FINAL TRANSCRIPT

Thomson StreetEvents℠

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

Event Date/Time: Sep. 10. 2009 / 4:45PM GMT

THOMSON REUTERS

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PRESENTATION

Jeff Johnson - *Barid - Analyst*

Good afternoon, why don't we get started. My name is Jeff Johnson, I'm a senior medical technology analyst at Baird, and our next presentation this afternoon is from Cooper Companies, third largest manufacturer of contact lenses in the world, and a leading provider of women's healthcare products for both the hospital and private physician office. And with us today from Cooper, we're pleased to have Al White, Treasurer and Vice President of Investor Relations, and Kim Duncan, Director of Investor Relations. Al?

Al White - *The Cooper Companies, Inc. - Treasurer and VP IR*

Thank you, Jeff. Welcome, everyone. So, updated presentation, we actually just had our earnings release as some of you probably know last week, so a couple of new slides in here but we'll go ahead and walk through it. And hopefully we will have time for Q&A.

I'll get started with the usual forward-looking statement. Just said, 85%, 86% of our revenue generally speaking is coming from contact lens sales. There's four main players in the contact lens space comprising around 95% of the global market. We'll walk through some of those statistics later on, but between J&J, Ciba as part of Novartis, ourselves and Bausch & Lomb, that's the largest portion clearly of the contact lens market. As you can see, CooperSurgical which was $44 million last quarter, roughly 16% of our revenues.

The Company in total right now is around 6,900 employees in 54 countries. There's been a lot of discussion about employees as we're gaining a lot of efficiencies, especially on the manufacturing side, and pulling back on the number of total employees. So it's currently around 6,300 within CooperVision.

We have primary manufacturing in Puerto Rico and the UK now, we'll touch a little bit on the restructuring that is going on currently where we are folding our Norfolk manufacturing operations into Puerto Rico and the UK. CooperSurgical 540 employees, primarily a US based Company.

2008, last year we had sales exceeding $1 billion, up 11%, with CooperVision up 11% and CooperSurgical also up 9%. GAAP EPS of $1.43. We're at October year end, so we caught the very end or I should say our fiscal year caught the very end of the storm, and it was the beginning of this year when we had the economy which really impacted us. October of last year was the only true month that really hurt us from an economy standpoint.

Terrific Q3 in the quarter we just reported, we had sales of $285 million, up 2% year-over-year, with CooperVision up 2% and CooperSurgical up 4%. What is interesting to note is, unlike a lot of industries, the contact lens industry is fairly recession resistant. So year-to-date the market is up 2.5%, and we are up a little bit north of that. We grew 1.7 times the market in calendar Q2, and 1.7 times the market also in calendar Q1.

Our GAAP EPS was $0.48 for the quarter, non-GAAP was $0.54. The delta being the manufacturing restructuring that we announced, that's primarily driven by closing our Norfolk manufacturing facility and rolling that into the UK and the Puerto Rico operations. We'll continue to have that, we actually have a slide on there that walks through that, so I'll wait just a minute to get to that.

Free cash flow is very strong at $56 million this quarter. It's been a big focus for people here for quite a few years. We've gone through multiple years of infrastructure build and negative free cash flow.

We started to come out of that. We had, our first fiscal quarter, which was around negative $9.0 million, $24 million in the second quarter, $56 million this quarter, as you can see the trailing 12 month is now $89 million. So we are getting back to where we were in days gone by where the Company generated a lot of free cash flow.

Guidance. To be clear on guidance, we went ahead and just pulled the slide together with some of the year-to-date numbers, and also the fourth quarter guidance. If you look at Q4 guidance, where we're guiding to $271million to $285 million in revenues, and $1.68 billion to $1.82 billion for the year, puts us towards the mid, high end of our initial annual guidance for the year.

Very similar on a non-GAAP basis, if you exclude the Norfolk restructuring, we gave initial guidance at $2.16 to $2.36, we've narrowed that range down to $2.27 to $2.29. As I mentioned, the non-GAAP delta to the GAAP delta is solely associated with that restructuring.

Free cash flow, we gave guidance to start the year off of north of $50 million. We took that guidance up to north of $70 million, and now we said $93 million to $103 million, which as we have referred to it, is roughly $100 million. Pretty excited about that number being twice what we initially had guided to at the beginning of this year.

