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QUESTIONS AND ANSWERS

Larry Biegelsen - *Wells Fargo - Analyst*

Good afternoon. I'm Larry Biegelsen, the medical device analyst at Wells Fargo and it's my pleasure to introduce this afternoon the Cooper Companies. With us today we have Al White, Executive Vice President, Chief Strategy Officer, and the incoming CFO starting on November 1, and Kim Duncan, Vice President of Investor Relations. Al, thanks for being here.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah. Thank you, Larry.

Larry Biegelsen - *Wells Fargo - Analyst*

In terms of format, it's going to be fireside chat. If anybody has a question in the audience, please raise your hand and we'll come around with the mic. So, Al, I wanted to start off with a question about your new role. I think you've been pretty successful in all the roles you've had at Cooper. So what are your goals as CFO?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Well, I think most of it's going to kind of be more of the same, if you will. Greg has done a great job, built up a great team, focused on our tax, our accounting group, our finance organization, you know, internal audit, obviously. So I'll assume responsibilities for that. But a lot of what certainly investors, yourself, would see from a prospective investor relations treasury strategy, BD, that kind of stuff, I've been handling already. So from that perspective, it's just kind of getting up to speed on that stuff and make sure we continue to chug along like we have been.

Larry Biegelsen - *Wells Fargo - Analyst*

And you're going to keep your role on CooperSurgical.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

CooperSurgical, yep. Yeah, excited about that business, as you know. We've made a lot of strides over the past year or so on that and I think we have a wonderful future there in front of us. So yeah, I'm excited to continue working with those guys.

Larry Biegelsen - *Wells Fargo - Analyst*

All right. Great. So just starting with the last quarter, you just reported a week or so ago you guided to Fiscal Q4 starting with CooperVision, CooperVision growth that'll be comparable to Fiscal Q3, which is the quarter you just reported. Despite Fiscal Q4 being the first full quarter of the

J&J Vita launch, you've seen Vita in the market for over two months now. Does that mean you expect the Vita impact to be similar in Fiscal Q4 versus Q3, or are there other tailwinds to offset any weakness that might be related to Vita?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah. I think we have some pluses and minuses in the quarter. You look at it from a comp perspective, it's a little easier comp versus last year we had, as you recall, a few issues with solutions last year while we were cleaning that business up. And then you have Vita, correct, J&J's launch which was launched in July, so we felt that impact for a little bit, and obviously we've seen, you know, start this year and then we can talk about the dynamics around the Vita launch.

But at the end of the day, I think we incorporated the performance of Vita and its impact on us in the month of July and what we were seeing in August into our guidance against the difference in pluses and minuses, easier comp and so forth, and kind of wrapped around that range of what we've been doing this year. We've been growing in CooperVision in that low 6% range, and our guidance just kind of stuck right around that. So I think that's probably a fair number.

Larry Biegelsen - *Wells Fargo - Analyst*

And probably the biggest question I've gotten post the quarter is why you didn't give any Fiscal 2017 guidance on last week's call. It's unusual, given your history of doing so I think every year for the last six years, according to our checking. So why didn't you give any color on Fiscal 2017?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, you're right. Years ago, we actually gave guidance for the subsequent year, like relatively full guidance. And then every year we've kind of decreased the amount of guidance we've given as, probably more than anything, just companies become larger and larger to the point where this year we made the decision not to give any specific financial guidance, but to kind of just talk qualitatively about next year.

So I would say that that's just a natural transition over time when you think about it. And when you sit here and say, okay, do I want three more months to be able to get a little bit more visibility on things, like, okay, where's currency going to go, interest rates, how about our launches. We have some exciting stuff going on with Biofinity, Energys, and Vitality, that transition. With respect to some of our competitor launches, there seems to be more activity going on right now with respect to some of that activity than we've seen in the past.

So to say, okay, we're going to wait and give that guidance, the actual financial guidance, a quarter later seemed to make sense. And we did give some qualitative commentary, obviously, that we expect next fiscal year to be a strong year, certainly, for us.

