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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Q4 2018 The Cooper Companies Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded for replay purposes.

It is now my pleasure to hand the conference over to Ms. Kim Duncan, Vice President, Investor Relations and Administration. Ma'am, you may begin.

Kim Duncan ***The Cooper Companies, Inc. - VP of IR***

Good afternoon, and welcome to The Cooper Companies Fourth Quarter and Full Year 2018 Earnings Conference Call. During today's call, we will discuss the results included in the earnings release, along with our 2019 guidance, and then use the remaining time for Q&A.

Our presenters on today's call are Al White, President and Chief Executive Officer; and Brian Andrews, Chief Financial Officer and Treasurer.

Before we begin, I'd like to remind you that this conference call contains forward-looking statements, including all revenue and earnings per share guidance and other statements regarding anticipated results of operations, market or regulatory conditions and integration of any acquisitions or their failure to achieve anticipated benefits.

Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Events that could cause our actual results and future actions of the company to differ materially from those described in forward-looking statements are set forth under the caption Forward-Looking Statements in today's earnings release and are described in our SEC filings, including Cooper's Form 10-K, all of which are available on our website at coopercos.com.

Should you have any additional questions following the call, please call our investor line at (925) 460-3663 or e-mail ir@coopercos.com.

And now I'll turn the call over to Al for his opening remarks.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Thank you, Kim, and good afternoon, everyone. Welcome to our fourth quarter 2018 earnings conference call. This was a year of record revenues, earnings per share and free cash flow. I'm proud of our team for everything we accomplished and believe we're extremely well positioned with our growth strategies firmly intact and momentum on our side as we enter fiscal 2019.

The fourth quarter was a continuation of what we've been discussing regarding capitalizing on current market conditions through incremental sales and marketing investments to win new fits within CooperVision and driving strong performance of PARAGARD within CooperSurgical. Overall, our strategic investments are paying off, and I'm happy with our revenue growth rates momentum.

Having said that, gross margins at CooperVision did come in below expectations this quarter and, at a high level, there were 2 reasons. The first relates to our desire to maintain extremely high customer service shipping levels in the face of our distribution, our significant distribution center upgrade activity. The redundancies we've added to accomplish this have resulted in higher costs, but I strongly believe the importance of maintaining premium customer service is more important than the negative short-term impact.

Second, the rapid growth in our daily silicone hydrogel franchise resulted in incremental charges against legacy hydrogel products due to things like product discontinuations and lower production volumes. Brian will cover this in more detail, but these items reduced EPS this quarter by $0.14.

Regarding revenues. We remain focused on driving success by capitalizing on our strong product portfolio and accelerating investments within both businesses. This activity helped support a very strong fourth quarter, with consolidated revenues of $652 million, up 16% year-over-year.

Within this, CooperVision reported quarterly revenue of $481 million, up 9%, or 10% pro forma, with a noticeable uptick in our daily silicone hydrogel lenses showing pro forma growth of 50%, driven by accelerating growth in both clariti and MyDay.

CooperSurgical reported record revenue of $171 million, up 40% or up 5% pro forma, led by PARAGARD growing a healthy 20%.

Moving to the details. CooperVision posted very strong revenue growth in all 3 regions, with the Americas, up 8%; EMEA, up 9%; and Asia Pac, up a strong healthy 19%, all pro forma. The Americas strength was driven by clariti and MyDay, with MyDay, in particular, gaining significant traction following the launch of the toric a few quarters ago. EMEA also saw accelerating sales for clariti and MyDay, along with solid results from Biofinity and Avaira Vitality.

Asia Pac continued posting strong results, driven by a jump in clariti, along with strength in MyDay and Biofinity. Growth in Asia Pac remained highly diversified from a geographic and product portfolio perspective, and we're seeing strong returns on our investment activity in that region.

On other products and categories, Biofinity and Avaira combined to grow 7%, with strikes seen in a number of markets around the world; torics were 11%; and multifocals grew 7%, all pro forma.

Turning to the broader soft contact lens market, which has now reached $8.5 billion in revenues on a trailing 12-month basis. We're continuing to see strong growth, led by the shift to daily silicone hydrogel lenses, broader product offerings and geographic expansion. Daily lenses continued driving the majority of the growth and now account for roughly 4.4 billion or 52% of the market. And within dailies, silicone hydrogel lenses are [37%] (corrected by company after the call) of total daily revenues and continue to be the primary growth driver, growing 35%.

With respect to New Fit Data, CooperVision continued to see significant strength, especially with respect to daily silicones, so our momentum remain strong.

Before moving to CooperSurgical, I want to spend a couple of minutes on daily silicone hydrogel lenses, our key account strategy and our efforts around customized product offerings. Regarding daily silicone hydrogel lenses, growing this part of our business is extremely important and will remain so for many years. The shift to daily silicones from reusable lenses generates roughly 2 to 3x more revenue and a 20%-plus trade-up for daily hydrogels. This is great for the industry, and I'd expect all contact lens manufacturers to share in this multiyear trade-up move as a rising tide should lift all boats.

What's unique to Cooper, though, is our unique -- is our current market share within dailies is only 17%. This compares to the roughly 30% market share we retain in the reusable lens space. And it shows if we can get our fair share of new daily fits, we should see many years of strong growth. And obviously, I believe we can do that with our current product portfolio and investment strategies, and the New Fit Data supports that.

Regarding key accounts, which includes global retailers, regional chains and large buying groups, I've had the opportunity to spend time with executives from several of these accounts recently, and I'm extremely impressed with their strategic thinking and their desire to grow the contact lens category.

We're going to continue supporting and even strengthen our support of these partnerships, and I strongly believe these relationships will continue providing a win-win scenario with CooperVision and our partners both experiencing long-term sustainable growth. As part of this effort, we did further accelerate our investments in key accounts during Q4, expanding our sales and support teams while increasing related promotional and advertising activity.