Long term objectives for the Company remain the same. Revenue growth exceeding the market as I mentioned. We grew 1.7 times the market in the first two quarters, and year-to-date 1.7 times the market. Focused on maintaining and expanding gross margins. There were a lot of issues on this last quarter, and gross margins very, very strong focus in that area for us right now, and a lot of improvement initiatives there.

Operating margin ultimately to get in the upper teens. The Company has been historically in the 20s. Feel like we can get ourselves back in the upper teens in the near future.

We remain focused on growing EPS faster than revenues. We've done, as I mentioned, a lot of infrastructure build. We have done that throughout the P&L, meaning there's been a lot of upgrades in manufacturing, there's been a lot of upgrades in places like distribution. We are at a point now where we can start leveraging the P&L with the revenue growth.

The free cash flow generation, I touched on that a little bit. We are spending a lot more time on cash flow and focusing on cash flow and return metrics, the next bullet point, than we have in the past. One of the things we have done as a Company historically, is focused on revenues, focused on growing the business itself. All important, still a lot of focus there.

But having said that, there's a lot of attention going towards free cash flow, and generating the cash flow, using it to pay down debt. We were one of the companies who got swept up to some degree in the November, December timeframe in covenant defaults and that kind of stuff. We were never at issue with any of that stuff but we are generating free cash flow. We are using to pay down debt to get in a little better position there.

Having said that, we are looking at accretive acquisitions within our women's healthcare unit. That business has been built as a quasi-rollup strategy. We haven't done acquisitions for several years. Because of that, that management team has been allowed to really focus on generating efficiencies in the business. We'll touch on that later, but their gross margins are now in the 60's, with operating margins in the 20's. So those guys have done a phenomenal job with that business, and they'd like to get back to work doing some acquisitions, especially with the market which has pulled back a little bit from a valuation standpoint.

I'll touch on CooperVision in a little bit more depth. Last year $879 million in sales. Let's just jump into Q3 which had $241 million of sales, up 2% year-over-year, 3% constant currency. Needless to say, we would love to have these numbers be stronger. The global contact lens market was growing 6% to 7%. And fairly consistently in that 6%, 7% range, and we were fairly consistently growing faster than the market, and we have been, we should continue to grow faster than the market.

It would be nice to get that growth coming back. We said in the beginning of this year, the contact lens market would grow to 0% to 4%. It's 2.5% after the first two quarters. Still feel pretty good about that range and feel good about the upper part of that range in the 2% to 4% area.

Revenue by segment. Toric's down 10% year-over-year, 4% in constant currency. Against a toric market that has been growing. Some of you may know, toric is a very important part of our CooperVision franchise.

We have recently launched Biofinity toric, which is going much better than expected, and to some degree a plus, minus. Obviously we want a new product out there that is doing really well, that is being received well by the market. Yet we are spending a lot of money getting that product launched, getting free lenses, trial sets and so forth out into the market, but as Bobby mentioned on our last call, we actually saw US growth in August on a year-over-year basis, and that's the first time we've had toric growth in the US in quite a long time. So, Biofinity toric continuing to gain traction and being very well received in the market.

Multifocal's up 7%, 14% constant currency. It continues to be a segment of the market that is growing faster than the overall market. When you look at contact lenses and one of the drivers of contact lenses is an expansion of the age wearing group, meaning if you go years ago, maybe you were looking at kids in their teens up to the mid 30's. That range is expanding to some degree, as kids younger will start wearing contact lenses more.

And as the technology gets better on multifocals, we get people in their mid 30's who may have exited the contact lens market, who are now wearing lenses a little bit longer. Single use sphere continuing to be a focus of ours, up 9% constant currency. Non-single use sphere or other, up 6%.

Revenue by material. Proclear is our, what you could call old hydrogel material, so to speak, a non-silicone hydrogel product. Continues to do very well, up 11% in constant currency. It is kind of a best in the field contact lens for traditional hydrogel, and that helps drive the growth there.

Silicon hydrogel's up 84%, also nice sequential growth. We saw real nice numbers from our silicone side this quarter. Biofinity was strong, Biofinity spheres Avaira posted a nice quarter at $7 million. We are gaining some traction at Avaira, we had a slow start on that. But we are getting some nice traction with that product. And then as I mentioned, Biofinity toric which was around $3.6 million in sales, up from $200,000 in the prior quarter.

If you look by region, some interesting dynamics, you have the Americas which was flat. If you go back and you look on a calendar basis, the Americas was actually very strong in calendar Q1, and then flat in Q2. So, I don't think it's a matter of that kind of a swing necessarily, but as in a lot of markets, the contact lens industry has been fairly jerky compared to what it has been historically, where things were a little bit more consistent. We are seeing some of the variability in the regions also.