Larry Biegelsen - *Wells Fargo - Analyst*

You know, Bob did allude to one of the reasons not giving guidance was you weren't sure how much you were going to invest in the new products launches, so there's some uncertainty around I guess SG&A next year. Is that fair?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

I don't know if I would characterize it necessarily as uncertainty, but I mean we are going through the budget process and so forth now, so we'll finalize that. I think when you look at the businesses, you have two different stories there. You have CooperVision, which has a great product portfolio right now. We're in great shape with that business. We just are finishing up the integration of the Sauflon acquisition, and we kind of have a number of tailwinds pushing us in the right direction. We are investing in that business. The sales marketing guys have done a really fantastic job, being forced to be inward-looking at times as we transition certain leadership and sales personnel around the world. Now we're back out there hiring. So we are adding salespeople and we are trying to take advantage of the fact we have such a strong portfolio and great growth characteristics.

So I think you end up seeing investments in the sales and marketing side, and obviously those should bear fruit relatively quickly. But more likely to see leverage through the rest of the P&L there. If you look at CooperSurgical, this was the first quarter I think people really saw the impact of some of the activity we're doing through the P&L. You know, the gross margin was reset to incorporate the acquisitions we had done on the lab services side. And then we're doing some infrastructure investing there. So CooperSurgical was kind of running $300 million a year. Now closing in on $400 million in revenue, $500 million global business. A lot of exciting stuff going on there. So there's definitely some infrastructure building and so forth we're doing there.

Now it's nice that at this point CooperVision's doing as well as they are, and we've kind of put that together on a consolidated basis and put up a good year. But I think a lot of that is fairly planned out. We don't change our kind of strategy on an annual basis so there's no real difference from how we've handled it in the past.

Larry Biegelsen - *Wells Fargo - Analyst*

With CooperVision or overall -- well, CooperVision, I think it's 67% pro forma growth this year, maybe overall Cooper as well. What are the factors that would drive growth next year above or below that, or do you think it'll be kind of stable?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, for next fiscal year, again, I think we have a great diversified portfolio, so I feel really good about that. You look at the contact lens market, we talked a while about it being a 4% to 6% grower. We were kind of stumped as to why it was growing 4% or 3% to 4% for a few years, and we've seen that now move up to 5%, right, and on trailing (inaudible) we're 5%. And all the positive trends that moved it the annual growth of 5% are there. I would also add on top of that that the shift to daily silicone hydrogels is clearly occurring. That's a premium space. So that's a positive which would trend toward saying that 4% to 6% is five-ish-plus, more than going the other way.

But I do think those dynamics are also impactful to us, and so when we look at next fiscal year, we're going to grow this year in that 6% to 7%. What are we going to do next year? Well, if the daily silicone hydrogel market continues to grow like we think it's going to grow, if we continue to do well in the Americas and Europe like we think we're going to and we have strength in AsiaPac like we have, those are all factors, obviously, that can push the growth number up a little bit higher than that. You know, lower would kind of be the opposite of that, if you will. But certainly, all the trends and everything going on in the market support the pretty good growth and support our product portfolio.

Larry Biegelsen - *Wells Fargo - Analyst*

Your FX is something you called out on your last call as being a tailwind in Fiscal 2017, but you didn't quantify it. But you did say it would help a lot. I think you used that word. And you also gave some currency rates that were different from the spot rates at the time. So when we do the math, we get to, based on the spot rates at the time, $0.45 to $0.50 benefit for Fiscal 2017. When we use your rates on the call, we get to maybe $0.30, $0.35. Any comments on those EPS benefits in Fiscal 2017? Are we in the ballpark?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah. I mean, so I would say directionally, yes, or you're in the ballpark. And you guys, Larry, you know, you and Lei, you guys have a really nice FX model that you've created, so I think you have a tendency to capture that fairly accurately. But yeah, the thing about it is rates move a lot, and when you're taking rates and you're moving them against the full year, it can really swing your EPS. But at the end of the day, yeah, our rates that we guided at were a little conservative versus where spot rates are, and frankly, where they are today. So that's a positive, right? Hopefully, currency continues to be a wind at our back. We chose not to give any specific numbers around that, but yeah, you're certainly in the ballpark.

Larry Biegelsen - *Wells Fargo - Analyst*

You've got to ask the question about the gross margin next year, because that also seems to be a pretty good lever for you. I won't read the whole list, but I've got a list of five potential tailwinds to the gross margin. You were asked if the gross margin -- I think you were guiding to this year, but 54%? Is that right?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Right.

