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

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PRESENTATION

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

My name is Jeff Johnson. I'm the senior medical technology analyst at Baird. And our next presentation this afternoon is from Cooper Companies, a specialty medical device manufacturer serving the ophthalmic and women's healthcare markets.

With us today from Cooper we are pleased to have Senior Vice President and Chief Strategic Officer, Al White; as well as Vice President of Investor Relations, Kim Duncan.

Al, I'll turn it over to you, if you have maybe a few minutes of anything to start with an overview. And then we'll move right into Q&A.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Sure, yes. I think most people probably know us. There are a lot of faces I recognize here. Our business is probably 80% -- or roughly 80% contact lenses and about 20% women's healthcare. I won't go through the actual presentation. You can find that our website. I'll just go ahead and probably just jump into Q&A. That's probably the easiest thing to do.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes, fair enough. A lot to talk about after last week.

So let's start with the market -- the contact lens market, some questions last week about the market being softer. I think that's something I know we, and I'm sure some of my competitors, have been talking about for the last six or nine months. Market just feels a little funky here. Seems like discussions have taken on a license to sell note over the past few days -- misunderstandings from clients; and misinformation, I think, from some of my peers on what's going on.

So if we look at the US, what are you seeing? Let's start with just pricing and mix. Is pricing still stable in the US? Is there still mix upgrades to be had of going from two-week and monthlies to dailies? Were there any issues with those very simplistic ways of looking at the market?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

No. I would agree with that stuff. The fundamentals of the market are still there. So when you look at the Americas -- let's talk about the US market. The shift to single use is still there; it's still occurring. It was probably six, seven years ago the US market was maybe 10% dailies. It's around 30% dailies right now. That move has been happening, and it's continuing to happen. The fact that we have a daily silicone hydrogel lens was only helping that. But that trend is continuing to happen.

Yes, there was definitely, I think, some confusion on the call about this from a market perspective. If you look at the market in this last calendar quarter, we grew 8%. The market grew 1%. That's the weakest number we have had in the market for six years.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And that's a North American comment?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

That's an Americas comment, yes.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Americas, yes, sir.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes. And I think there were some concern about that: all right, is there something wrong with the market? And the point on that is if you look through what's going on, if you look through some of the stuff that's associated with UPP, if you look through some of the channel inventory stuff -- Alcon had made a comment on that on their last call. I think J&J has been dealing with that due to retail inventory.

If you look through that kind of stuff and you look at the GFK data, the new Fit data, you combine that with what's going on in terms of the trade-up to single-use lenses and the growth from single-use lenses -- the real market growth is more in that kind of 5% range. So you have a decent market that is there. If you look on a global basis this past quarter, we grew 9% against a market that grew 4%. And you have the Americas at 1% pulling it down. So in reality, I think if you were to look through that channel stuff and look through what's going on in UPP and so forth, you still have a pretty healthy market.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

And it's impacting -- by the way, it's clearly impacting some of our competitors more than it's impacting us right now. But when you see them come back -- like I think you'll see J&J, as an example, post better revenue numbers here now that they're annualizing some of what they did to themselves with UPP -- they move up; the market moves back up. That's not detrimental to us. I think that's an important point, that market improvement is not detrimental to us.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes. And I want to step through some of those channel issues, some of the channel disruption, maybe just hitting others, not helping you guys; it's probably on the margin hurting you a little bit. But to be clear, Bob made some comments about if the market gets better, Cooper gets better. And yet it doesn't really seem like Cooper is really suffering as much.

So can we just clarify: if the market goes from 1% to 5%, what do you think happens to Cooper? There can't be a 5% jump in Cooper. I guess there could be, but -- Bob made it sound like if the market gets better, that is good for you guys. I'm not sure it really changes your growth profile, because you're not as disrupted by some of those issues.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, I would agree with that. I think that -- or maybe I agree with both. In the context of what it does for us -- so these other guys work through their issues, and let's assume the market goes from 1% back to 5%. You're right: our 8% doesn't go to 12%, as an example. We are well underindexed with the retailers where you're seeing a lot of that channel inventory concern.