Lastly, regarding our customized product offerings, we're continuing to invest heavily to improve our distribution labeling and packaging capabilities. This includes several new distribution centers, including ones in Spain and the U.K., which just went live; expanding existing distribution centers in several locations; and completing numerous projects to increase automation in our facilities. We're completing all this activity, while ensuring we maintain premier shipping levels to our existing customers so as not to disrupt our current sales momentum.

We're also fiercely loyal to our independent practitioners, supporting them in many ways, including our unique digital marketing and support platforms such as Eye Care Prime and our subscription model, LensFerry.

In summary, this activity is all focused on supporting our partners and shifting wears to CooperVision faster, remembering that a key part of this strategy is we operate in an annuity business, where the upfront cost of winning new patients more than pays for itself in the long run, given how long wearers stay in their lenses.

Moving to CooperSurgical. We reported record quarterly revenue of $171 million, up 40% or 5% pro forma. Within our office and surgical products business, revenues grew 12% pro forma, led by PARAGARD, up 20%. PARAGARD was very strong this quarter, although some of that was due to channel inventory expansion as optimism about future demand is growing. It's tough to quantify the inventory impact, but I do believe these inventory levels will hold steady, if not expand, as we continue promoting the product.

Regarding sales activity, we continue to invest heavily through higher advertising and targeted promotional work. And we added another 10 sales reps this quarter, increasing our total rep count to 70, with 50 being direct and 20 being internal. We remain confident this product offers a high-margin, multiyear growth opportunity and, as such, we're continuing to invest in it.

Outside of PARAGARD, our other office and surgical products grew a solid 7%, with continuing strength seen in several products, including our EndoSee Hysteroscope and our next-generation uterine manipulator, which both grew solid double digits.

Fertility was weaker than expected, down 6% pro forma, led by channel inventory contraction, associated with consolidating distributors from our LifeGlobal integration, along with product reregistrations tied to our new manufacturing facility in Costa Rica, which is now producing product. We believe the vast majority of the distributor consolidation and reregistration activity is behind us and that we enter fiscal 2019 in a good position.

Also within fertility, our genomics business declined again this quarter, but the restructuring activity is finally behind us, and the business is now highly focused on IVF clinics, with a roughly 40 million annual run rate, which should now be stable to trending higher. The important takeaway on fertility, in my opinion, is our business is healthy, and we exit this year expecting mid- to upper single-digit growth in fiscal 2019.

Speaking of fiscal 2019, Brian will cover guidance in detail, but on revenues, we're guiding CooperVision to 6% to 8% growth and

CooperSurgical to 3% to 6% growth, both pro forma. I believe the contact lens industry will continue to be strong, growing in the 5% to 6% range, and we should certainly take market share. Frankly, I believe we'll be 7% plus, but it's prudent this early in the year to guide to 6% to 8%.

In conclusion, I want to highlight that I'm really excited about our market positions for both CooperVision and CooperSurgical. We've entered fiscal 2019 from a position of strength, and I believe our focus on growing revenues while investing in infrastructure puts us in an excellent position to deliver strong long-term shareholder returns for many years to come.

And with that, I'll turn the call over to Brian.

Brian Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Thank you, Al. Good afternoon, everyone. Most of my commentary will be on a non-GAAP basis, so please refer to today's earnings release for a full reconciliation of GAAP to non-GAAP results. Al covered revenues, so I'll focus on the rest of the P&L and guidance.

For the quarter, consolidated gross margins improved year-over-year to 66.5%, up from 65.9% last year. Within that, CooperVision's gross margin declined 360 basis points to 64.1% from 67.7%, with the primary driver being currency, which was a 210 basis point drag. The remaining 150 basis points was split primarily between 2 items. First, internal freight and secondary handling costs were higher than normal as we incurred significant costs associated with redundancies we implemented in order to maintain premium service levels while adding, expanding and upgrading our distribution centers. The second item was higher-than-expected inventory and equipment write-offs associated with older products as the shift to daily silicone hydrogel lenses is accelerating.

Our legacy hydrogels declined -- as our legacy hydrogels decline, we'll continue to assess the speed of that recovery -- of that activity and the impact on our manufacturing and inventory levels for legacy products. We expect costs in both of these areas to be higher than normal through fiscal 2019 before we start seeing leverage. Having said that, we expect to hurdle a significant portion of these costs as you'll note in our guidance, which meets our prior commentary of low double-digit constant-currency operating income growth.

CooperSurgical's gross margin improved significantly to 73.1%, up from 59.6%, with the addition of PARAGARD along with improvements in product mix as some of our higher-margin medical device products are now becoming large enough to have a positive impact on our overall gross margins.

Regarding expenses. Consolidated operating expenses increased 19.2%, driven by the acquisition of PARAGARD, along with significant investments in selling and marketing in both businesses and distribution within CooperVision.

R&D was up 18.7%, reflecting new product development work, including activity around myopia management.

Consolidated operating income grew 13.9% in the quarter, with operating margins at 26.7%.

Below operating income, we reported $20.3 million of interest expense and a $1.7 million FX loss due to negative currency moves against our intercompany loans. Our effective tax rate was 6.1%, which was lower than expected, primarily due to excess tax benefits from the exercising of stock options.

Non-GAAP EPS for the quarter was $2.87, with roughly 49.9 million average shares outstanding. Within this, FX was $0.31 negative year-over-year, which was $0.02 worse than we had forecasted last quarter in our guidance.

One other item I want to mention is a positive event, but one which we excluded from our non-GAAP earnings this quarter as it was a culmination of prior period activity. This was the realization of $14.2 million in tax credits we received related to the development of MyDay in Puerto Rico. Based on the minimal tax benefit to us, we began selling the credits and received roughly $8 million in Q4, with additional proceeds coming this fiscal year. We realized the full gain of $14.2 million in our P&L this quarter in other income, but excluded it from our non-GAAP EPS.

Moving to cash flow. We posted a very strong quarter of $193 million of free cash flow comprised of $237 million of operating cash flow, offset by $43 million of CapEx. This reduced net debt to $1.949 billion with our bank-defined leverage or net debt to adjusted EBITDA decreasing to 2.21x.