Larry Biegelsen - *Wells Fargo - Analyst*

And you were asked if it could be over 65% next year. Your answer wasn't completely clear, but it does seem like you've got, like I said, five potential tailwinds to the gross margin. So what else should we think about? What did you mean by the response to should it be over 65% next year? Was it affirmative or not?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Well, I won't give a specific number, again, trying to avoid kind of the detailed guidance component of it. I would say -- or obviously, we had a pretty decent quarter in Q3 and we're expecting a pretty decent gross margin in Q4. So you'd still have to look at the full year-over-year.

Having said that, I won't debate your list there, because I'm sure if I go through that list, right, you have currency, going positively for us. We have success with Biofinity, certainly, and continued growth in Biofinity that's pulling margins up. We look at a transition with Avaira moving to Vitality. That won't necessarily happen quickly, but that's going to be an improvement in margin, certainly. Clariti is an improvement. So we have a lot of factors that are pushing gross margins up, so I would expect continued strength in gross margins, and frankly I would expect that to continue to occur for a few years.

Larry Biegelsen - *Wells Fargo - Analyst*

You know, in the past you've talked about, I think when you've given your long-term goals at the previous analyst meetings, you've talked about double-digit EPS growth on an annual basis. Again trying to think about 2017, is that the starting point, double-digit EPS growth?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Man, you're really trying to get me to go (inaudible). We look at our long-range strategic planning, and when we talk about it, we go out five years and we say okay, how can we get to where we want to be. And that's almost always driven by low double-digit annualized growth, right? Consistent, solid growth. So as a base, that's kind of what we work off. Now, what I will say is when you look at a specific year and you talk about currency coming in or not and so forth, I mean we put up stronger numbers than low double-digit EPS growth for a long time, and that includes (inaudible) currency, putting up numbers. I think last year was 24% or something like that on a pro forma basis.

So I won't comment specifically on next year, but I do think we have a number of good positive things going next year, certainly the things we talked about within Vision, I think gross margin's stronger, I think we get sales and marketing investments, the leverage throughout OPEX without that. Obviously, currency's going to be a positive as it rolls through, especially cost of goods. You know, we haven't seen it as much this year because the pounds offset the yen move. But that cost of goods positive move, we're going to see that next year.

CooperSurgical is a little bit in the opposite direction. We started investing in that and put more infrastructure in place here at Q3. We'll do that at Q4. So we won't annualize that until a couple quarters in, but yeah, so I won't give specifics on that but I would reiterate any commentary we made that next fiscal year should be a strong year, that's for sure.

Larry Biegelsen - *Wells Fargo - Analyst*

All right. Last one on 2017. You've called out the interest expense and a variable rate. You have $1.4 billion in debt. It looks like, I mean doing the math, right now your average interest rate's about 2.5%? Is that right?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

A little bit less than that.

Larry Biegelsen - *Wells Fargo - Analyst*

A little less. So 1% change in the interest rates would be maybe $14 million, nothing dramatic.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Right.

Larry Biegelsen - *Wells Fargo - Analyst*

So it's not a huge -- I mean, unless rates move dramatically, it's not a huge needle mover. Is that fair?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, I would agree with that, and I would add to help mitigate that, if you will, is that we are expecting some pretty significant free cash flow generation. Yeah, we've talked about that a little bit, and some of that was masked by our integration activity and so forth. But you really saw in Q3 here we generated almost $100 million of free cash, so we're going to have another strong free cash flow quarter this year -- or this quarter, I mean. Certainly expecting that and expecting strong free cash flow next year. So our natural position on that is always to pay down debt first and then we look at strategic acquisitions, which we've done. Share buybacks if they make sense, some of that kind of stuff. But yeah, so interest rates, we are fully variable, so moves in interest rates obviously impact us.

Larry Biegelsen - *Wells Fargo - Analyst*

All right. I'll move away from Fiscal 2017 questions. Let me see if there are any questions in the audience before I move into some product-specific ones. You know, the Biofinity Avaira franchise grew 11% in Q3. It's been kind of in that range for a while. You're launching Energys and Vitality, but it's in the face of new competition. How should we think about the long-term growth of that franchise?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, I mean, I would tell you kind of two separate pieces there. I mean, Vitality -- Avaira's a great product and Avaira was growing double digits, and we've stopped really pushing that product right now, but we'll start again soon. So what we're doing is replacing Avaira with Vitality, and rolling that product in. That's a fairly significant margin improvement for us. So although that's not a massive product in terms of revenues, it runs somewhere in the kind of low 30 gross margins right now, so it's well below our company average.