So let's say our 8% maybe goes to 9% or something like that. So that's where he's going: that an improvement in the market is not detrimental to us. Now, how positive is that to us? I wouldn't say that it's going to be incredibly positive, but I would say it's probably -- it'll be a little positive to us.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes. And just the market moving from 1% to 5% -- we talked about this last night -- but if it does that, just optically, I think it gives investors a little more comfort that it's not like you guys are going to move down 8% to 2% or something like that. It's just -- 8% to 5% seems like a more reasonable growth premium for you to me to want. I think that's fair.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, that's right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And let's just try to be clear -- again, given some of the misunderstandings from last week -- try to be clear on what's going on in the channel. And you have had some distributor consolidation that played out a couple years ago. Still, there's still not as much channel inventory out there.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

You've got retailers who -- everybody in today's world is looking at working capital. They're just not holding as much inventory.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

It's becoming easier and easier for you as manufacturers to dropship lenses direct to patients, make it look like it's coming from a doctor's office. But no longer do you have to sell as much inventory into the doctor's office.

All these little kind of onesies and twosies have happened. And then, on top of that, you layer on the UPP stuff -- unilateral pricing that J&J and you guys and others have gone to in smaller ways, J&J in a big way. But they went to that almost a year ago. Now the retailers, especially, are saying -- wait a minute. We're not going to hold this much inventory, especially with J&J, that we're mad at for putting these UPPs in place.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

That's right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

I mean, is there anything else in there going on? It makes sense that some of the stuff's been going on for a couple years. You say, well, why? That's not new. Why would it just hit this quarter?

But I think a couple of those things, especially the UPP -- it's just a continuation; over the last couple of quarters it's come to a head. But now we should be close to on the back end of that.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, I would agree with that. I would completely agree with that. You've had that -- and, again, we're talking about an Americas issue, really a US issue here.

But I would agree with everything you're saying: that we are on the tail end of that. We are annualizing that. From a market perspective, again, not significantly impacting us. But from a market perspective I would agree with that. And you're right; we commented a little bit on distributor inventory.

Yes, a key point on that is we did deal with that. We dealt with that a couple years ago. We have hurdled that. That's back in our history.

This doesn't -- this retail contraction or this inventory contraction, if you will, that's not impacting us that much. Our distributors are running around contractual minimum levels. So there's not a lot of risk there. There's not a lot of impact from that. That's not part of what's impacting us, if there was a concern about that.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Although you did talk last week on the call then about there was some issue of not getting the channel filled, necessarily, that you expected with a couple of your newest products, clariti and MyDay.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, and that being a little bit different. We didn't experience inventory contraction. What we didn't experience was inventory expansion. And you look at it, and you say, okay, how would a lens like clariti roll out? When you say you have a new lens, right, you have this premium lens, a superior lens to what's out the marketplace at the same price point, in an ideal world you would see some of these big retailers -- you would see a Costco or you would see a Walmart or somebody come, and some of the other chains, and say: okay, Cooper, we want to buy a bunch of this product from you guys. We want to buy it at a discounted price.

We're going to buy bulk, and we want to buy it at a discount. We're going to turn around and take that inventory in, and then we're going to push it through our stores, through our channel on the other side. And were going to drive performance of that product. And we're going to do that at lower pricing.

When you add the UPP factor in there and the fact that there is set pricing, that retailer can't do that. They can't walk out and go and say, I'm going to sell this product more aggressively and push it out in the marketplace. When you're on the other side and you have a company like us who is not going -- trying to hit a quarter or anything else by offering discounted pricing and big bulk programs like that, you get a situation where what is actually selling through on a product like clariti is really much, much more on-eye sales. People are buying the product, and they're being fit on the product. Distributors and retailers are buying what they need in order to meet that on-eye demand.

So at the end of the day, that's been pretty positive for us. We are certainly happy where we are from a perspective of clariti and MyDay in terms of how it's actually being sold and being worn at the end of the day.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

No, that's fair. And if I think -- you know, the biggest question mark, the biggest point of discussion I've had since your quarter with investors, and probably the biggest point of dissatisfaction from those investors has been the cut in the guidance on the daily silicone side. You were calling for $175 million in daily silicone revenue this year; now it's $150 million to $155 million with one quarter left in the year.

One thing that I don't think came up on the call, yet it made me feel a lot better when I heard that, is some of this inventory channel fell -- it wasn't like $20 million of inventory you expected. Maybe it was $5 or $10 million. But currency probably was almost $10 million of that.

