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OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

We'll get started. My name is Jeff Johnson. I'm the senior medical technology [analyst] (added by company after the call) at Baird, and our next presentation this afternoon is from CooperCompanies, a specialty medical device manufacturing, servicing the $9 billion worldwide contact lens market and the $4 billion worldwide women's health care market.

With us today from CooperCompanies, we're happy to have Chief Financial Officer and Treasurer, Brian Andrews; and Vice President of IR and Risk Management, Kim Duncan. She'll be signing autographs later. Brian, I'll turn it over to you if you have a few minutes of prepared remarks you want to make, and then we'll go straight into Q&A.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Sure. Thanks, Jeff. Pleasure to be here today. I'd say that the industries that we're in are performing as well or better than they ever have. I've been at Cooper for 17, going on 18 years. The vision industry is just going really strongly, and we're performing on top of that market.

The fertility space, which we've gotten into and transformed the CooperSurgical business over the last 10 years, is performing very, very well at a very high level, and expect that industry to continue to perform well and for us to continue to take share. When you look at the entire enterprise, we're really, really capitalizing on some great growth drivers and expect that to continue as we look forward over the next several years.

QUESTIONS AND ANSWERS

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

All right. Great. Well, let me just jump in there. And one, I've got a lot more gray hair than you, but I know I wrote in one of my recent notes on you guys that, yes, in 21 years covering the contact lens space, I've never seen the industry as healthy as it seems to be right now anyway.

So let's talk about some of those growth drivers in a second. But if we start even higher level just at that overall market growth, year-to-date, I think, at least for the first half of the calendar year, I know you guys are on a fiscal, but we've got the market at about 10% growth. That seems to agree largely with the GfK data that you guys talk about each time on your call. Last year, it was 10%. So it's not like this is easy comps we're just coming up against or something like that.

So what do you think it is? I mean, to me, I'll feed you the answer and then see if you agree with me, but I mean pricing dynamics seem a little bit healthier than they've ever been, and it feels like not just this move to dailies, but now it's this move to daily torics, daily multifocals, so really taking the value even of the daily market up.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes, I would agree. There's a lot of growth drivers driving the industry, and many of those existed as we approached COVID. And then some of them probably got a little bit stronger. So you talk about price. Price certainly pre-COVID was probably more along the lines of 0% to 1%. You had a lot of rebating happening leading up to COVID, but net price this year, true net price has been somewhere in the neighborhood of 2% to 3%.

And so you're seeing price taking, you're seeing consumers gravitate towards higher-priced products, premium products. Our MyDay family of products are doing exceptionally well. Our MyDay torics, the broadest SKU range in the industry, doing phenomenally well, multifocal, really easy to fit. Al can't stop talking about it. He finally got fit on lenses. He's wearing our multifocal and he's going to be a cheerleader for everything, but boy, he just can't stop talking about the acuity and the comfort of the multifocal.

But we do hear that the fitting -- I mean while chair time has been at a premium and you have capacity issues all across the industry, if you can fit a lens into somebody's eye as a first-time success really easily, quickly and have a great outcome and provides a higher price and more stickiness for the optometrist, it's going really, really well.

So you see [daily] (added by company after the call) torics and multifocals is about 18% of the daily SiHy market compared to -- or 18% of the overall market is daily torics -- daily toric and multifocals. That compares to about 37% of the overall market for torics and multifocals. That's definitely one of those subcategories that's driving the overall daily SiHy market. But the daily SiHy market is really $3 billion of the $10 billion industry, and that's really where all the growth is coming from. With price helping, wearer growth is better than it was pre-COVID, it's probably now 1% to 2%. And then you also have, of course, for ourselves, myopia management driving some above 1% to 2% growth above that. So we've got a lot of great things driving the market.

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

Yes. I think all that is fair. I think if I look, and I've got the numbers in here, just to remind myself, I don't need multifocals like Al. Get to his agent, it's hard to know, but hold on. I've got the numbers here -- well, whatever it is, over the last, I think, 6 quarters or so, your multifocal business has grown 18%; your toric business, 17% or something. I went back to 6 quarters pre-COVID and those businesses were growing well at the time, but 7%, 8%.