Regarding full year fiscal 2018 results. Consolidated revenues were $2.533 billion, up 18% or 7% pro forma. CooperVision revenues were $1.882 billion, up 12% or 8% pro forma; and CooperSurgical's revenues were $650.8 million, up 40% or 2% pro forma. Non-GAAP EPS was $11.50, up 19%. And free cash flow was strong at $475 million.

Moving to fiscal 2019. We're introducing guidance of consolidated revenues of $2.6 billion to $2.66 billion, which is comprised of $1.94 billion to $1.98 billion at CooperVision, up 3% to 5% as reported, or 6% to 8% pro forma growth; and $660 million to $680 million at CooperSurgical, up 1% to 4% as reported or 3% to 6% pro forma growth. Within these numbers, it's important to note that we forecast currency having a negative year-over-year impact of $61 million, with the heaviest impact being early in the year.

On a consolidated basis, we expect non-GAAP earnings per share in the range of $11.30 to $11.70 based on 50.1 million shares outstanding. Within this, we forecast currency to have a negative impact of $0.55, with the majority of the impact in the first half of the year. As this guidance assumes roughly current FX rates -- all this guidance assumes roughly FX rates with -- of our primary currencies being 1.13 for the euro, 1.27 for the pound and 113 for the yen.

Moving to high-level detail within the P&L. We expect fiscal 2019 gross and operating margins to improve slightly year-over-year. Interest is expected to be down only slightly as we're assuming 3 separate 25-basis-point interest rate hikes. For taxes, we're assuming 14%, but that could go lower pending finalization of U.S. proposed regulations, continued legislation from global taxing authorities and audit settlement discussions we're engaged in.

Note, this tax rate does not include any assumption for excess tax benefits from stock-based compensation associated with the exercising of stock options, but it does include an estimate of our normal scheduled vesting of equity grants.

Lastly, on guidance. We're not providing quarterly details, but given the number of moving pieces, especially with respect to currency early in the year, we'll note that we're currently expecting Q1 operating income to be down slightly year-over-year and Q2 to be up only slightly. In both Q1 and Q2, we expect the effective tax rate to be a little lower than in the back half of the year.

On free cash flow, we expect it to be similar to this past year's $475 million, although we believe there's upside above $500 million, depending on CapEx requirements associated with growth in our 1-day silicone hydrogel franchise.

And with that, I'll hand it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Jeff Johnson with Baird.

Jeffrey D. Johnson ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Al, so first question for you. Just on the Asia Pac numbers. I mean, obviously, they've been strong for a long time, double digits I think for, I don't know, 3, 3.5 years at this point. But they have kind of taken an uptick here in the last few quarters. One, just what's the sustainability on that Asia -- on the Asia Pac CVI kind of double-digit and solid double-digit growth? And then I know you've been pointing a lot to some of these key accounts and some of the big retailers and that. We've heard about a couple you've won in Europe. Some added activity here in the U.S. But kind of talk to me about the retail environment in Asia and where you might be winning some deals or how big of an effort that is there as well.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Good question. Asia Pac, obviously, has done -- had a really strong quarter and has done really well for a number of quarters. The future remains bright there. I mean, we have a good strong 23% global market share, but we're still underindexed in Asia Pac at about a 16% market share. So I envision years of strong growth there, frankly. We have invested heavily on key accounts around the world. That includes within the Asia Pac region, there are opportunities there. As a matter of fact, there's a couple exciting opportunities we're working on right now that I hope we get and will help continue to drive the double-digit growth for many years. So I won't get into those details, but I will say that we are spending money building out key accounts. We're spending money on the advertising, the promotional activity and feet on the street in Asia Pac. And I'd say, I feel good that you're going to continue to see double-digit growth in that region.

Jeffrey D. Johnson ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

All right. That's helpful. And then, Brian, can you just help us on CVI gross margin? I know you don't guide margin by segment. But obviously, currency is going to have a headwind it sounds like in the first half of the year, but then the pound starts helping in the back. So it seems to me there's going to be more volatility potentially around CVI gross margin this year than maybe in some of the past years. So any kind of color you can give us just on how to think about the gating of that line item throughout the year?

Brian Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

Yes, I mean, I would expect that it's going to be flat, more or less, year-over-year. I mean, obviously, you had a pretty large FX impact this quarter and then some operational things that impacted, but I would say overall flat.

Jeffrey D. Johnson ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

And if you say flat overall, is that down in the first half and up in the second half? Again, just some gating throughout the year color?

Brian Andrews ***The Cooper Companies, Inc. - Senior VP, CFO & Treasurer***

No, really just flat throughout the year.

Operator

And our next question will come from the line of Larry Biegelsen with Wells Fargo.

Lawrence H. Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Analyst***

So a couple for you, Al. So on the Q3 call, you appeared to be comfortable with, let's say, $12.05 for fiscal 2019 or low single-digit reported EPS growth. So could you walk through kind of what changed from the Q3 call to today, where you're at, at about, let's call it, $11.50 at the midpoint or flat year-over-year? And I had one follow-up.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. You have a couple of factors there. We touched on -- you have to kind of piece it together from some of Brian's discussions. But obviously, currency, I mean, has moved against us since then. And we're now looking at roughly $0.55 negative year-over-year currency impact. So that was a decent amount. Whereas, you look at the effective tax rate, we said 14%, I think we finished the year at 7.7%, if I'm remembering right. So a little bit bigger of an amount hurdle there. And I guess the other point I would add is similar to what I touched on early in the call there, which was some of the costs associated with the activity around the growth in daily silicones and distribution and logistics activity.