And so when you really peel it back, the cut -- I mean, we were already below $160 million in our model. So everybody should have seen the cut coming. Not all did. But the cut isn't a negative signal that demand just isn't there for this product. Demand could probably be stronger, but I don't think it's a negative sign.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

I would agree with that. Some people take it up. Some of ours analysts, I think, could follow us closer or know our story better, digging in. And you obviously did this when you picked it up, right, was say -- yes, those numbers are going to come down. They're not going to be $175 million.

Now, you are spot-on there. We didn't talk about this, and maybe we should have. In retrospect, we should have mentioned this. I actually calculated that number. So when we gave that $175 million of daily silicone hydrogel sales this fiscal year -- we first started talking about that back kind of at the analyst day. From that day --

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Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Which was last September.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

-- last September. From that date, you look at the FX impacts, it's been about a negative $15 million. So that's a pretty big hit.

Now, you have the $15 million. We had -- we stubbed our toe a little bit, right, as we talked about, kind of in March and April when we were rolling out fitting sets. As a matter of fact, we changed over the President of the Americas in May, put a new guy in place who's doing a phenomenal job and really focused on driving clariti and MyDay growth. So a lot of positives in that direction.

Now, shouldn't we have said something or should we have realized it, if you will, back when we reported earnings in June? In retrospect, yes; we shouldn't be sitting here talking about some of these channel inventory or pipeline fills. We should have addressed it, probably, back then. I mean, hindsight is obviously 20/20. And we thought at that point in time, we'd still hurdle that, and we would get some of that pipeline fill. And people would be excited enough about the product to take a lot of it in inventory. I would say that excitement and so forth is there from a fit perspective, so we're happy with that. We're happy with where we're at.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Fair enough. And as I think through one other issue, if you will -- maybe why you didn't hit that silicone guidance: you guys had a choice to make nine months ago or so when you closed down Sauflon of where you're going to price clariti. You could have priced it at -- what is it? $64 a box, I think, for the patient? Something like that. A little over $500 a year to a patient.

Dailies AquaComfort Plus, a non-silicone, down around $400. Moist is right at $500. So you guys went straight at Moist, the biggest single product in contact lenses, a $1 billion franchise. Going there with a message of: we are the same price but better, because we have silicone.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

That's right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

You could have said, we'll give you the best of both worlds. We're kind of in between two good products in AquaComfort and Moist. And you're pricing to the patient and probably to the doc, which we never see from you guys. You probably could have left a little more on -- even $1 a box or something more -- to the doc at the sell-in price.

You chose not to do that. What's the good and the bad of that, I guess?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

I think that's how we run our business or how we look at our business. And sometimes there's the disconnect there between the investment community and how we are doing things internally. When we look at our business and a product like clariti that we are rolling out, a very successful product, we look at it from the perspective of the complete P&L.

So we're not sitting there saying, oh, we have to hit this much in sales; or, we have to do this much. That's not the way we run the business. We do that as a combination of saying, yes, top-line growth is very important, obviously. And we are going to get significant top-line growth.

But the same time, we want margin expansion. And you look at where we are from a gross margin perspective on a product like clariti, you know, we are now talking about exiting fiscal 2016 having that product be accretive to Company gross margin. That is a significant change. That is much better than we were talking about a year or so ago.

How is that happening? That's happening because, yes, from a pricing perspective, Sauflon was -- before we acquired them -- was much more aggressive on a pricing perspective, bringing that product into market and selling that product through. They needed to be. They were the little guy entering the big contact lens market -- 96% of the contact lens market is controlled by four guys. Three of us now are controlling whatever that is, 87% of the market, something like that, between J&J, Alcon, and us.

So they went with that strategy. And I think they would have arguably put up more in revenues because they were willing to leave so much more money on the table. Ours is a combination of strong revenue growth combined with strong margin expansion. So I think that you're seeing that.

Now, you could be more concerned -- and rightfully so -- like, if somebody came back and said, hey, your margins aren't there and your sales aren't there. And I'm concerned about that.

But that's not what's happening. The sales are there from a fit perspective, a new wearer perspective, and so forth. The margins are there, and margin improvements are there. We talked about those. Pricing is part of that.

The other part of that is improvements in the manufacturing base. All that's going together and moving in the direction we want it to move in. So to get overly focused on the $175 million to the new $150 million to $155 million we talked about -- which is the same; I've heard it all day today -- is one component of the P&L. It's revenues. It's not the entire P&L. It's not entirely what we look at.

