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COO - The Cooper Companies, Inc. at Robert W Baird and Co Health Care Conference

EVENT DATE/TIME: SEPTEMBER 10, 2013 / 7:30PM GMT

CORPORATE PARTICIPANTS

Al White *The Cooper Companies, Inc. - Chief Strategic Officer*

CONFERENCE CALL PARTICIPANTS

Jeff Johnson *Robert W. Baird - Analyst*

PRESENTATION

Jeff Johnson - *Robert W. Baird - Analyst*

Alright. Good afternoon, why don't we get started? My name is Jeff Johnson, I'm the Senior Medical Technology Analyst at Baird; and our next presentation this afternoon is from The Cooper Companies, a specialty medical device manufacturer serving the ophthalmic market through its CooperVision contact lens business and the women's healthcare market through its CooperSurgical business.

With us today from Cooper, we're pleased to have Chief Strategic Officer, Al White; and Director of Investor Relations, Kim Duncan. Al, I'm going to turn it over to you for a couple of minutes on some slides and then we'll go straight into Q&A.

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Perfect, great. Thanks, Jeff. For our presentation here, we took I think five slides, and kind of minimized it, but you can obviously find it on our website and go through all the details and give myself or Kim a call if you have any questions.

Jumping right into it, for those of you who do not know, as Jeff mentioned, we've got two business units. We've got CooperVision and CooperSurgical. CooperVision is about 80%, I think 82% of our revenue last quarter, focused on contact lenses. And the other piece of the business is our women's healthcare OB/GYN franchise, which includes fertility, the IVF piece, under the CooperSurgical name. We're headquartered in California with a slightly greater than 8,000 employees right now and we had revenues last year of $1.4 billion.

If we just get into some of the details right away and I'm sure Jeff will have some questions about this, but we reported earnings last Thursday and we gave new guidance for this year, which included for the fourth quarter, $410 million to $425 million in revenues and that's $1.586 billion to $1.601 billion. If you look at the components of that and you can see that on the screen, obviously, $330 million to $340 million for CooperVision, which is approximately 8% to 11% constant currency growth, $80 million to $85 million for CooperSurgical and the midpoint of that would be roughly in the mid-teens for growth or in the -- I'm sorry, the mid-single digits for growth. $1.76 to $1.81 for EPS. And then, slightly lower cash flow than what we've had in some prior quarters due to CapEx, and I'm sure we'll talk about that later, associated with the buildout of our single-use franchise, including our single-use silicone franchise under the product name MyDay.

Looking at long-term objectives, we talk to these a lot. We stayed focused on this for years and we'll continue to stay focused on these kind of core six objectives which including growing revenue faster than our markets, which we've done for quite awhile at CooperVision. Expanding operating margins into the mid-20s. Again, that'll be a lean back to our silicone hydrogel single-use franchise as that where that ultimately goes. Grow EPS faster than revenues. We've been doing that, we stay focused on that and leveraging the business. Generating significant free cash flow. In this case, over $1.3 billion in the next five years. We continue to look to expand CooperVision and CooperSurgical geographically, be it through acquisitions or through internal growth and completing strategic acquisitions. Our last major one certainly was Origio in the IVF space, which we acquired about a little bit over a year, year-and-a-quarter ago now.

Five key takeaways and then we'll jump into the Q&A. A couple of things to talk about here is that we believe we operate in two solid markets with high barriers to entry. In the case of CooperVision, that's certainly associated with intellectual property and the size of the manufacturing capacity and also the sales force, that direct relationship we have with the optometrists. And our women's healthcare franchise, it's just a breadth of products that we have and also again, the sales force and our direct calling on the OB/GYN office. Revenue growth exceeding the market. That's a key takeaway and it's something we've done historically and it's something we're very, very focused on doing going forward.

Investing in the infrastructure of the business. We've been doing that for years and we'll continue to do that and whether that's geographic expansion in places like China and other emerging markets or whether that's sales force expansion in places like the US here, we are continuing to invest in the business to drive share gains and that's part of our DNA, we'll continue to do that. Position to attain long-term objectives. It's a -- number of different things drive that. Investing in the infrastructure is certainly a component of that, where we look at a five-year plan, we drive to a five-year plan and we believe we're well positioned to attain those objectives I laid out for you just a couple minutes ago.

And then, a track record of success. We're proud to say over the last like four years or five years that we've got silicone hydrogels in the marketplace on our contact lens side and we've had a lot of success, be it from a market share gain standpoint, EPS growth, cash flow and so forth. So, a track record of success that we believe that we can build on and continue to deliver.