So it's like your sphere number has improved 1 point or 2, but to your point it's really all coming in those torics and multifocals. So do you think it's as simple as we know the percentage, to your point, is double what it is right now in daily SiHy, the percentage of toric multifocal in contact lenses overall?

We know population statistics tell us that the percentage of toric eyes out there is much higher than in contact lenses right now. Multifocals, obviously, anybody over the age of 45 or 50 or so is going to need them. Is it as simple as just that penetration rate can keep moving for a number of years. Do you think there's real sustainability here on that point, on the mix point, but also on the price point then?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I mean it's certainly torics and multifocals historically have been fit in the U.S. market. It's been predominantly a U.S. fitting behavior. You're seeing torics and multifocals being fit more and more in developed countries across the world. There's still a long way to go. Across the world, about 2/3 of people are astigmatic. 1/3 of them are really in need of vision correction, but only about 10% of people are actually in a toric lens.

When you look at our numbers, we've always been strong in torics and multifocals. But we were under-indexed in dailies in general, but also in the multifocal. We launched the MyDay multifocal. That's doing exceptionally well. We continue to broaden our toric SKU ranges. That's opened up doors. That's opened up opportunities.

Even MiSight, we talk about this and you brought this up in some of your notes previously, there's a halo effect to us selling MiSight and getting into more and more doors and more practices. Being the innovative company with the broadest SKU ranges has turned a lot of optometrists over to Cooper. So it's really exciting. I think toric and multifocal, there's a long runway to go, just like in general, the daily SiHy market.

But certainly, the annuities that come from torics and multifocal because it's hard -- as soon as you --once a doctor fits somebody in a toric or multifocal, they tend to stay in that lens, they tend not to switch to different brands. So it's great for the optometrist, it's great for the manufacturer, and really creates a lot of stickiness in terms of the annuity that comes with it.

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

Yes. Fair enough. And I want to talk about MiSight in a second, and ortho-k as well, you talked about this annuity business. We're talking about all the good things here. If there's a bad side to all this, and it's all softened and it's not a bad thing, but CapEx this year, I think, over $400 million. These are capital-intensive products.

I think the simple math is if 1% of current wearers in the U.S. go from non-dailies to dailies, the whole industry needs like 300 million more lenses the next year or something like that. So I mean you guys are constantly having to put in more manufacturing capacity. I will get in debates all the time with investors who say, "Oh, yes. But look, that depresses returns. That depresses free cash flow conversion rates. Things like that."

I think the flip side is it also means this is a very concentrated industry, and you really only have 3 or 4 players, 2 or 3 that really matter to you, which gives you some of that pricing power and all that. So just where are we in the investment cycle? When can we think about CapEx coming back down, and I don't think it's necessarily a good thing because again, if it's up, that means you're really preparing for future growth. But just talk to me about free cash flow and CapEx requirements here over the next couple of years to support all this growth.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. Boy, you brought up a lot of really good points there. So there's a lot to unpack. No doubt. This industry is made up of 3 larger players that make up 90% of the market. And you get any one of us in the room and we're all going to tell you we're capacity constrained, and we're going to be capacity constrained for quite some time.

The old lines that we used to make dailies on and other products on, you used to be happy putting 24 lenses on somebody's eyes and was a lot easier than putting 700-plus lenses and having enough production to be able to support those types of numbers. The whole industry has to put a lot more capacity in place. And we're going to be capacity constrained for years, 5-plus years.

The growth numbers are making it even more challenging because you're putting in all of this capacity. The lead time to get these lines are 18 to 24 months. But beyond putting on capacity to make lenses, you still have to have all the infrastructure to support it, all of your packaging lines, all of your distribution capabilities, all your inventory.

So certainly, the barrier to entry is difficult. The capital that is needed is significant. But the payback and the return on that investment is fairly quick. What you're seeing right now, for Cooper, we've historically been an FRP shop. We've been a 2-week and monthly. We decided to lean into daily SiHys, knowing that this market is where the growth is coming from.

We made some decisions, going into COVID, that we are going to invest in our infrastructure to build out facilities, to add capacity, to add packaging lines, add distribution lines. And we don't just have a branded business, we have a nonbranded customized solutions business. So when you look at the diversity of our revenues in all of the regions, in all of the modalities, branded and nonbranded, we've got a lot of shots on gold, and we're showing growth in all of those areas.