As a matter of fact, I'm not aware of anybody in CooperVision who has a bonus target or anything else that's, hey, you have to do $175 million. I'm not sure there's anybody at CooperVision who was told you have to do $175 million.

What CooperVision would've done is the same thing I would do as I'm compensated in there, which is to drive profitable growth. And that's what we're doing. And then we feel very good about the position we are in with respect to that.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And how does the investment thesis on Cooper now change with this -- you know, potentially taking clariti from 52%, 53% gross margin when you required Sauflon to 65%? And then maybe could you get it up even to 70% a couple years from now?

Because the big concern that kind of weighed on your staff a couple years ago -- and it was in short term -- but the focus was, oh my God, if they going to dailies, gross margin is going to be diluted. So you might get faster top line, but now all of a sudden I have got to think about gross margins coming down for the next five years, 10 years as this cycle plays out.

Now, all of a sudden, we start thinking about, okay, the top line, maybe you leave a little on the table. You could've been selling it better at a lower price point. But you still get good top-line growth from the upsell to dailies.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

That's right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

But now, all of a sudden, we're not as worried to gross margin. I mean, have investors, just in your meetings -- because I haven't -- those discussions, I think, have been lost on investors that I've talked to in the last three to four days.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Oh, yes. They've been lost on that over the last three or four days because of that focus on that $175 million to the $150 million to $155 million stuff. So I think in most of the meetings at least I've had today, kind on the tail end of those meetings or middle of those meetings, people have come back to the gross margin side of that and saying -- kind of to your point.

When I look at it, I kind of split the contact lens market in two, because it's pretty easy to do -- to say you have a single-use market and then you have your two week and monthly market. On the single use -- well, let's -- overall, we're about 22% market share. 22% global market share.

We have about 15% market share in the single-use space. So obviously very strong on the two week to monthly space. A lot of stuff that goes on there with torics and multifocals. That 15% that we are underindexed on -- we now have the best product portfolio. And that's going to drive growth in that space for many, many, many years. And that's the thing that's going to support us continuing to grow faster than the market.

As you said, a couple years ago, the negative to all that strategy was the drag on gross margins. That's not the case now. Now you're going to get a situation where we should be seeing that good, consistent growth -- you know, that 1.5 times market growth from a revenue perspective combined with improved margins. Not decreasing margins, but arguably flat-to-up margins. We do have some stuff from a margin perspective, because I don't want to go too crazy on it, that we have to hurdle a little bit. You know, you look at -- I'll just touch on that briefly.

You look at where we are -- we were putting up a new manufacturing facility in Costa Rica, a new one in the UK. We were expanding Puerto Rico. We were expanding the UK. We are doing all that to meet demand prior to the Sauflon acquisition. We acquire Sauflon; we get a new manufacturing facility in Budapest. We get arguably a better manufacturing platform.

All that is positive. All that is upside. But we do have to deal with the fact that we do have excess capacity, or excess space, if you will. And we're finishing that stuff up.

Now, we are making all those decisions. We'll exclude the stuff that's one-time in nature from our non-GAAP earnings. But we're not excluding everything. There's things that we need to hurdle -- and we will hurdle that stuff. And over time, we'll grow into that space and so forth, and it will drive margin improvements. But some of that is stuff we need to hurdle as we get into next year, which is all fine, right? There's no surprises there; there's nothing catching us off-guard. Nothing along those lines.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes, okay. Two other questions that I'd have just on this whole topic of the last few days, and that is: the other thing I hear from investors -- and I think some of it has some legitimate point, or some of those points are legitimate -- is if you would've told me six months ago I could buy the stock under $1.50, I would have been there aggressively.

But now J&J is coming out with a new daily silicone. Now you're maybe hearing anecdotally some contact lens wearers with clariti don't find clariti quite as comfortable. And some docs aren't maybe adopting it as aggressively as you thought.

How do you play off those two risks? Are those big secular risks to Cooper now over the next few years? Are they being overblown by investors? How do you view those two things?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, let me touch on the comfort thing first. Because on a comfort matter -- and there's been a couple of surveys where people have raised that as an issue.

When you look at the two week and the monthly silicone hydrogel market, those lenses have been out for 10 years. J&J, Alcon, ourselves -- we have all pushed and pushed and pushed to convert people to silicone hydrogel lenses. Better oxygen permeability; it's better for the patient; the whole thing is better. Everyone agrees.