So with that kind of quick overview, Jeff, we'd jump into some Q&A.

Jeff Johnson - *Robert W. Baird - Analyst*

Yes, sure. So first question I'd have, Al, is it's been kind of topic de jure this morning on your name is your FDA 510(k) approval for MyDay and posted in the FDA website yesterday, looks like it came through late last week, right after you held your call. You've been talking about, it's really capacity, not approvals, that are kind of regulating how soon you can launch that product in the US. So, I'm assuming that approval doesn't really change the kind of maybe six-month, 12-month, 18-month launch from now timeline in the US.

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, that's right. Yes, I wish we would have found out about that just a little sooner. I think they approved it August 30 and we received notification from the FDA, Friday morning, the morning after our earnings release, but at the end of the day, it wouldn't have changed the script or anything. I mean, right now, we're capacity constrained, we've ordered a number of lines and those lines will come into production in the next fiscal year and that will really allow us to ramp up our capacity and launch that product and really drive it in 2015, 2016, and so forth.

So the focus right now is, as you know, we sell that product through a private-label strategy in Europe and in a few other countries, Australia and so forth. And now, we launched it last week as a branded product and we've launched that and the push is in Europe. And if you look at it, you've got about 23% of the global -- 23% of the US market is single use. Low 40s in Europe and around 60% in Asia-Pac. So, a good market to focus on is Europe and that's where we're going to maintain our focus. So, we'll bring it to the US at the appropriate time. So the approval itself from the FDA doesn't change any of our plans.

Jeff Johnson - *Robert W. Baird - Analyst*

And some investors I've talked to this morning on this, their answer is yes, that's great, Jeff, but they're sandbagging that's not true. I mean, you guys are manufacturing MyDay, my understanding right now is on some (inaudible) lines, you don't have the new, that $25million, $35 million MyDay lines in place, they won't be for probably another 12 months or so. So, I mean this truly is a -- you just don't have the capacity until those MyDay lines really are up and running in a bigger way?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, absolutely. Absolutely no question. The feedback has been very positive on MyDay. We're very happy with the lenders we have out in the marketplace. We're happy with what we're doing and the feedback we're getting and kind of building the very early stages of building a franchise, but you're absolutely correct. We manufacture those, lend those ledges on our line down in Puerto Rico, no issue with that, but we just can't make even close to enough lenses to meet the demand out there and frankly until those lines get on right and they get approved and we start manufacturing inventoriable lenses, it will remain that way and knock on wood, that happens faster than we hope, but it can only happen so fast.

Jeff Johnson - *Robert W. Baird - Analyst*

Yes. And we'll come back to MyDay, I'm sure. I'm sorry, a question in the audience first here.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Jeff Johnson - *Robert W. Baird - Analyst*

A question on pricing of MyDay; thank you, I didn't plan that question, but I'd love to hear you specifically answer it. He has been avoiding a specific answer on that.

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

I will try tactfully again. It's going to be priced as a premium lens, it is a premium lens. So when you look at the marketplace right now, you have CIBA with a very high-priced lens out there, you have J&J's TruEyes with a higher-priced lens out there in the single-use silicone space; both of those guys, I'm sure being capacity constrained.

For us, we're going to price that also from a perspective of how we sell that through, we'll price that as a premium silicone hydrogel single-use lens also. Some of that will get determined frankly as production ramps up, as that market develops. So I'd hate to give you a number, because I'd be speculating on, hey, it's going to sell at this price point or that price point, but what I would say is, if the market unfolds like we think it is, which means it's going to be a successful market and we'll have good competition from our friends at CIBA, Alcon, and J&J that you'll have a really nice market there and that market is going to grow nicely and we'll have a lens that we believe is going to be very competitive there and frankly priced as a premium lens.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Jeff Johnson - *Robert W. Baird - Analyst*

And if we can just repeat the question, sorry, for the webcast is just what are the advantages or what will MyDay potentially bring to the table to convince patients, they need to upgrade and pay a premium price when lenses today are pretty good already?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, I would -- probably the easiest way to look at that is probably to compare it to the frequent replacement market. So if you go back a few years back, what, probably 2006 was when it really started, you had two-week and monthly lenses that were good lenses in the marketplace, traditional hydrogel, good lenses and silicone hydrogel lenses came up and the focus there being on the benefits from oxygen permeability, water content, comfort of the lens, your ability in that case a frequent replacement lens is to sleep in those lenses, be able to wear those for extended terms and sleep in those lenses and so forth. That drove that marketplace. So that drove the frequent replacement market, two-week and monthly lenses to people who were wearing traditional hydrogels to start wearing the silicone hydrogels for those benefits.