So there's absolutely focus on leverage. We're getting leverage out of our P&L this year. We're going to get leverage out of our P&L next year. And all of these things that we're doing, these really big projects that we're starting to get behind us are going to deliver some leverage, and we've got confidence in that. That being said, CapEx is high this year. We're probably going to be somewhere in the neighborhood of $375 million or so this year, depending on the timing of Q4, but Q4 is going to be a big number. And next year is going to be high.

And you're right. I mean high CapEx is probably a leading indicator for how we view capacity and how we view demand and how we view our growth and our opportunities. I personally like to see us continue to see high CapEx. But it's not because we're running into challenges, and it's quite the contrary. We're getting great yields out of our equipment. We're getting great outcomes. You're not seeing service levels dip. We're still challenged by supply chain. But we're actually working through it really nicely in a very measured way. It's resulting in some elevated costs, but I've got a lot of confidence that we've got it all under control and we're going to get leverage next year as we will have done this year.

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

All right. So we're both given long answers or long winded responses here. And so now I've got a lot to unpack from what you just said there. So one thing there, on the high CapEx. So it sounds like it's going to continue next year. It's kind of what we thought. Working capital was a big use of cash this year as well. Can some of that reverse next year? And I mean the main thing I'm trying to tie this back to is you've got about $1 billion in floating rate debt, right? And you've now or no longer are doing the Cook deal.

So it seems like the faster we can get free cash flow up, the faster we can get some of that higher cost of debt paid off over the next 12 months as well because, again, there are some things I want to tie back to in where the Street is at and guidance and things like that for next year that I know you haven't issued yet, but I still want to touch on. So help me understand maybe if working capital can be a source of cash next year as opposed to a use of cash. And how to think about maybe where free cash flow next year could go.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I'd say that this business has the ability to throw off a lot of cash. We've gone through years where our free cash flow has exceeded $500 million, $600 million, operating cash flow well north of that. So we absolutely have the ability to do that. Next year we'll still have a high CapEx year. I do think that there are some things that we're pursuing a lot of focus around collections and payables and DSO, DPO, some of the working capital metrics, that will improve next year versus this year.

The Cook deal didn't happen. So any excess cash, we're certainly -- and one of the priorities is going to be paying down debt, so we're focused on that. We'll still look at strategic tuck-ins. There's not a whole lot we can do in vision. There's not a whole lot we can do in fertility. But there are some smaller tuck-ins that we'll always kick around and evaluate. They have to be highly strategic. They have to meet our return hurdles. But outside of that is debt paydown. So, yes, that will certainly be a focus. We do have $1 billion plus of variable rate debt, but plan to chip away.

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

Okay. All right. So kind of as that as my segue into thinking about kind of a few moving parts for next year is debt pay down, hopefully, we see at least some of that high rate debt. So that is a little bit of a cushion to earnings. Tax rate, it sounds like pre-discrete items probably going up back up to 15%, but you always have some discrete, right? So do we think of tax rate on an effective basis being higher next year than this year by a notable amount? Or is it just on a post-discrete basis, net that we're kind of close?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. You're right. We always guide to something our tax rate as being something and then ends up post-discretes falling from there. It's hard to anticipate things like options exercises. But if I were a betting man we're not going to end up at 15%. We'll be below that. How much below that is TBD, depending on some of these discretes, but it's hard to forecast. We don't forecast them. So we just give you what the underlying organic number is.

I think the point that I would make really is just we don't see our tax rate stepping up materially next year. I wouldn't anticipate that going out. We're settling in at that 15%, 15.5% over the course of time, and we'll see some discretes probably pull us down.

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

All right. And then the other thing you talked about on your last quarter call just a week or 2 ago, a couple of weeks ago, was low double-digit constant currency OI growth. Obviously, currency looks to us like it's going to be a 2-, 3-point drag that can still move, obviously, before you guide on your fiscal fourth quarter call in early December. So who knows if that 200 to 300 basis point drag ends up being right, but kind of somewhere in that mid-ish to upper single digits, so call it, 6% to 8% or 7% to 9%, is that kind of how you would think about translating your constant currency comments from last quarter to a reported number for OI?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I'll avoid that. I avoided it on the call a couple of weeks ago.