Lawrence H. Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Analyst***

That's helpful. And then, obviously, you finished the year very strong in the second half in CVI, but -- and I heard your commentary on fiscal 2019 and the guidance. Obviously, you have potentially a couple of new competitors coming. So my question is what makes you so confident in the 7% at the midpoint and, hopefully, better in fiscal 2019 with new competition coming?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, sure. I look at the last 3 years for CooperVision, it's been kind of 7.5%, 7%, a little bit over 8% here this last quarter. I mean, we've had good strength and good momentum for a number of years. We have the products. We have the ability to sell those products. We're meeting good solid shipping and delivery and logistics. We're putting advertising and promotional dollars there. So there's a lot of positive activity. And when I look at the New Fit Data, that makes me feel good about us being able to continue to post strong growth. Fully acknowledging the world is -- has its issues and there could be some recessionary type activity, fully appreciating we have competitors who are looking to launch new products and maybe not as fast as what, at one point, people thought they were going to, but still coming at some point. So there's pluses and minuses. But when I look at our product portfolio and what we have going on today, the momentum we have with key accounts in different spots around the world, I feel pretty good that we should have another strong year this year.

Operator

And our next question will come from the line of Lawrence Keusch with Raymond James.

John Hsu ***Raymond James & Associates, Inc., Research Division - Research Analyst***

This is John Hsu in for Larry. A couple of quick questions, one strategic, one financial. Just on the strategic side, obviously, key accounts, it sounds like the strategy is going pretty well. I guess, maybe related to that, is $5 million per quarter still the right way to think about the incremental spend? And maybe also as part of that, Al, if you could answer if you signed any new key accounts in the fourth quarter, and specifically, are there any contract specific with clariti?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Sure. Yes. Thanks, John. I won't get into individual accounts or signing new accounts. I will kind of confirm that, yes, the key account strategy is going well. Yes, we are making product -- or we are making progress with relationships that we currently have and looking at some new relationships, so feeling good about that. The $5 million per quarter, yes, that's probably a good way to look at it. The only kind of asterisk I would put on that is the more success we have, the more we would be willing to support those partners that we have in terms of moving incremental new fits to CooperVision. Those costs that get associated with that or upfront costs in the life of that wearer is worth a lot more than that. So I hope the key account strategy continues to progress as well as it's been progressing so that, that $5 million per quarter holds for a little while here. Obviously, once some of that tails off, those costs can tail off, too. So we'll see how that plays out.

John Hsu ***Raymond James & Associates, Inc., Research Division - Research Analyst***

Excellent. And then just on the financial question, how are you thinking about capital deployment in 2019? Is it still fair to assume that maybe debt paydown is a higher priority with the remainder for tuck-in M&A and share repurchase?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I would say that's true. We had a strong quarter, certainly, with respect to cash flow this quarter. And the team did a fantastic job cleaning up some intercompany loans and so forth, so we could get some cash moved back over. And we paid down debt under $2 billion. So a very strong step in the right direction. This quarter, in Q3, was strong also. So I would say, hey, we're still in a raising rate environment. I am certainly fine taking proceeds and paying down debt and keeping a decent eye on smaller tuck-in acquisitions if we can find them and they make sense, meaning they provide sufficient returns and, at the same time, looking at now maybe starting to deploy some additional dollars towards share repurchases.

Operator

And our next question will come from the line of Joanne Wuensch with BMO Capital Markets.

Joanne Karen Wuensch ***BMO Capital Markets Equity Research - MD & Research Analyst***

A couple of questions. Could you give us an update on your product portfolio, particularly with fresh competition in torics from Bausch + Lomb and Alcon? And I'm just going to ramble off 2 other things quickly. In a rising interest rate environment, how do we think about interest expense next year? And you may have given this and I missed it, but what is your gross margin guidance for next year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Let me touch on those, and, Brian, add some color here, if I miss anything or say something wrong. On the product portfolio, we're in great shape, obviously, with our existing product portfolio kind of across the board right now. So we're pretty heavily focused on selling the products we have, and be that clariti or MyDay or Biofinity or Avaira Vitality and so forth. We do have products kind of in our back pocket, so to speak, that we'll be looking at rolling out over time. And we'll see how that plays out, but we do have products. We are ready to be in a position of launching products in the near term. Having said that, we're going to focus with the products we have in the marketplace right now where we're seeing pretty significant growth. On interest expense, we're assuming 3 interest rate increases this year, which means interest expense will just kind of go down slightly year-over-year. And gross margins, even in the face of currency on a consolidated basis, should increase a little bit similar to operating margins.

Operator

And our next question will come from the line of Matthew Mishan with KeyBanc.

Matthew Ian Mishan ***KeyBanc Capital Markets Inc., Research Division - VP and Senior Equity Research Analyst***

Al, how are you thinking about the impact of Brexit? And did you put some conservatism in numbers given that's like smack dab in the middle of your fiscal year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Great question, Matt. It's a little bit of a tough one for us versus some of these guys who will be calendar year end. As you can imagine, we've been doing a ton of work on Brexit. We might be a little bit better off than some of the other multinationals in that we manufacture product and have distribution centers in the U.K., in Europe and other spots, so we're fairly diversified. But yes, we did factor in costs associated with Brexit in our guidance. We've done some work around increasing inventory in some locations outside of the U.K. to minimize any potential disruptions, if there is kind of a hard exit, if you will. I think there's risks for all of us if they can't come to some sort of decent resolution, so I won't speculate on that. I think we'll get some answers on that fairly soon, and I'm kind of keeping my fingers crossed. But short answer being, yes, doing a ton of work on it. Yes, included some costs in our guidance for next fiscal year.