Right now, if you look at it, you probably have 60% of the market is frequent replacement lenses and 48% of that market is silicone hydrogels, it's somewhere in that range. Right. So if you look at that, your other 40% right now of single-use lenses are primarily hydrogel lenses. At the end of the day, you're going to see that same driver, you're going to see the same driver, be it oxygen permeability, water content, ultimately kind of rapid envelope around and say, you know what, it's comfort, it's lens' comfort at the end of the day. You want to take a nap in your lenses and so forth, you can do that.

Now, do you have the same argument as you do for a frequent replacement lens like in two-week or monthly? No, you don't carry that same argument, but you can still carry from an opticians standpoint, the same argument about lens comfort and quality and so forth.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Well, historically, we as in CooperVision haven't spent significantly on that. The DTC or direct-to-consumer component of it has been done by J&J and really J&J, probably more than anybody, but certainly CIBA also, so they pushed that out there. From our perspective, a lot of our sales efforts and there's clearly our sales dollars in the sales and marketing piece of the P&L, go directly to the doctor, talking to the doctor about the clinical benefits of that and the advantages of someone wearing a MyDay product versus a Proclear daily or a Clearside lens. But I would envision that being somewhat similar to what we've had happen in the past with other lenses in similar launch patterns.

Jeff Johnson - *Robert W. Baird - Analyst*

And it looks back up a second and kind of look bigger picture at Cooper for the next three years to five years or so, somewhere in the next 18 months, maybe 24 months, there's probably a fork in the road but right now, you guys are growing about 2x the market. I think Bob's commented on the call Thursday -- last Thursday where don't expect that 2x to continue, which I think is a very rational comment. I don't think any of us should expect to continue 8%, 9%, 10% organic revenue growth in the near-term here before daily silicone at least cycle starts up in maybe a year, year-and-a-half. But what's driving Bob's comments there? I mean, are you comfortable that if the market stays 4% or 5%, you can stay 6% or 7%? Is there anything other than tough comps and maybe lapping some product line extension launches, things like that, that were driving his comment or how do you feel on the revenue, just bigger picture in the near-term?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, we feel good about it and we feel good about our ability to continue to take market share and grow the business. It's basically just a matter of saying, hey, we have really good competitors in the marketplace. We've got J&J, we've got Alcon, CIBA, I mean those are some really good competitors in the marketplace. You have a question mark as to Bausch & Lomb and Valeant recently closed on that transaction and what they do with the contact lens piece of that business, how they manage it, what's their long-term strategy and so forth. So that's a little bit of an unknown as to how they handle that.

So you have that kind of question mark out there, but I would just say, it's a matter of saying, hey, listen, we've been doing really well, we've been growing anywhere from two times to as much as close to three times the market in some quarters. We've put up another really strong year this year. We're not going to go out there and take market share for the sake of taking market share. I mean, you're not going to see us run around and doing private label deals that don't make sense or cutting price. We're not going to do that kind of stuff. We're going to grow with the business we have doing what we've done and we believe we can continue to put up pretty good growth of that and if that ends up being two times or something, it could be, but we certainly wouldn't want to forecast.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay. And if I look at one of the things that's made your stock successful here over the past couple of years, that organic growth is strong, probably well above Medtech standards, you don't have significant margin visibility, part of that mix-driven with the Biofinity family at 70% plus gross margins, growing 15%, 20% plus, that just naturally provides some lift to the margin over the next few years. You also have some of the IP from CIBA-Alcon expiring over the next couple of years, it could drive another couple hundred to 250 basis points of margin expansion, but if I think about -- would you agree that x daily silicone -- we'll come to that in a second but x daily silicon kind of 5% to 7%, 6% to 7% topline growth and maybe, on average over the next four, five years, 100 basis points of margin or so by the time you end in the IP and the mix and all that is a reasonable x daily silicone type of growth rate to think about for you guys?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, I think that's a fair way to look at. Maybe I'd re-categorize it just a little bit and say, we focus -- we have for a while and we continue to focus on kind of driving 100 basis point operating margin expansion a year and it kind of falls into what you're saying that if we get a market that's going to grow 4% to 6%, which we believe we will and hopefully it strengthens towards that 6%, and you're getting us growing faster than that, we can leverage that through the P&L.