The new product that we're rolling out is an upgraded product, but at the same time it has significantly lower manufacturing costs. And that's going to roll more towards like the upper 60s gross margins. Now, that takes a little bit of time to roll that through because at the end of the day you're not going to go out and just say, okay, I'm removing this and then I'm putting this product in. And you have people who are wearing Avaira out there right now and they're going to come in and they're going to get new scripts, you're going to change people out, you're going to work through that entire process, right, so that's probably a two, three year process in order to make that happen and I think the margin enhancement from that is probably more in year two and three. But we have started that process, so it's underway and we're definitely making progress on that.

So I feel good about that. That product has been essentially flat, though, the last couple quarters. So it went from double-digit growth to flat. We'll put Vitality out there, we'll get behind it a little bit more, and hopefully we get that back to double-digit growth. In the meantime, Biofinity has been strong, and the great thing about Biofinity, it's been strong all over the place. It's been strong in the Americas, it's been strong throughout Europe, strong in AsiaPac. So it's a very diversified growth story, which is great. The law of large numbers is going to make it come back a little bit. Obviously, there's a little competition out there going after it. I think we offset some of that, certainly, with Biofinity Energys, which we've just recently launched, and the feedback has been really, really positive on that, so I think that's certainly going to help offset some of the challenges.

Larry Biegelsen - *Wells Fargo - Analyst*

How many fitting sets are you giving out? Is it going to be a relatively slow launch on Energys?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Somewhat, yeah. And certainly in comparison to what you would see from a J&J or somebody much smaller launching that. So we're rolling it out, we're getting feedback on it, and depending upon its success and so forth, maybe we accelerate that a little bit or not. But there's a pretty decent plan in place right now to at least get a number of fitting sets out this calendar year.

Larry Biegelsen - *Wells Fargo - Analyst*

And why do you think the Vita launch has been less impactful on your business than the Oasys 1-Day launch was last year?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, well, the Oasys 1-Day launch was handled kind of as a brand new product launch in a new space, so to speak. And when they did that, they did more cross-promotional activity and so forth, and there was a bigger impact because of the way they launched it on channel inventory, and you saw that kind of short-term impact on us where you saw more channel inventory coming from J&J, and then you saw, after a period of time, it move right back to us, and we bounced right back and it kind of neutralized.

The impact on that I think ends up being more to J&J, who kind of were dropping price on some stuff that they probably didn't have to. When you look at the activity around Vita, I think if I'm them, that's a very intelligent, well-crafted rollout of that product. You know, a lot of that product is going to cannibalize our own two-week product. That is a positive trade for them because the vast majority of those two-week patients are noncompliant. So moving those patients into Vita is a positive for them. They don't necessarily want to put those patients in play actively and lose them to Biofinity or something, so they want to have kind of an intelligent transition period. And I think that's what they're doing. So I think that's a logical kind of intelligent transition for them which is being, in my mind at least, handled better from their perspective than Oasys was handled last year, and that's less impactful to the market kind of in general.

Larry Biegelsen - *Wells Fargo - Analyst*

So let's switch gears to the silicone hydrogel daily disposable franchise, MyDay and Clariti. Growth slowed to about 40% last quarter from 50% the prior quarter, but on a sequential basis, still up a lot. (Inaudible) on a sequential basis I think in dollars. So what do you see as the sustainable growth for this franchise? Remind us again approximately how big it is and what you see the long-term opportunity as here.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah. I mean, this is really a fantastic long-term opportunity and it's a big part of our store. I mean, when you look at the daily market right now is about 46% of the overall market. So let's call -- you know, $3.3 billion, something like that, in annual global sales. It's kind of fascinating that daily silicones right now are at about a $750 million run rate. So you're talking about a sub category there that's now actually fairly large and growing at about 20% globally.