Matthew Ian Mishan ***KeyBanc Capital Markets Inc., Research Division - VP and Senior Equity Research Analyst***

And then just to follow up on the gross margin. How should we think about the time line of the changes you're making in distribution, what -- when those facilities fully come online? And also, I think you were talking a little bit about the gradual decline of the equipment in inventory charges. Can you just walk through like the timing of both of those through next year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Absolutely, yes. So if we look in the distribution side, you have 2 components to that. You have distribution expense, which is going to be higher this year. We're going to see that throughout the year and probably some even into 2020 as we start all these facilities up and complete all this automation kind of activity. And then I think you'll see, my guess is distribution expenses kind of grow equal with revenues in fiscal 2020, and then we'll start seeing some real leverage out of that. If I look at the impact to us internally, which hits in our cost of goods, you're going to see higher costs here because we have some duplicative costs and some inefficiencies. Because I mean, basically, what we're doing is we're kind of like think of it as the analogy of we're changing the tires on the car while the car is moving. I mean, we're continuing to run our business, maintain very high quality, shipping standards and so forth, while doing all these upgrades. And we've decided to do all that while maintaining premier customer service, so that's costing us some. The nice thing about that is we should have higher costs this year while we take care of all of our customers and so forth, but I would expect to see that start to decline as we move through this year and probably be gone next year. So we'll get -- we'll see those kind of improvements in fiscal '20. That would kind of be the piece of that. When I look at the other side, we did have a very strong quarter in Q3 and a very strong quarter in Q4 when it came -- when it comes to silicone hydrogel sales. All indications are that's going to continue for the market and for us. That puts pressure on our legacy hydrogel products when we look to discontinue some of the products or when we cut back on manufacturing volume and end up either writing off inventory or writing off some equipment. So I think we're going to have some of that activity. I think we're going to see kind of heightened costs associated with that in fiscal '19. But then I think all the pluses of the power, if you will, of the successes around all the dailies SiHy moves will allow us to be in a year-over-year improving position in fiscal 2020. So I kind of like our chances for a good fiscal 2020 based on that.

Operator

And our next question will come from the line of Brian Weinstein with William Blair.

Brian David Weinstein ***William Blair & Company L.L.C., Research Division - Partner & Healthcare Analyst***

Al, you had mentioned or somebody had mentioned I think on the call something about recessionary activity. And it's one of the things that we were going to ask you about. We haven't really seen a weaker economic environment because you guys have been rolling out daily silicone hydrogels. So can you talk about what you think the elasticity of demand is if we were to see the macro economy start to tip over a little bit in the U.S. and elsewhere?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I mean, I definitely think if you look at history, we're a recession-resistant business. We've seen that before where we've hit heavier recessions and the contact lens industry still grows. And I would expect that same thing here. You have the product trade up. You still have geographic expansion. You have expansion of products themselves, better torics, better multifocals and so forth. So it obviously depends on the extent of the recession and what happens. But I would say that even in a decent recession, the contact lens market is still going to be flat to growing, and I would expect us to be growing faster than the market.

Brian David Weinstein ***William Blair & Company L.L.C., Research Division - Partner & Healthcare Analyst***

All right. And then speaking about the market, I mean, you talked about it being $8.5 billion now with dailies, I think you said 52% of the market, and SiHy there on the dailies side in about 30%. I think historically, you've talked about that eventually getting to 50%. Is there any change in where you see that going? Do you now have confidence that it's potentially above 50% to the daily market? And how long do you think it takes before we get to that point?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I mean, I think that what you're seeing right now and you hear from the competitors are people coming out fully recognizing, acknowledging, whether it's the manufacturers or the practitioners themselves, that, yes, daily silicones make sense, right. Because, I mean, for a little while, it was like do silicons make sense in the daily, do you need them or do you just need them in reusable? Well, no, you need them in dailies. That's for the eyes. That's for our patients. We all understand that and the whole market and industry is moving in that direction. So to me, I think when you look at the percentage of silicones and reusable lenses, which is now like 82%, and you look at what's ultimately going to happen within the daily market and how much of the daily market moves there, I certainly believe that we'll go over 50%. As a matter of fact, I believe we'll go well north of 50%. So we'll see how that plays out and the timing and so forth. But everything from the market perspective is indicating that, that growth is going to continue, that strong growth is going to continue. And yes, I strongly believe we'll be well north of 50%. Ultimately, we'll see where it goes, but I think it's going to be much, much higher than that.

Operator

And our next question will come from the line of Jon Block with Stifel.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Maybe 2 questions. Al, first one for you. I really get dailies number. I guess what I'm trying to ask is do you have an estimate of the incremental market share that you believe you're now capturing within the dailies market relative to the 17% share that you cited today? And then maybe just to tack on to that, also just want to ask if there was any benefit in this quarter with, call it, catch-up on Energys, which I believe may have had some manufacturing constraints last quarter. And then I've just got a follow up.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. Quickly on Energys, I would say that we have some effort going in there, but -- and the product is certainly doing well and growing. I can't remember the number, but well, well, well north of what Biofinity is growing. So I wouldn't say there was catch-up in there. I think the Biofinity number and Avaira combined of 7 was kind of a true number. As I mentioned last quarter, we do have capacity that's come online in Q2 and Q3, so I think we're in a better position to continue to grow that. But I wouldn't put a lot of emphasis on that. When you look at the daily SiHy side of things, we talked about this in the past. It's a little tough when you get CLI data, gross versus net and everything else. But at the end of the day, silicone hydrogel lenses grew about 35% market-wise for the third calendar quarter, and obviously, we're growing well north of that.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Okay. So that 35%, just to be -- clarify is sort of relative to the 50-plus that you cited?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

That's right.

Jonathan David Block ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Okay. Got it. And then just to shift gears over to CSI. So PARAGARD, really strong number, 20%. I think you mentioned some channel in there. But I'm just curious from a rep perspective, where do you think you may top out? And it's hard to maybe predict that when you're growing at that sort of rate, but just thinking about tying this back to drop-through and OpEx leverage within the PARAGARD franchise, you're up to 70. Where do we start to see that level off?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I think we're probably getting to that point where that needs to level off here fairly soon. I think that if we have a lot of success and things are going really well, could that get up to 100 sales reps? I mean, I would said that's possible. That would probably be the high point if I had to guess based on that product and the analysis that I've seen that we've done internally. So I would kind of say, yes, we're at 70. That includes 20 internal. Do we continue to add people? Maybe. Maybe. Again, I wouldn't see us going any higher than 100. I do think that, that offers kind of a -- that product is a mid-single-digit grower this year and next year and the following year. And we're in a good spot with good momentum on that. So we'll see how that plays out. The stronger that is, the more we would look at adding select sales reps in very, very targeted marketing and sales activity in certain cities, where we don't cover right now.