Having said that, after 10 years, 77% of the market is silicone hydrogel. 23% is not. So that means one out of every, what, four, one out of every five patients is still wearing a hydrogel lens. Why? Maybe it's a little bit price, maybe.

But the other thing is -- I don't care who you are. If you wearing a traditional hydrogel lens, and you try a silicone hydrogel lens, it's a little stiffer of a lens. There's people out there who don't like that fit. It doesn't feel comfortable. And I don't care if you're moving from a J&J product to a J&J product, or Alcon -- it doesn't matter. And we have seen that.

So when you look at clariti, and you are doing the work, and you are coming back and you're saying, hey, some people have comfort issues or they're concerned about the comfort, I would say, well, I would expect one out of five or one out of four people to say that. So when people are doing surveys and they're finding that, some people have raised that as a concern -- like, oh, that's an issue. Right? That's a problem that we're having one of four, one out of five people say that there's comfort issues.

To me, I would say: well, that's not a problem. That's not a surprise. That's exactly what we have seen in the two-week and monthly space. There's nothing different about the daily space. At the end of the day, I think dailies will go to 75% or 80% silicone hydrogels. But they are not going to 100% either. Right? New fits -- all new fits are going into silicone hydrogel, including a significant number of new fits to our products in daily silicone hydrogels. But that conversion is not so easy.

When you talk about -- there were a couple comments I heard from surveys of people saying, I compared clariti to MyDay or to Dailies Total1, which is Alcon's silicone hydrogel lens, and it's not as comfortable. And I would say well, I agree with that. I'm not going to debate that. Right?

Those are premium lenses. You are paying $700, $750 for a year's supply of that lens. You're paying $500 for a year's supply of clariti. That's designed that way. That is a premium lens; this is a mass-market lens.

And I think with a lot of the investment community, a lot of people I would talk to or deal with, people look at it, and they are like, who cares? $200, $250 for a year's supply? I'll just pay the difference and go with Dailies Total1 or MyDay. We have seen that. We have seen that uptake. You see it along the coast.

But that's not true for everybody. There's a big part of the population, very large part of the population, where $200 or $250 for a year's supply is a big deal. You see that in Europe, where clariti has done so well now and continues to grow as much as it does. So to me, that comfort stuff or the feedback on that -- none of that is surprising. Everything is expected. I don't get that, right?

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Can I ask one question on that? You guys have historically been known to be very good with your edge design. You acquired IP back many years ago. Your lenses historically score very well -- I mean, to a certain extent, a lens is a lens. I'm never convinced that somebody has, like, this great new thing.

But your edge -- is there anything you can do on clariti from an edge design? Anything that would get over that? Or do you think it's just purely the silicone nature versus the high water content in non-silicone lens?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

No, that's a fair point. So when you get a lens like a clariti lens that's been developed by somebody else and has gone through multiple iterations as they've launched it and improved it and improved it, that lens is out there, right? Similar to all lenses, it's an FDA-approved product. It's out there. Its chemistry and so forth is out there. It's not going to be altered unless you want to go back through the FDA process or regulatory approval processes throughout the world.

You can make improvements to that lens, be it edge design -- there's some things you can do from a manufacturing perspective that will make lenses more comfortable for people. And as you hear feedback -- a company like us, we hear feedback -- you're exactly right. We have always had very high-quality lenses, and we have always been very, very focused on premium manufacturing to deliver high-quality lenses. It's one of the ways that we beat out some of these big competitors that we have.

So I would answer that question by: yes, we are looking at continuous improvement. And there are things that we will do, we'll continue to do that we've done with other products that we would do with clariti to continue to improve it.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Okay.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

But one other one I would touch on is Oasys. So J&J is rumored, right -- I haven't confirmed anything -- rumored to be coming out with a new silicone hydrogel daily. They launched MyDay a few years ago. It's still doing okay in Japan.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

TrueEye.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

I'm sorry, TrueEye. They launched TrueEye. It probably still has a couple hundred million dollars of sales in Japan. They launched it in Europe and the Americas, and it did okay; but they have lost that market share. Their daily silicone sales that are through TrueEyes, they're losing. They are losing it to clariti, which is a much better price point. They're losing it to MyDay, which is a better lens. They're losing into Dailies Total1 that's a better lens.