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

Yes you did.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

And I know Larry was pretty frustrated as were you and everybody else. I think the challenge with FX is that you're talking about a full year's impact, and we're in August, we're now in September. And we have $1 billion tied to our European business. So if currencies moved 2%, that's $20 million in revenues that largely flows through and is going to swing your EPS number.

So at the end of the day, the message we want people to hear is that we are committed to delivering leverage. And we are committed, regardless of the revenue growth ranges that we end up providing for next year, and in all likelihood, they're going to be a little bit stronger than we've given historically because the market is stronger than we anticipated, and our performance continues to be really strong relative to the market. But irrespective of our growth ranges that we set forth next year, we're committed to delivering low double-digit constant currency OI growth. And in December, we'll update the EPS ranges on an as-reported basis based on currencies at the time.

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

Okay. Fair enough. So I'm going to declare up for that 1 question that you're not going to like, but I'm going to ask it anyway. You mentioned your leveraged earnings growth or whatever. It sounds like from everything we're talking about at the top line, and Al, I think, has been pretty clear, double-digit CVI number is not out of cards. I'm not saying you would guide to that.

But let's say it's 8-something next year, whatever it falls to or falls into the category, but let's say it's 8% or 9%. It seems like fertility is doing extremely well. We haven't talked about CSI yet. It sounds like some new equipment stuff on the surgical side of CSI is also doing well. So if your complete company-wide organic stays 8% next year, something like that. I think the Street is a little higher than that even, but let's call it 8%. This low double-digit constant currency OI growth, that's not a whole lot of leverage.

You take out the currency stuff, right? So I mean, I guess, where some of us are coming from on the Street, and again, this isn't a criticism, it's just trying to understand the algorithm, is it feels like low double-digit constant currency OI growth was kind of what you used to talk about with 6%, 7% top line growth. We're getting an extra point or 2. Some of that's pricing that should have good drop-through. Why isn't even the constant currency OI growth? And maybe it gets back to some of the investments you're talking about. So just help tie it back to help us understand why a couple of points higher top line doesn't necessarily translate even on a constant currency basis?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I mean it really does point to the fact that we're driving above-market growth, and we're continuing to invest in our business. And so whether that's myopia management where we're continuing to invest, we see huge opportunities to continue to expand that market. We're the only company that has an FDA-approved product proven to reduce the progression of myopia. We're seeing acceleration in MiSight. We had a phenomenal month of August with MiSight with a strong quarter. A strong month of August in general for vision.

So we're investing to continue to drive sustainable top line growth. We're winning wearers. Our competition is putting up some good growth numbers through either pricing or trade up. We're winning wearers. We're winning annuity streams through the investments that we're making. And so we're going to continue to invest in our business. We're going to continue to invest in fertility.

Fertility, we have a great moat. We've got a leadership position in fertility in places like the Americas and Europe, but we don't have very much infrastructure in Asia. Unfortunately, the Cook deal didn't happen, so that means we have to invest in Asia. And we've got a full and comprehensive product portfolio that we know is going to do exceptionally well in Asia. So those are 2 areas to highlight.

We do have the ability to flex, like our revenue growth could come in lower than what you're saying, and we'll still deliver low double-digit OI growth. But the idea is we're building a sustainable, strong revenue growth model. We're going to be getting leverage from those investments that we put into place this year, some really important ones including upgrading our largest European manufacturing facility, new ERP system, new warehouse management system, doubled the size of our Rochester facility, just went live in the month of August.

So those are the types of things that happen once every 10 years. These are really important initiatives. But those investments will continue. The investments in the rest of our business to drive sustainable growth will continue, and that's what's putting a limiter, if you will, on some of the flow-through that you wanted to see.

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

Fair enough. I'll turn around and try to be the good cop here. But I mean it does sound like a lot of those issues are shorter term in nature, whether they bleed into fiscal '24 or they bleed deeper into '24 or what have you. It does seem like there's more sustainability to the top line here for the next 5 years, whereas some of this stuff, you just have to catch up because, oh my god, this demand all of a sudden materialized. Now you have to get rightsized for that, but then there should be even more leverage, I would think, or however you want to think about it beyond next year.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I think that's very, very well put. I think it's the type of thing where if we could make more lenses, we would sell more lenses. It's as simple as that. And that's not just on our daily SiHys, it's across a number of our lenses across our portfolio. We have to meter some of our launches because we don't have enough lenses to provide.