Our position on that is that we're probably 27%, 28% market share right now, which is amazing in and of itself, right? Bausch doesn't have a daily silicone, so it's Alcon, J&J, and ourselves. And with our product portfolio, we're a little later to the game than those guys in some areas, but we're growing obviously double that right now. So when you look at that, you say, okay, well, where is that going to go? Well, that $3.3 million (sic - see above, $3.3 billion) from dailies right now is probably going to go up to $5 billion, something like that, in five years, at that current growth rates. And you take a look at that $750 million growing as fast as it is. Well, that's rapidly going to be moving up towards a couple billion dollars, and we're going to get our fair share of that, a third or more to that.

So you're going to see, if all holds true and plays out as is currently playing out, a significant increase, a long-term growth rate from our daily silicones, and I mean we are really well positioned for that. I think that you'll see some competition come in from others over time and so forth, but for the time being, we are the only company with a mass market sphere for multifocal that's out there on the silicone hydrogel side. And MyDay is a fantastic lens. We just launched MyDay toric in Japan. So I think we're in crazy good shape with that in a market that's really going to grow, and that frankly has probably caught some people, myself included, off-guard a little bit on the strength of that market and the size of that market and how it's continuing to grow. So that's a nice positive for the industry.

Larry Biegelsen - *Wells Fargo - Analyst*

MyDay in Japan, you just launched toric, but on the call you talked about toric not being a big market opportunity in Japan. But I thought when you launched Biofinity toric in Japan, it actually really helped the business there.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah. So what ends up happening is although daily torics is not a very big market, and you look at daily torics within Japan, not necessarily a very large market, that halo effect we talked about is definitely a positive. So it's great if you're a practitioner and you're going to prescribe a lens to be able to fit that lens and say no matter what patient comes in, I can reach back and I can grab my MyDay lens. So although I don't necessarily use a lot of MyDay toric or daily torics, if I'm going to use the sphere that I'm going to use frequently, boy, it's great to have the toric with it so that I have kind of that full set. So that halo effect will definitely be a positive.

Larry Biegelsen - *Wells Fargo - Analyst*

And the margins on these two products, Clariti and MyDay, Clariti you said you would end 2016 with Clariti being accretive to the overall gross margin. I assume that's still on track.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Uh-huh.

Larry Biegelsen - *Wells Fargo - Analyst*

MyDay, you always have said for a while it's below the corporate average, but I don't think you've given much color -- I mean I think last time you gave an update it was in the teens. Where is that margin today?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, so MyDay margin is probably around 30%. So probably pretty similar to what we'd expected it would be back a couple years ago when we were talking about that product. A lot of it's volume. You know, volume is a good thing when it comes to our industry, and it's certainly true with MyDay. We need to run the lines that we have more and produce more product on that. So we need demand to continue to do what it's doing. It doesn't have to do more than it's doing, just keep cranking and keep selling product and you're going to see that 30% trend up towards 50%.

Now, it's a little different than Clariti. You know, we look at our daily portfolio, Proclear and some of those products being around 50% gross margin, and that's kind of the trend for MyDay. Clariti's different. One of the reasons we bought Sauflon was the manufacturing around that product. Its less expensive manufacturing lines, not using alcohol and so forth has put Clariti in a position where, yeah, we're already in the 60s with Clariti and as a matter of fact, we're 60s and positive on that side of things. I mean, the only negative, if you will, that we've run into from a Clariti perspective is you (inaudible) some of the lines. You know, we retrofit some of the lines. That's kind of a modular manufacturing system.

So our ability to go back and retrofit that has worked well. The manufacturing guys have just done a phenomenal job, and we're producing a lot more product on some of the older lines as we retrofit them, which means we have some lines that we've ordered that we don't necessarily need today. Those go into use, if you will, that depreciation's coming through the P&L. That ends up being idle equipment charges that we're getting hit with, which is obviously a negative. The flip side of that is we have capital there. You're going to see that in reduced CAPEX. And then the other flipside is if we continue to grow as we've been growing, we're obviously going to utilize that equipment and then that's going to be a nice margin benefit. So almost all good news on Clariti. The only negative, if you will, is that manufacturing is going better than even expected.