Operator

And our next question will come from the line of Matthew O'Brien with Piper Jaffray.

Matthew Oliver O'Brien ***Piper Jaffray Companies, Research Division - MD and Senior Research Analyst***

Just one market question for you, Al, then a follow-up. I was a little bit curious there, you talked about the outlook for the market in '19. You're coming off of about a 7% growth rate in this market. It sounds like the dailies are going really well. So I'm wondering why you're backing out that ever so slightly. I don't want to over-read it too much. Also, within there, are you starting to see fallout rates or dropout rates come down slightly because of more and more use of dailies?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, well, quickly on dailies, right, you have to love them. I mean, you don't have solutions, so what you end up with is people moving into dailies and they're much more compliant and, yes, the dropout is not as high. Now having said that, a lot of those wearers have spectacles and they're going to wear glasses and so forth, so it's a little different kind of thing than on the reusable space. When I look at the market, yes, I mean, you're right. I mean the market, if I look at trailing 12 months, has grown around 7%, something like that. I think the market is going to continue to be pretty strong. I mean, we've talked for a number of years about the market growing 4% to 6%. We were scratching our head for a while as to why it was at 4% with everything going on. Now you've seen that acceleration. It's moving up into that more consistent 6%, 7% kind of growth each quarter. And obviously, that moves up and down a little bit. But you see that. You see us growing faster than that. I honestly think that's going to continue. I do. I believe the market is going to stay strong. I think J&J's doing a nice job, and I think they're going to stay strong, trading up wearers. Obviously, everyone sees what Alcon's doing in trying to come to market and where Bausch is. And you know what -- where we stand and you know my optimism about where we are. I don't want to get ahead of ourselves, right, we're giving initial guidance for the year. And we're looking at where we're going on a full year basis. And there's a lot of things that could happen, a lot of different moving parts around the world. But do I feel good about the market being 4% to 6% and being in the upper part of that or even a little bit above it? Yes. And do I feel good about us in the 6% to 8% and being able to push towards middle and upper part of that? Yes, I do.

Matthew Oliver O'Brien ***Piper Jaffray Companies, Research Division - MD and Senior Research Analyst***

Okay. And then the follow-up is a little bit of a strange one on the CSI business. But you worked with Utah Medical on this Filshie Clip sterilization business. They commented that you're kind of backing off of that business. So are you just more focused on selling PARAGARD at this point? Or is there a product issue specifically with that, that you're stepping away from? Or do you -- are you just going to shed that business and then focus on the higher-margin price going forward?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I mean, I won't comment on a specific relationship or a product, like that's a relatively small product. I will say that, yes, we are heavily focused on PARAGARD. There's no question about that. But when I look at the Filshie Clip, which is part of the rest of our office and surgical products business, those medical devices, I mean, we had another strong quarter of 7%. That's a good business. Mark Valentine runs that business for us out of Trumbull, has done a really nice job there driving growth in that business. So we are absolutely focused on our medical devices, our core OB-GYN business there in addition to PARAGARD. And we'll continue to be heavily focused on that business in fiscal '19.

Operator

And our next question will come from the line of Robbie Marcus with JP Morgan.

Christian Diarmud Moore ***JP Morgan Chase & Co, Research Division - Analyst***

This is actually Christian on for Robbie. Just have a Q on CVI. Not to belabor the market outlook claims, but, Al, I know you mentioned that you see it growing in the 5% to 6% range. What's kind of your time frame for that outlook? The reason I ask is because one of your competitors that's spinning off soon, recently mentioned that they see a 4% CAGR in the 2018 to 2023 range. So where does kind of your perspective differ on that? And then on that as well, do you have anything baked in for 2019 for any kind of different impact for Alcon as a stand-alone company? And then I have one more.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. I believe, and correct me if I'm wrong, but I believe when Alcon was kind of making their comment of 4% growth, they were -- that was a broader comment. And I believe they were including solutions in that. If that's accurate, that would explain it. Obviously, the solutions market is under pressure because of the growth of the dailies. So I think when you look at the contact lens market, to be saying that it's a 5%-plus grower, 5% to 6%, or whatever, I believe we probably have 5 years in front of that. Because I think the shift, the trade-up shift from hydrogel dailies to silicone hydrogel dailies, frankly, probably has 5, 6, 7 years in front of us. So I think that will drive pretty decent growth for a long time. I think that, that shift alone is going to put a lot of pressure on contact lens solutions. We have a contact lens solutions business. It's relatively small, but it actually declined year-over-year for us. So I'm assuming that they included that in there. So -- and then when you look at the impact from Alcon, it's hard to speculate on that. I mean, I think that, that would certainly be built into our 6% to 8% guidance that we gave.

Christian Diarmud Moore ***JP Morgan Chase & Co, Research Division - Analyst***

Got it. That's helpful. And then just a follow-up. You've started to talk more recently about the customized product offerings, which I know it used to be called private label, we're not using that terminology anymore. Can you just help us understand how much of the existing base -- maybe not hard numbers, but just at the high level, how much of your existing sales base is driven from that customized product offerings, and then where you kind of see that going forward in future in terms of becoming a much larger portion of Cooper's business?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Sure, yes. And private label being part of customized products, so it falls under that umbrella, right. When I look at customized product offerings, we're talking about it could be all the way to specialized lens, like customized packaging, distribution, labeling, shipping, a whole variety of things, right, the store brand name and so forth. So it's a broader component than just saying private label, and I think that's key. Because when people think of private label or when I think of private label, you could think about going into the grocery store, grabbing a different milk. It goes way -- well, well, well beyond that, this entire, kind of, customized product offering that we have. And frankly, I believe the market is going to continue to shift in that direction, which it has been. The market is kind of splitting and saying, hey, yes, branded is important, there's no question about that, but these customized product offerings are important also. And being able to offer premier shipping and specialized customized services to people is very important. So that's a big part of our business right now. I guess, I won't put numbers on it, but I'd say it's a pretty decent part of our business right now and it's growing. I mean, we're here to drive new wearers to contact lenses. We're here to help our partners drive those wearers. So at the end of the day, the key thing for us is there's wearers out there that are going to practitioners' offices, and we want to help that -- whether that's a retail chain or buying group or whatever it is, but we want to help that partner grow the category and help them retain their wearers. So all of that kind of customization is a big sell point for us in terms of being able to do that.