Europe up 7%, Asia Pac up 5% in constant currency, 6% in actual, that's a good number but it's less than what we have been seeing historically. For a while, out of the Asia Pac, you really saw a lot of growth, and J&J's commented on that. It's been one of the things that has kind of pulled back their growth, as they are an extremely strong player in that region. We are relatively small there, so we continuing to grow off a small base and putting up some pretty good numbers.

New products. A lot of the new products that have been talked about over the years frankly, have been on the silicone hydrogel side, and just coming out with the new products. We have been behind the eight ball to some degree on that. You can see, when you look at the list of new products, a lot of it is products that are out there and we are now expanding the parameter ranges, and you are seeing that from the competitors also.

There was a big shift in the marketplace back in 2004, 2005, when the industry started moving to silicones. We got a little bit behind that, that eight ball. We have gotten up to speed, we have the new products launched. We are expanding the parameters on those products. So, things are going fairly well from that side.

We do have two important launches next year. We have Avaira toric which is our two week silicone hydrogel toric, that will be launched in the first half of calendar 2010, and we have silicone hydrogel multifocal, most likely our Biofinity multifocal that will launch in the first six months of 2010.

Let's talk about the restructuring a little bit. We announced this probably three, four weeks ago. One of the things that has happened within our business is we were spending so much time with infrastructure build, getting up to speed on silicone hydrogel manufacturing, upgrading the manufacturing platforms to high volume. But that was the entire focus of the manufacturing side.

Once we have gotten over that hump and we are comfortable with the manufacturing of products, we took a step back and the manufacturing guys have gone in and taken a look at the business itself, and looked at the equipment and so forth. They put some plans in place to improve efficiencies, and that started in a year ago time frame. That has been extremely successful. So from an efficiency standpoint, we have seen a lot of improvements. We are going to see a lot of improvements.

One of the things we decided to do because of that was close our Norfolk manufacturing plant, and we are going to consolidate that operation into our Puerto Rico plant and our UK plant. We are going to let go roughly 570 people because of that move, and we are not hiring new people in Puerto Rico and the UK as part of this move.

It is going to take us through the end of next fiscal year in order to complete it. The Norfolk facility manufactured primarily proclear products, as I mentioned earlier, that's a very important product to us. So, we are going to take our time and make sure we do that move right.

There was a charge of $4.1 million in Q3 associated with that. That was a non-cash charge. We estimate a charge of about $7.5 million in Q4, mainly non-cash. The remaining portion here is $13.4 million to get to $25 million will be hitting the P&L next year.

We have 10 million in cash charges that we are forecasting from this event, that will all be next year. So that $22 million to $32 million number for Q4 is not incorporating that. We said $150 million for free cash flow next year, before this we have not updated that number, we'll give guidance on our next earnings call. But exclusive of this, it would be $140 million.

Expected cash savings, and I guess this is the important thing when you look at making a move like this, where are you ultimately going to get. We look at cash savings of $14 million a year beginning in 2011. As I mentioned earlier, free cash flow continues to be a driver of the Company, and generating significant free cash flow remains incredibly important. So, this was one of the primary drivers behind this.

From a P&L standpoint, this is all manufacturing based, meaning the savings are going to get caught up into inventory and move through the P&L roughly six months later, which is our month on hand. So we realize $7.5 million of savings in the P&L in 2011, $15 million per year thereafter.

Touch on some of the competitive dynamics out there. I mentioned this a little bit earlier, J&J is the market leader at roughly 44% of the market. Ciba at 22%, Cooper at 16%, Bausch at 14%, and you have a few small players around the world.

If you look at it by region, it gets a little bit more interesting. Cooper number 2 in the US, Cooper number 2 in Europe. You have J&J and Ciba flipped, J&J, parent company being Novartis has strength in Europe.

Asia Pac has been a focus of ours. One of the reasons we did the ocular transaction in 2005 was to gain a greater presence in Japan. We have opened up more offices in Asia Pac, and that continues to be a strong focus. You can see in the results, we are doing fairly well.

Having said that, we are still the number four player there. So, some decent growth in our opinion in all of these three different markets.