Now, single-use silicone is something completely different and I really think that if we look back for 2017 and we look back to today, you're going to kind of see a P&L that could go two directions, right. You're going to go one direction where your single-use silicone isn't successful and you got our business model that you have, driven exactly by [what I was saying], Biofinity gross margins, greater [than 70%], a lot of success in the business. Gross margins increasing, operating margins increasing, and you get a pretty decent business model. You go the other way and you kind of transition that to single-use silicone. If you get a lot of success there, keep in mind that our single-use franchise is about a 50% gross margin franchise. Obviously, single-use silicon is quite a bit less than that right now.

So if that product gets successful, you end up with lower gross margins, you end up with higher operating margins than you have today but not quite as high, but you end up with a lot more dollars flowing through the P&L, lot more EPS. So it's kind of funny to say to some degree that hey, in 2017, I hope our gross margins are lower but that would be the case as long as that's being driven by that product mix shift. In reality, we'll end up probably somewhere in between there. But I think if you're -- get back to your question, if you're kind of excluding single-use silicone, then yes, the fundamentals of the business are pretty strong and are driven by Biofinity, which if you look at the 22% constant currency growth, the percentage growth won't actually decline because numbers are getting so big. But you're right, you got a product line that's getting pretty big right now in and has pretty good margins. So that will continue to be a positive.

Jeff Johnson - *Robert W. Baird - Analyst*

And that was going to be my question. So if that's the kind of [conceptual that] I think about at 6% maybe 6% plus or minus organic growth and 100 BPs a year, we roll up to somewhere 11%, 12%, 13%, 11% to 13% type EPS growth on an annual basis. If this single-use silicone market hits and the industry kind of remains this happy oligopoly, everybody is trading up their own patients to these higher price point lenses and what have you, it does weigh on your margins, but I would think your revenue then goes from 6% to maybe a couple hundred basis points higher than that because the whole industry picks up a couple hundred basis points and we still get to that 11% to 13%, if not even a little bit higher once it all the way drops through to the EPS line. Is that fair?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, it's just a matter of when that happens, right, over time but yes, you're thinking of it correctly.

Jeff Johnson - *Robert W. Baird - Analyst*

Yes. And so, it's almost one of those bad-case scenarios is you're 11% to 13% with potential upward bias to that if this cycle hits the way we think it might be able to hit.

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, you're exactly right and obviously it's never that easy. But you're exactly right. In some years, have some positives; I mean we have some amortization rolling off in 2015. You mentioned the royalties growing also. We have some things in the coming years that benefit us on that side. So, yes, you got your push and pulls, but yes, I would agree with what you're saying.

Jeff Johnson - *Robert W. Baird - Analyst*

Another question for you. Just J&J is out there with their TruEye daily silicones, CIBA has just recently brought DAILIES TOTAL1 into the US. They've been in Europe now for a little over a year. I get the question sometime about isn't this just Cooper again kind of maybe a little bit behind those guys in that? I don't get the sense that is at all, given where CapEx plans on all three of those companies are all kind of just starting to break ground on these new manufacturing facilities, but do you feel like you're at all behind the other two? What kind of gives you confidence that you're not?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, I mean I would say we're probably categorize it as a fast follower in this case. J&J had TruEyes out and now [three times] they had a recalling initially in Japan. They're back on the market there, they've standardized that, so it's the same lens around the world now. So you can't say that we're on the same stages now. They've obviously gone through, they obviously have sales in the marketplace and so forth and they're in there in Japan. So, you've got them establishing the market, which is fine. We're happy to have them help build the marketing and grow the marketplace. I think that if you look at CIBA TOTAL1, right, they've launched that product, the thing you have to keep in mind for both of those guys is they're capacity constrained too, we're capacity constrained. We've all ordered lines, we're all bringing new lines on. We're not -- this is not a situation even remotely close to going back two years ago when you had Biofinity and some of those products. I mean, we've got those and we have MyDay on the marketplace right now. It's being sold as a private label and branded product. So, we're right there. I wouldn't put too much emphasis one way or another.

When I look at the market, I'd say that we're probably 19% of the global market right now and we're around 12% of the global single-use market. So we're well under index there. So to have those guys be doing what they're doing and creating a silicone market and us believing that, hey, we have a product in MyDay that's going to be able to compete effectively against them in the marketplace, as the daily market shifts to silicones, that's a pretty exciting place to be in and where we certainly are not behind the eight ball where that's going to cause us that big of a problem.