Operator

(Operator Instructions) And our next question will come from the line of Isaac Ro with Goldman Sachs.

Isaac Ro ***Goldman Sachs Group Inc., Research Division - VP***

The first question on CSI, second one on free cash flow. On the CSI side, it seems like your guidance for next year is a little conservative when we consider how well PARAGARD's doing and the fact that you're calling for a return to growth in the fertility side. So could you maybe help us reconcile kind of similar push pulls on what would get you to sort of the higher end of the range versus lower end? Just trying to think about where you guys see risk in either direction on that part of the business.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, sure. And I hope you're right. I hope that, that range is conservative. We thought about that a decent amount as we were pulling it together. Because I think that the fertility business is going to be mid, upper single-digit grower, including the genomics piece in there. And I do think PARAGARD is going to be mid-single digits. And I'd like to think that, frankly, both of those have some upside. And then I look at the base business and we've always talked about low single digits, and we've had a couple of good quarters there. And I'd like to think that continues strong. So I feel maybe overly optimistic, but being in the upper part of that range is something we can do. Having said that, the base part of the business, for a number of years, was relatively flat. A lot of those products are older products, so we've had some success. But if that goes back to kind of being flat, it's a decent size, decent part of our business and if PARAGARD is, indeed, a mid-single-digit grower, I could see us getting towards the bottom end of that range. So I would hope that doesn't happen, and I'm optimistic it won't. But I think, again, to start the year off, that's kind of a good prudent range to provide.

Isaac Ro ***Goldman Sachs Group Inc., Research Division - VP***

Makes sense, okay. And then on the free cash flow, interested in some of the moving parts between working capital changes and CapEx. And the reason I ask is it looked like you guys were on track for a pretty good uptick year-on-year this year for CapEx. I think last year it was just over $100 million. This year, trending closer to $200 million. So if you could give us a sense of when you put -- when you mentioned the investments you're making to serve the customer for next year, what that means for the CapEx trajectory, and whether or not there are any other moving parts in working capital that would help derive that free cash number that you guided to.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I wouldn't put too much on working capital. We're getting a lot of growth outside of the U.S., which puts some pressure on working capital. I think you'll get a little fluctuation because some of inventory, and we discussed Brexit a little earlier, maybe being a little higher and then coming down. But then that, I probably wouldn't put too much on that. I think the bigger pressure point is on CapEx related to daily manufacturing lines. At the end of the day, I think that's the key point. We have a number of new lines coming in right now that we've ordered. I feel good about all the capacity expansion that we're doing. If we keep going like we're going, we might have to order some additional lines and you're going to have more payments. So I definitely think we're going to be over $200 million of CapEx this year. I mean, we're ordering in anticipation of continued strong growth. So I think you'll see that, and that'll be the kind of one thing that holds back CapEx a little bit. Otherwise, we'd probably get a pretty good pop because operating cash flow is going to show a nice increase. So I think we'll see how that plays out during the year. I'd say, yes, I feel pretty good about it at least being able to put up another strong year approaching 500, and we'll see. I mean, as I said earlier on something else, like, kind of, I would like to see all this key account business continue to grow and our revenues continue to grow as strong as it is, which would mean maybe ordering a couple more lines, which should be okay.

Operator

And our next question will come from the line of Anthony Petrone with Jefferies.

Anthony Charles Petrone ***Jefferies LLC, Research Division - Equity Analyst***

Just a few on margins, and I'll just throw them out there. Maybe can you give us a sense, Al, of just margins from key accounts? Is that a headwind? Or is that a neutral factor? And then maybe a little bit of color on the British pound. Obviously, that's down. I'm just wondering when should we expect that benefit to roll through the P&L? And then lastly, just on sales force expansion. Obviously, that was a build in 2018. Are those done. And is that a neutral factor for next year?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Sure. I'll take those backwards. Sales force expansion, we are still continuing to add to our sales force, but more in the normal course of business right now, adding sales people as we grow where it makes sense. You see that in Asia Pac as a good example. But I wouldn't pull that out as we had in the past and say, oh, that's a big kind of bulbous expense or something associated with this year because we're in pretty good shape with the sales force expansion that we've done over the last couple of years. So I'd kind of say, hey, that's normal. With respect to the pound, we'll see what's going to happen with Brexit. And that pound can move around a lot obviously. That rolls through our P&L 6 months later. We still manufacture a decent part of our product in the U.K. and then those costs get capitalized where that currency rate is and flows through our P&L roughly 6 months later. So there is a delay in terms of the pound. And if you're trying to model our currency, right, you get the obvious immediate impact on currency and revenues and operating expenses with the lag in the pound, which I know creates problems now and then when trying to model individual quarters. But that's the easy way -- easiest way to think about it is a 6-month lag. With respect to key account margins, I'm going to answer that from an operating margin perspective, which is the way that we have a tendency to look at our business in that we try to make it a win-win. We try to make it a win for our partners who we're working with, who are going to drive revenues and drive profitability, and we try to do the same for us. So I'm not going to really get into the specifics around any individual or even key accounts in general, but we've obviously built all that into our guidance. And we do expect, even in the face of currency operating margins, to expand a little bit this year over last year.

Operator

And our next question will come from the line of Chris Pasquale with Guggenheim Securities.