(inaudible) breakdown, another interesting slide, when you look at the world, if you look at the global section down at the bottom left and daily's at 34% and two week at 39%, and monthly at 27%, tells a story but you don't really see the story until you look at the individual dynamics. When you look at the daily market, or when you look at the US market or call it the Americas, where J&J is so dominant. J&J is basically a two week shop. So you look at that, you could see the significant two week percentage there.

You go to Europe, and you have ourselves, you have Ciba who is a big player there. You are talking a big monthly market, and you are talking more dailies, and then interestingly in Asia Pac we're very high daily percentage. So, it's just kind of an interesting slide I think when you think the contact lens world is the same worldwide, and everything is the same. It's actually fairly different by region as our regional heads would tell you.

From a soft contact lens standpoint, when we look at the market as a whole out five years, as I mentioned, we are looking at 0% to 4% for this year, 2.5%, but if you look at the market and where we see it going over the coming years, markets should be growing around 6%, 6%, 7% is what it's done historically. Torics, multifocals grow a little bit faster than that as you add a lot new products, specifically silicone products in that space. Single use spheres grow at about the equal to market, and non-single use grow in slightly less.

When you look at the regions, this is another one you would actually have to pull apart. We say 6% growth, and then we look by region, and say 6% by region. There's different drivers for the different regions though. When you look at the contact lens market in general, you have geographic diversification, and when you look at China, when you look at places like India, there is a very, very low penetration in the contact lenses there.

So some of this is driven by geographic expansion. Some of it is driven by upgrades, some of it is driven by an extension of the age base for the wearers. It's interesting that each of these markets again is a little different but we are forecasting around 6% growth per year for those markets over the five years.

Touch on CooperSurgical a little bit. I think it gets lost now and then in the fray, but this is a very, very nice business we have. Sales were up 9% last year, 6% on an organic basis.

Even with everything that is going on in healthcare, and a lot of you guys probably focus more on general healthcare then maybe specifically than the contact lens space or the opthalmic space, but there is a lot going on there. We grew 4% this last quarter, we feel pretty good about that, pretty proud about that in organic growth rate. We had 10% growth in hospitals, which is a solid margin business for us. That is $14 million or 33% of our business.

Look at why CooperSurgical has done well. CooperSurgical is in a fairly fragmented space. We focus on the OB/GYN side. We are really the only company that's out there that's focused on that from a pure standpoint, and there are very few competitors for our products. If you look at our products that we have out there, we have high market shares in a lot of those products. We have competitors in those products.

Having said that, you don't have a situation where we compete with J&J in every product or we don't compete with Boston Scientific in every product. We have a lot of mom and pop type shops we compete with, you get a big spread in this marketplace, and there's a lot of advantages for our offering here. When you look at diversification of the product line, when you look at the brand awareness we've been building. You look at the customer base, there is a lot of diversification, a lot of comfort in this business.

We go back and we look at acquisitions, talk about acquisitions because we are going to start doing some acquisitions next year assuming the return metrics and so forth make sense. As everyone knows, a lot of the multiples have come back in a lot of different areas, including women's healthcare. We completed roughly 23 acquisitions in the past 11 years. We have had top-line growth in this business every year since 1996. We expect to get back into the acquisition mode next year.

We don't anticipate doing anything that is going to shock anyone. Technology, big technology acquisitions, big dilutive acquisitions, we are talking about tuck in acquisitions that make sense, that are going to be accretive type acquisitions, ideally as we exit the first year. We are very focused on return metrics, return cash forth and so forth. So that will be a lead driver as we evaluate these.

How am I doing on time? Looks like I'm doing okay.

In summary, go through these takeaways. Revenue growth continues to exceed the market. I feel good about CooperSurgical, feel very good about CooperVision. 1.7 times the market as I mentioned in Q1 and Q2, continuing to put up good growth even with some of the weakness we have had in torics. Recession resistant market, again, reiterate the same numbers, unlike lasic and some of the different marketplaces that are out there, they are seeing declines, we continue to see a market that grows.

We are well positioned to leverage growth. Right or wrong, we spent a lot of money on infrastructure build over the last several years. We don't need to spend significant money on CapEx. We have distribution facilities that can handle quite a bit more volume.

The P&L is kind of set to leverage growth. So we are in a position here where we are in pretty good shape, we feel, for the future. Proactively managing the business, I think that speaks for itself within this presentation. When you look at the Norfolk decision we made, when you look at the moves we have made, we are proactively managing this business for the long term. And on maximizing free cash flow, the $56 million was a number we are proud of. We are going to continue to deliver free cash flow, and that remains a very, very big focus of the Company.