Jeff Johnson - *Robert W. Baird - Analyst*

And talk to me about barriers to entry. I was surprised, frankly, last quarter, or just last Thursday when somebody brought up [Cephalon] as a potential competitive risk to you guys. I mean, I've known Cephalon for years. I think they do about $60 million a year or something like that in contact lens revenue. They just don't have the manufacturing capacity, good company, they win some private-label deals in the Europe, things like that, but to think of them as a true competitive risk, I was surprised somebody was going there. So, I mean, just I don't want you to talk down one of your competitors, I'm not asking you to do that, but I mean do you see them as a legitimate threat, an ability to take -- put some of your private-label business at risk, things like that, given where their manufacturing capacity is and what have you?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, I mean they're obviously a legitimate company and they're a private company. So, we don't have their numbers. Whether this $60 million is accurate or not, it's probably in the ballpark. If you look at them, you say, there is a good, solid company, right. There's nothing wrong with that, but you're talking about a company that just -- there is just no way they have the capacity to even be able to come close to do what they want to do. I mean, they're just not big enough. So that's not to take anything away from them, that's not to say they're not a good company, but in the grand scheme of things of ramping up production, when you look at how much capital we're putting there, when you look at how much -- I mean, we're putting well over $100 million in capital for MyDay. CIBA, J&J are surely putting well over $100 million. I mean, at the end of the day when our products are out in the field, it's hard for a real small competitor like that to compete against us. Now, that doesn't mean that they can't do well for themselves and it doesn't mean that they can't go after private-label deals and have sales and so forth. So they're out there. I mean they're a player. I wouldn't be overly worried about them.

Jeff Johnson - *Robert W. Baird - Analyst*

Understood. Any other questions? Yes.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Jeff Johnson - *Robert W. Baird - Analyst*

That's a good question. How do you phase out -- maybe wrap -- how do you phase out old products, I'm sorry is the question? And maybe if you could wrap in now some of the dynamics that has had on pricing here recently on kind of a positive.

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes. So one of the interesting things about our industry is that when someone is wearing a lens and they like the lens, they'll stay in that lens forever, right, and you're going to see that with product portfolio after product portfolio. What we end up doing basically is raising the prices on those legacy products. So you'll see that be it us or our competitors, ultimately, we start raising prices on those products to gently recommend to people that they move into one of our newer products and that shift happens over time and that's kind of how we move out of it. So it's somewhat of a time-consuming process and ultimately as you can imagine, those lenses are on high-volume manufacturing equipment, they move to lower-volume manufacturing equipment, right, and then you're moving the price up to keep your margins there and then ultimately you're just moving out of the product entirely.

Unidentified Audience Member

(inaudible -- microphone inaccessible).

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Pricing in emerging markets, it gets very dependent on what market you're talking about and how the lenses are sold and what kind of lenses are selling. If you look at a place like China, you're seeing a truly developing marketplace there, and will that marketplace ultimately end up kind of like it is in the US and other parts of the world? Probably. It will probably shift to a single-use market.

So the first question you have in a lot of these markets is what modality is going to win, where you're going to end up being, and then you end up having a pricing being linked to, okay, what products am I selling. In some of these markets, I'm not going straight to a silicon hydrogel lens, am I going to a traditional hydrogel lens, am I more on the side of a daily, am I more on the side of a monthly, what kind of lens am I selling and so forth. So there's not necessarily a strategy that I would just say encompasses that, well, you could just make a statement, say, okay, we price here, it would get pretty dependent by marketplace and at times even segments within that marketplace, right, even if you look at like a place like China as an example, you're pricing potentially within a Shanghai, a Beijing versus other cities there.

Jeff Johnson - *Robert W. Baird - Analyst*

What percentage of your revenue today is emerging markets?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

It's not very large. I mean if you kind of -- with a normal definition of emerging markets, maybe it's 5%, somewhere around that.

Jeff Johnson - *Robert W. Baird - Analyst*

(multiple speakers) Medtech standards right now seem to be maybe 10% to 15%, somewhere in there. I mean, what would it take to get 10% to 15%, is that even possible, is part of it difficult just because your US and European business is growing so well and Japanese business or --?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, that makes it tough, right -- when your core business, if you will, is a pretty decent growth rate, for us, it's a little different in that India is an example, I mean it's $7.2 billion contact lens industry roughly and India is essentially zero. The last numbers I saw India was something like $32 million in sales last year.