Christopher Edward Hartstein ***Guggenheim Securities, LLC, Research Division - Associate***

This is Chris Hartstein in for Chris. I've another question on the surgical side of the business. Over a year ago, when you announced the PARAGARD deal, you gave accretion guidance of $0.70 to $0.75. If I remember correctly, this guidance assumed a 4% interest rate and a 35% U.S. tax rate, both of which look a bit conservative a year later. Can you please provide where the accretion shook out for the full year there? And I've a follow-up.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, sure. I'm not going to give you a specific number on that because, honestly, I haven't calculated it. I will agree with you that from the time we did that deal, when you look at the tax rate and you look at the success of the business, the revenues, because, obviously, we gave some initial revenue guidance versus where we came in, that has turned out to be a very nice deal. And the returns on that are much stronger than we had anticipated they were going to be when they did the deal. Having said that, let's not forget that we did add a lot of sales people. I mean, initially, we were looking at our existing sales force in medical device products selling that product. We've split that now where we have kind of the 2 sales forces: 1 selling medical device products, 1 selling PARAGARD. And we've done a lot of advertising and promotional work there in order to drive success in fiscal '19. So at some point, I believe those sales groups will come back together. Maybe that's a couple of years out. But we'll pull that together, so we're selling as a more one unified front. But I'd say, yes, a number of pluses, more pluses than anything, but a number of investments in that business also.

Christopher Edward Hartstein ***Guggenheim Securities, LLC, Research Division - Associate***

Okay, great. That's a nice lead in for my next question. In that same vein, it's now been 3 straight quarters of above trend growth in the PARAGARD business given the investments you've been making there. And a year after, there's a New England Journal of Medical (sic) [Medicine] study linking hormonal contraceptives to a higher risk breast cancer. Why do you still view this as a mid-single-digit grower as we look ahead into fiscal '19, especially considering the easy accounting-related comp in 1Q?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes. I'm optimistic about PARAGARD growth. And as a matter of fact, we made some good advancements there. I mean, we have a new website, if you go to paragard.com, which is much better, I think, than the old one. And we're doing some really targeted marketing activity. The marketing team has done a really, really nice job. I'm impressed with everything coming out of that group. And it builds on, you're right, The New England Journal of Medicine publication and so forth, which is a positive for that product as a nonhormonal IUD option. I would say, all that stuff positive, all good, feel good about the momentum, feel good about the opportunity for multiyear growth strategy. I always try to temper that with this is a product that's been in the market for 30 years. So you are seeing IUDs grow. You're seeing our product actually obviously show better growth than the marketplace there and we feel good about it. But it is a product that has been around a long time. So I definitely do not want to get out in front of ourselves there. I'm hoping that we can continue to put up some good numbers there though.

Operator

And our next question will come from the line of Steve Willoughby with Cleveland Research.

Rob Cottrell

This is actually Rob Cottrell on for Steve. Two quick questions around longer-term outlook. One, with the trade up to dailies, can that frequent replacement other line continue to grow in that 2% range over the long term?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, that's a good question. When you look at that reusable market, it is growing a little bit. It grew just a little bit this quarter. We're obviously growing a little bit faster. I believe that where we're probably settling in right now, when you look at the reusable market, meaning all the 2-week and the monthly market, that there is some growth there from products like Biofinity, Energys and some of the torics and some of the multifocals out there and there are some growth opportunities as you move into more emerging markets because of the cost point of those. So I do think that we're going to be flat to up slightly there. I think that's probably the way to look at it long term or, at least, for many years in front of us. All the growth, real growth will be coming from dailies and especially silicone hy to gel dailies. But yes, I think the reusable market, flat to up a little bit probably is where it holds.

Rob Cottrell

Great, Al. And then lastly, just you mentioned myopia control leading to increased R&D activities. Have you put any numbers around the opportunity for that, either near term or longer term?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

We have not yet. Stay tuned on that. That's something we're excited about. We are definitely excited about that. We're excited about the clinical work we've done. We're excited about the reception that we're seeing from the market. Some of our key accounts who are more strategic and kind of looking ahead a little bit more, are analyzing that to see how they can properly roll that out. We're trying to work with them on that. So that is an area we're excited about, intrigued about, but it's still early stage, so no, we have not put numbers on that, but stay tuned.

Operator

And our next question will come from the line of Steven Lichtman with Oppenheimer.

Steven Michael Lichtman ***Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst***

Just going back to Asia Pac, you talked about the strength there earlier. In your prepared remarks, Al, I think you specifically talked about a jump in clariti in Asia Pac. Is there something in particular that's opened up in the Asia Pac market specifically for clariti or nothing really to call out?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, I'm not sure I'd highlight anything in particular necessarily other than that region has a little bit lower market share and so the size of it's a little bit lower. When you look at clariti, it's doing well there. We're rolling out in a number of countries there. And I'm not sure I'd highlight necessarily anything specific other than, yes, the product's doing well, and it has actually accelerated off to higher court.

Steven Michael Lichtman ***Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst***

Got it. And then as you look at your outlook for the market, is your underlying assumption on price relatively flat? I mean, what's your overall view on price as you think about price increases versus rebates, et cetera?

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, right now, it's flat. You're right. If you look at core pricing, may be going up a little bit, but the rebate activity creating an environment where net it's flat. That's kind of how we're looking at it right now. I probably say this every call that I'd love to see pricing start to move up. That could be some easy growth for us. We are not forecasting or assuming that right now.

Operator

And there are no further questions in the queue. So now it is my pleasure to hand the conference back over to Al White, President and Chief Executive Officer, for closing comments or remark.

Albert G. White ***The Cooper Companies, Inc. - President, CEO & Director***

Yes, great. Thank you, everyone. I appreciate your time, and we're going to continue to plug away. We're going to continue to work hard. Everything we talked to you guys about, we're going to continue to work hard and continue on and look forward to catching up in roughly 90 days again on our next quarter and hopefully, delivering a positive message. So with that, we'll sign off and speak with everyone later. Thank you.

Operator

Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program, and we may all disconnect. Everybody, have a wonderful day.