QUESTIONS AND ANSWERS

Jeff Johnson - *Barid - Analyst*

Thanks, Al, your timing is great, we have about three minutes left. So I'll open it up to the floor to see if there are any questions. If not I'll lead off with a couple. Can you just talk, high level, Al, on -- how you are conceptually thinking about free cash flow versus EPS, they are not mutually exclusive. And obviously if you choose one, the other may suffer a little bit, and why you are choosing to focus on free cash flow and how that may play out over the next year or two?

Al White - *The Cooper Companies, Inc. - Treasurer and VP IR*

Excellent question. And that's one of the things that has actually caused a little disconnect. When you look at the market right now and you look at the EPS.

You say, well, wait a minute, you guys had this strong cash flow. Where is the EPS that came along with it. A lot of the charges this quarter were non-cash. A lot of the work that's going on are non-cash charges, so you are seeing the cash already. You will see the EPS that will come in the future.

So every once in a while you get into these situations where a company starts generating the cash flow and has the EPS follow later. We are focused on our cash flow because we do have a relatively high debt level. Cash flow is important to us.

If you look at a utilization standpoint for us, we are operating in the 60 some percent utilization from a plant standpoint. So there is not a lot of reason for us to spend a lot of money upgrading existing manufacturing equipment and so forth. There is not a lot of reason for us to run a lot of these lines that we don't need to run them, if we don't need more inventory.

There is a lot of sense to be made to work through this process that we have from a global economy standpoint and right the ship so to speak.

Jeff Johnson - *Barid - Analyst*

And I can't believe I'll ask this question but I will, because a year or two ago I would have never thought a year later I'd be asking this, but what happens in a year or two when you delever, you get to maybe 2.5, 3 times EBITDA turns, or even 2, 2.5 EBITDA turns. And the balance sheet is a pretty decent looking balance sheet at that point. You are going to be throwing off a lot of free cash flow. What do you think a couple of years down the road? It's a rich man's problem to have, I understand, but how do you think about it from there?

Al White - *The Cooper Companies, Inc. - Treasurer and VP IR*

Yes, it is a rich man's problem. We look forward to that because after many years of kind of infrastructure build and upgrade, look forward to getting our next year and the following year and having cash flow move into the upper hundreds and $200 million range and so forth.

I would tell you that for the foreseeable future, we are focused on paying down debt. I mean we do look at leveraging that 2.5 range, 2, 2.5 times range, we do have a refinancing we'll have to consider in January 2012. So we'll play it a little bit by ear, and not to avoid the question but look and see how the markets are in a couple of years.

We'll be in a good position, having generated a lot of cash flow and being looking at a lot of cash flow generation, to have some flexibility in terms of acquisition or more aggressive growth for instance, in places like China and India and so forth.

Jeff Johnson - *Barid - Analyst*

All right. One last question then we'll go to the breakout. But if I remember, and it was a late night. I think it was $12 million or $13 million in cost of goods this quarter, exclusive of the Norfolk charges that pressured your margin down about 51% ex Norfolk levelers, so remind me, how much of that do you think comes out sequentially as soon as next quarter? I think as we did the math offline, it was a good amount, it was $3 million to $5 million or so. Will you publicly commit to that at this point?

Al White - *The Cooper Companies, Inc. - Treasurer and VP IR*

Yes, one of the cooler drivers of that is foreign exchange, and we highlighted that. We highlighted $7.9 million of foreign exchange, and we didn't highlight that to say you should pull it out or anything else. Currency is currency, but there are a lot of companies out there, in the healthcare space, that are seeing the wind at their back because of currency, and we would have too if we didn't hedge. When you look at the P&L for instance, and cost of goods in Q3, the Pound rolled through our P&L at about $1.95. It will go through at about $1.82 in Q4, and then down to $1.65 in Q1. So we know we have some wind at our back from a currency standpoint, from a hedging standpoint.

That is one of the lead drivers. The other driver on that would be the write-offs. Basically we had around $4.1 million of inventory and equipment write-offs.

We still anticipate some of those in Q4, as there is still a little more clean up going on, but that number is going to be closer to $1.5 million than it is going to be certainly higher than that. You will see some improvements there.

Jeff Johnson - *Barid - Analyst*

Great. I think we are out of time but please join me in thanking Al for a great overview of The Cooper Companies. The breakout session will begin in just a few minutes for Cooper in Salon B, which is down two flights of stairs.
