 1, obviously, you have – it's not a full reset, if you will, but there's a partial reset there around making sure that those patients are getting access in the contracts and the both the prior authorizations as well as the payment approvals are happening with that permanent J-code now in place. And so, you guys sort back over a little bit in that context and make it through, and that's why we called out here on this call the potential for volatility around the Epioxa and corneal health results in the third quarter in particular as we reset that.

But I'll finish this by addressing, I think, part of your question around the backlog. And that, along with the things that you heard Tom mentioned earlier in terms of the payer network, the progress we've had there, the site-of-care network and so on, so forth, in terms of the foundations of our launch, we've been extremely encouraged by the sheer number of patients that are being put in to seek approval for Epioxa. It makes us, I'll call it, very bullish around what this product can mean for us in the intermediate term. And the question becomes more about how

do you – how quickly can you get from where we stand today to seeing these patients get approvals and access to treatment on a more rapid basis? Certainly, as we make our way into 2027, that'll be our focus here. But the leading indicators are strong in terms of the number of patients that our providers are seeking access to at Epioxa as a therapy.

David Saxon
Analyst, Needham & Co. LLC

Q

Great. Thanks so much for that, Joe.

Operator: Your next question from the line of Steven Lichtman with William Blair. Steven, your line is now open. Please go ahead.

Steven Lichtman
Analyst, William Blair & Co. LLC

Q

Thank you. Hi, guys. And congratulations. I'm wondering, on your Epioxa customers, how they're viewing the specialty pharmacy option versus buy and bill. Are we seeing most sort of specialty pharmacy initially? How quickly are they getting confidence that they're shifting to buy and bill, because obviously that's another driver over the medium term? Thanks.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Yeah, absolutely. So, the answer to that question has very much to do with which site-of-care you're talking about. So, there are clearly those institutions and groups who have the experience that are much more comfortable out of the gate with the buy and bill pathway. And you see them pretty much even, in these early days, bypassing the specialty pharmacy option.

I think as you get more into the broader community based practices, you can imagine that they lean a little bit more heavily, if not entirely, on the specialty pharmacy option and certainly again in these early days. That does not mean that we don't believe over time they won't shift some of their thinking around that versus the buy and bill pathway, but it's a little early, again, thinking about we just got the permanent J-code here less than a month ago. And so, from that standpoint, I think for them to have that confidence, they've got to start seeing consistent and recurring approvals even through the SP pathway with individual payers before they're going to start thinking about whether they should buy and bill that. So, I think they'll be a part of the journey here over the next several years, but one we're prepared to support.

Steven Lichtman
Analyst, William Blair & Co. LLC

Q

Thanks, Joe.

Operator: Your next question from the line of Anthony Petrone with Mizuho Group. Anthony, your line is now open. Please go ahead.

Anthony Petrone
Analyst, Mizuho Securities USA LLC

Q

Thanks, and congrats here on a solid quarter. I'll keep it to Epioxa. Maybe first, just on the competitive landscape as it sits today and just how it's going to evolve over time, do you think we're in a position to gain share, I guess,

from scleral lenses, which is an option here ahead of corneal cross-linking? Are you seeing those patients come in? And then there's some combination therapies under development, some private companies out there. Just if you look ahead over the next couple of years, how do you think the cross-linking specific competitive landscape will shape out, assuming we have a potential entrant again at some point next year or the year after? Thanks.

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

Well, I think first, it's important to remind ourselves that we're at the beginning of a pretty transformational product launch and maybe even more importantly, a seismic shift to the standard of care. And when you think about what that means in terms of driving awareness and detection and access to treatment at a different level, that's obviously a large opportunity for Glaukos and for our customers, and most importantly, their patients.

Whenever you build a market like that, you do so expecting competition and you hope that that incremental competition comes in the form of responsible market participants who are going to invest and hopefully help accelerate that shift in overall market growth. I think when we look at it, sitting here today, we should be many, many years away from market share dynamics outweighing expansion in market growth as the key consideration.

The reality is that when you think about things like scleral lens, that's really not a competitive solution. These patients often will have scleral lens, even after therapy. The point is, is you stabilize and arrest the progression of a sight threatening disease. And so, from that standpoint, I think the fact that you've got a solution that doesn't require removing epithelium lowers the bar for patients or for providers to act more prophylactically in the treatment of disease, and put scleral lens where it should be, which is, post-operatively, a part of continuing that vision as you move forward after the cross-linking procedure.

So, I think that Epioxa helps us in that broader initiative in terms of solidifying cross-linking as a therapy of choice. And I think, ultimately, we provide the investment to meaningfully change. We've talked before about difference between doing 18,000 to 20,000 eyes where we ultimately believe the market could be as high as 50,000 or 100,000 annual eyes in any given year that's potentially addressable, but we've got to go do the work to build that market the hard way, and prove that to ourselves and to you all.

Thomas William Burns
Chairman & Chief Executive Officer, Glaukos Corp.

A

And I'll add on to what Joe is saying. This is Tom, and we spend lots of time and effort building new marketplaces. So, you can imagine we spent considerable time figuring out how to protect our market share and how to grow these marketplaces over time. And so, it's important to point out, not only how much progress we'll make with Epioxa in the near-term, but we already have a second, or we call it now our third generation customized, topographically-guided iLink therapy that's currently in clinical trials in 2027.

And if that product performs as well as I think it will and can, we could have a product that has demonstrably greater reductions in Kmax that even what we're seeing with the current methodologies and a preferential treatment of the peaks to allow us to create the ultimate kind of spear and refractive indices that may be able to throw off even better, best corrected visual acuity. So, you can imagine, not only would any competitor have to deal with a really formidable commercial team that Joe has put together, but will have to then have to deal with a demonstrably, possibly far better approach that we will have just in the near term. So, you can imagine in our contemplation, if we spent the time and efforts to build this marketplace, we will spend that time and effort to protect it as well.

Anthony Petrone
Analyst, Mizuho Securities USA LLC

Q

Thank you.

Operator: Your next question from the line of Yi Chen with H.C. Wainwright. Yi Chen, your line is now open. Please go ahead.

Chris Lewis
Vice President-Investor Relations & Corporate Affairs, Glaukos Corp.

A

Yi, are you there? Maybe on mute.

Q

Apologies. Can you hear me?

Chris Lewis
Vice President-Investor Relations & Corporate Affairs, Glaukos Corp.

A

Yeah.

Q

Hi. This is [ph] Kelly (00:51:34) on for Yi. Just real quick on looking at readministration in TREX. Is what you're seeing what you kind of expect is from early reimplantation data, are you seeing any cannibalization on the devices?

Joseph E. Gilliam
President & Chief Operating Officer, Glaukos Corp.

A

I'll start. If Tom wants to add something, he can. I think as it relates to readministration, we're continuing to see successful procedures get done. Obviously, it's still somewhat limited because these are really for some of our earliest commercial patients that are just now getting the window where you see that where they're eligible, we're seeing them get done and get done successfully. I don't see anything there in the context of cannibalization. I see that as additive in terms of the physicians and those patients determining that they want to stay on the therapy as the initial iDose wears off. And if you think about in the context of iDose TREX in the future and the approvals there, I think that's only additive in the context of that overall algorithm for getting those patients therapy both initially as well as during readministration procedure.

Q

Perfect. Thank you.

Operator: This concludes our question-and-answer session. I will now turn the call back to the company for closing remarks.

Thomas William Burns

Chairman & Chief Executive Officer, Glaukos Corp.

Okay. I want to thank all of you for your time and attention today, and thank you for your continued interest and support of Glaukos. Goodbye.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.