So when you start looking at contact lens sales in a lot of emerging markets, you're excluding India almost in its entirety. Now, if that country starts getting going, that can swing things materially, but you have China that, of that $7.2 billion, it's probably $250 million and that excludes a couple of the local players there. Russia, relatively small, Brazil relatively small, nice growth markets and good opportunities for growth there. So I can see that percentage increasing, I definitely see it increasing. It's not going to get to that 10%, 15% unless you have India decide to come along.

Jeff Johnson - *Robert W. Baird - Analyst*

And why are contact lenses slower to build in emerging markets? I mean dental seems to build pretty quickly as you develop a middle-class, your teeth taken care of a little bit better, things like that, but contact lenses are just purely kind of that discretionary and it's -- you can buy with glasses and what else?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

That's exactly right. And ultimately, you don't have to have an optometrist for contact lenses, certainly helps, you'll see that in some places, you go to China, as an example, you'll see people walk in and say, I'm a minus two and I want contact lenses and they'll just grab a box off the shelf and hand them to them, right, and they have to figure out how to stick a contact lens in their eye. So it certainly helps to have more optometrists as you're building out that field and you're getting more optometrists, you have a tendency to see contact lenses come right along with that, but you're right, I mean it's pretty easy to get glasses and frankly, you can get spectacles relatively inexpensive, you don't need to [go geez] and so forth, you can buy them in a lot of emerging markets pretty inexpensively.

Jeff Johnson - *Robert W. Baird - Analyst*

Yes, fair enough. And then, the last question here in the last couple of minutes. Just on capital allocation, I mean, it's a good problem to have, but you're fully delevered or very close to being delevered, single-digit debt to cap. A good free cash flow, going to be weighed down a little bit over the next year or two on some of this CapEx buildout, but still probably north of -- well north of $1 billion over the next five years. There is nobody left to buy any contact lenses, I mean, you guys have essentially rolled that market up with ocular back in 2005 being the last big one, where do you go, what do you do?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Well, I think the first thing we'll do is continue on the business model we have, which is invest in the existing businesses and that's clearly the top focus, so be that CapEx as you mentioned for new product lines and so forth, geographic expansion, buying out for instance distributors and going direct in certain countries. So that will clearly remain the focus. After that, I would say -- I would put strategic acquisitions on there. And it's not for lack of trying, we do look at deals, but we try to focus on returns. We try to be honest with ourselves and look at transactions and would be willing to pay something for a company that we believe we can add some real value to and it's going to be --

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Jeff Johnson - *Robert W. Baird - Analyst*

(multiple speakers) mainly on the women's healthcare side?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, on contact lenses, you're exactly right, it's very difficult to -- there are a couple of players out there with older technologies and they trade at really high premiums and would be more of a geographic expansion or infrastructure player. Yes, in the women's healthcare side, yes, absolutely and so we'll try to do deals there and will certainly look at deals and if things make sense, we'll try to make them happen.

Jeff Johnson - *Robert W. Baird - Analyst*

And there is nothing of size you've been going into some of your distributed markets and buying those out. Are there anybody left that's distribution model on the contact lens side that you could buy out for a little bit of margin lift or ASP play?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes, there is a little bit. There are some countries where we're direct, but we've done a lot of that activity over the years. Yes, we're now in Mexico and some different countries. So nothing to separate and highlight.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay. And the last question just on Costa Rica, you're building a third manufacturing facility in Costa Rica, just starting to break ground there. Is that a way to just not hold margin because we think margins are going up. So I don't mean it that way, but a way to service some of your emerging market demand over time through an even lower-cost manufacturing. What's the play on Costa Rica?

Al White - *The Cooper Companies, Inc. - Chief Strategic Officer*

Yes. Costa Rica ends out being -- we've expanded Puerto Rico significantly. That's going to be a big facility. We've expanded the UK and we really needed just out of diversification of a manufacturing footprint and so forth another location and Costa Rica offers a lot of positives and it also offers low-cost manufacturing or lower-labor manufacturing. So, from that perspective, there are a number of reasons it checks the box, but a large part of the reason we're doing that frankly is as we continue to grow and get bigger and we need more capacity and we didn't want to necessarily layer that on our existing facilities.

Jeff Johnson - *Robert W. Baird - Analyst*

Right, great Al. Please join me in thanking Al for wonderful overview here of Cooper Companies and bear with me for a second. Our next presentation set to begin at 04:05 PM, including HCA in this room, Acorda Therapeutics in the Reid Salon and Modernizing Medicine in the Holmes Room on the fourth floor. Thank you.