Larry Biegelsen - *Wells Fargo - Analyst*

And Clariti made a small change to the product earlier this year. How would you describe the impact in the market to the change made to Clariti?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, really positive. Yeah. So all good on that. I'm glad we did that. We made that change. I appreciate that there's probably some practitioners out there who tried it and I don't know if they want to try it again and I've heard commentary on that. But I can tell you, from our perspective, in getting that lens out there, the feedback has been very strong. And we went to a lot of those practitioners right away who said, oh, maybe I didn't have the best experience with this, and those guys have flipped and said no, I really like this lens now, this is really comfortable. So yeah, I would give that change over and so forth that we did an A.

Larry Biegelsen - *Wells Fargo - Analyst*

We've got about five minutes left. We haven't really talked about CooperSurgical. I actually wanted to ask before that about just succession planning at the CEO level. When your promotion (inaudible) it was deemed a planned succession. Bob is in his late 60s. What can you say about succession planning at the CEO level?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, well, succession planning in our organization is very important. Bob takes it very, very seriously throughout the organization, and I'm sure he does for himself. All I can say about that is Bob is at work all the time, he's passionate, he's excited, he's involved. His health is good as far as I can tell. All that kind of stuff is pretty positive. So I would be surprised if Bob's not around for a while, working hard.

Larry Biegelsen - *Wells Fargo - Analyst*

Right. So CooperSurgical, I think you started the year guiding at like the 1% to 4% and now you're guiding 7% to 8% pro forma. What's happened there? How have you been able to accelerate the growth there so quickly?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Yeah, well, we made some changes within the organization itself, moving to a geographic sales model and so forth and trying to reenergize some of the salesforce. And then we did some acquisitions that brought some growth along with them, some organic growth. Not all of them, but some of them that brought some growth along. So that combination has worked out well. Paul Remmell runs that business for us directly and has done a very nice job, and that team has really climbed on board with this IVF sales strategy that we have in place, including the acquisitions and linking all those businesses together. And you've seen that result, right? I mean, all of a sudden you have now IVF, which is a really good global growth market, mid upper single digit grower, and we're putting up growth in that range if not in excess of that range.

So the team has really gotten around that. A lot of energy and excitement around that, and I anticipate that growth in that fertility space will continue to remain real strong.

Larry Biegelsen - *Wells Fargo - Analyst*

I assume you will continue to be acquisitive in that business?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Uh-huh.

Larry Biegelsen - *Wells Fargo - Analyst*

And where do you see opportunities to build out CooperSurgical?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Well, we have the two pieces. We have IVF -- I mean, IVF, when you exclude pharma, and we're not in pharma, it's not that big of a global market. So we did a number of acquisitions there. We're actively integrating those. If we can find opportunities there, we'll take a look at them and if we can make them work and they make sense, we'll do it. The other piece for us is kind of in the OB/GYN medical device side. That's another similar one. We haven't done any acquisitions here in a little while. We look at them. If we can find them, we'll do them. But in both of those cases, those markets are relatively small in the grand scheme of things, and we're not looking to go into all kinds of general surgery and compete against some of the real big boys in there. So it's trying to stay more intelligent around those niche acquisitions.

Larry Biegelsen - *Wells Fargo - Analyst*

And the question on CooperSurgical is always why keep these two companies together. And one concern people have is if you separated the two, that it would jeopardize your low tax rate. Is there any validity to that?

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

I think the answer to that, if you look at it from a tax perspective or a corporate structure perspective, ends up being that a significant portion of CooperSurgical's cash flow, and they generate a lot of cash because CAPEX is so low in that business, is generated in the US. Meanwhile, because of the tax structure at CooperVision, a lot of that cash flow is generated outside of the US. So it's nice to have CooperSurgical US cash flow be able to cover obviously their business, but also our corporate overhead cost, some CooperVision cost and interest expense, stuff that we have in the US. Under that structure, we don't need to repatriate any earnings or anything from CooperVision, so from a cash flow tax perspective, it's actually a very, very nice mesh, having the two of them together. That would be clearly the most obvious reason to have that.

Larry Biegelsen - *Wells Fargo - Analyst*

Let me see, we've got about 45 seconds left. Questions from the audience before we wrap here? If not, I am going to conclude and thank Al and Kim for being here.

Al White - *Cooper Companies, Inc. - EVP, CSO & Incoming CFO*

Sure. Thank you, Larry.

Larry Biegelsen - *Wells Fargo - Analyst*

Thank you.