So what J&J is doing is coming out -- I believe they will; I believe the rumors are true. They will come out with Oasys Daily. I would assume that's going to be a better lens. So that's more competition, certainly, in that premium segment.

Now, we're in that segment. I think that will be detrimental to Alcon, who has to fight a little bit harder on that stuff. We do branded and also private-label. They do not. So that's an advantage to us in that we will private-label our MyDay product.

The interesting thing is, you know, if you look at recently, what's J&J been doing? They've been pushing back by saying: you don't need silicone in a daily lens. Right? Because they don't have anything to sell. That goes against 10 years of what everybody's been saying, and what all the doctors believe, and what all the clinical stuff supports.

So it will be interesting when they come out and launch a new daily silicone hydrogel lens, and how they launch that, and what they say. I happen to believe personally -- and I'm biased, obviously -- that J&J coming in and pushing a daily silicone hydrogel lens is going to be positive for the entire industry. And it's going to be positive for a product like clariti as daily silicones become more and more accepted as the lens that should be worn in the daily space.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And Bob was trying to verbalize on the call that as J&J maybe starts pushing this, it frees up, maybe opens up docs to converting some of their patients; and some of that maybe accretes to you. I look at it where, if you have J&J out there with a good daily silicone for the first time in history, really, it's more of a competitive risk. Bob seems to think it puts more patients into play. And I'm sure maybe we're both right in some ways.

But how big of a risk is that, that they haven't been there with a good daily silicone. You guys -- your next 5 to 10 years are about daily silicone. And now you've got the big behemoth coming with a lens we don't know much about yet, but it could be a good lens.

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, so where he's going with that is they take a Moist patient who's paying $500 a year for their contact lens. And they could go to clariti, which is the silicone hydrogel version, for the same price.

But the doc puts them in play, so to speak. He fits that patient in Oasys, which is their new silicone hydrogel, at $700, which is where that is rumored to be priced at.

Now you have a patient where they are paying $200 more. Do they want to pay $200 more? Are they comfortable? So when they go and they switch into Oasys, do they like the lens? If they don't, do they flip back to Moist or do they flip back to a clariti or to a MyDay?

Or do they say, hey, I really like this daily silicone hydrogel. I agree; this is what I need, and this is what I want. And really, I can nap in it, and I wake up and I'm fine. I don't need to rip my lens out. So they like the silicone hydrogen piece of that, but they don't like paying $700. They want to pay $500.

So that's where it's coming. It's a very difficult thing to obviously quantify -- you know, impossible, but I would agree that it does put patients in play. So I think you have the negative of J&J coming in and doing that. And I think you have an offset on that in terms of -- to us, at least, to CooperVision -- not necessarily to our other competitors -- but to us, I don't think it's really a negative.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

We're down to two minutes. Let me ask one question here on CSI, which is probably 90 seconds too long for this. But how do you turn that business around? You are now running that business as of the last few weeks. Can that business get back to a growth business, even if modest growth, as we get into next year? And what really drives that?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, so, the answer to that is yes. We should be getting -- that business should be back to a positive grower next year. We have launched a few products, internally developed products. We had an acquisition of a company called EndoSee. We're launching their hysteroscope. And we are cleaning up the low-margin capital equipment sales that we have within our IVF franchise.

That's what's going on. Now, arguably, and it should have gotten on faster, but it's going on. We're going to get it done very quickly. We're going to launch these products. We're going to put dollars behind these products: marketing dollars, salespeople, and so forth. And we're going to drive some top-line improvement in that business.

So I think focused attention, sense of urgency, and so forth will put us in a position where that business is back growing organically, certainly next year. And I'm optimistic that the numbers are going to be quite a bit better next year than they were this year.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

All right. Last 30 seconds. You guys have a buyback authorization in place. Are you buyers of your stock at these levels?

Al White - *The Cooper Companies, Inc. - SVP and Chief Strategy Officer*

Yes, I would answer that by saying: we have always bought our shares back when we believe there's a disconnect between investors, and what investors are thinking and saying, and what reality is. At the end of the day, we have been very successful at doing that. If there is confusion -- lingering confusion, certainly, over things like distributor channel inventory or the ability of clariti to ramp up and so forth, then we have a fiduciary responsibility to act on behalf of our shareholders. So that's my opinion on buybacks.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Great. And two seconds left. So I think we will cut it there. Thanks, Al. Please join me in thanking Al for a great overview here of Cooper Companies. (Conference Instructions)