So stacking up all of this growth and on top of the investments that we're putting in place means that we're going to be able to provide leverage from those investments at some point. And so we're providing leverage this year. We're going to get more leverage next year. But it bodes well for the future. I'm really, really excited about it. I mean we are absolutely getting outsized growth and expect that growth trajectory is going to continue to be strong.

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

Yes. All right. And one last question just on numbers now. I want to come back to MiSight and to the women's health care business in the last 6, 7 minutes we have. Just on the numbers themselves. Currency, again, I know you don't want to talk about constant currency versus reported, things like that. But if we froze currency where we are today, Larry, last week, had a number like $0.50 headwind at his conference. I'm not getting there on the math. I don't think it's hugely off, but I usually don't bet against Larry on math. And I'm kind of closer to like $0.35 to $0.40. I mean just if we freeze currency where it's at, is Larry's number the right number, $0.50 currency EPS headwind next year? At least where we are today?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I'm going to avoid that question only because, if I stared at currency every day, it would be a new number.

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

It changes. I know. That's fair.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

And so, point in time, a couple of weeks ago, Larry wasn't crazy, but, shoot, you tweak a number here and there and you can have a variance that's fairly good.

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

I mean now that we're back up to dollar strength against the yen, things like that. Those are the things that hurt you, right? Dollar strength against the yen, things like that. Now that we're back up. Now, obviously, the dollar could continue to strengthen, why not now that we're back up there, lock this in? And then if your hedges could start, why not start to hedge some of that currency given that you have very little infrastructure in Japan or something like that.

If you do it now, yes, it's kind of expensive up here, but you'd also be protected at the highest, so your hedges would pay off. If it continues to get worse and if it gets better, at least you're not getting the benefit of that, but it's no longer this issue that we have to talk about every quarter. Does that make sense? I don't know if the question could make sense.

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. I think there's 2 ways to go about it. One is the impact from revenues down to OI, okay? So year after year after year, we probably lost north of $3 of EPS from currencies. Just the yen alone over the last 18 months has contributed to more than $1 of EPS erosion. So boy, I sit here today and say, boy, how much weaker can the yen get against the dollar? 147, is it going to go to 150, 160?

I'd hate to sit there and start hedging currency now when the dollar has been as its strongest point. So from revenue down to OI, we've taken a position where we just said, look, we're going to manage this business on a constant currency basis. Hedging is only delaying the inevitable. You're just trailing currency. And rather than the cost of hedging and putting that in place, we're just going to manage this business on a constant currency basis.

When currency does turn around and 147 turns to 130, turns to 120, people that have been with us for a long time know that when the yen was at 120 and it went down to 75, that's massive. That's going to have a huge impact on our P&L. The difference now versus then was that we sometimes would reinvest some of that FX back into our business. We're not going to do that now.

When FX moves in our favor, we're going to allow that FX to fall down to the bottom line. So you won't see us do constant currency OI growth of 8% and put up a 15% as-reported number, we're going to still deliver low double-digit constant currency OI growth, but allow the FX to fall to the bottom line. So from revenues to OI, it's been painful. It's been painful for us. It's been painful for the investing community. But eventually, that will turn around and that will fall through to the bottom line.

I think when it comes to below-the-line FX, we had a pretty sizable loss last year. We've had less of a loss this year, but it's still a loss. There's still volatility. We've been continuing to iterate on our balance sheet hedging program and trying to marry up natural hedges in our business. Some of those natural hedges, the alignment of those take some time. You have to wait for contracts to roll over, to put them into the name of a new legal entity. You have different accruals, tax and legal implications.

Suffice to say, we continue to work on that. But in the meantime, we're also hedging more of those balance sheet exposures. The material exposures that we've been hedging, we've been expanding upon, but you still have some small currencies that are 1%, 2%, 3% of our revenue, some of which are very hard to hedge or you can't hedge. And if they devalue by 20%, 30%, they can result in losses, and we've seen that this year. So the long story short is we're focused on it. I think it's going to get better. I believe it's going to get better. We're working on it, and we've got it under more control. So that we'll at least see less volatility below the line.

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

Yes. All right. Well, let's end on some not so deep in the weeds, feeding the hedge fund kind of number things here. So 2 things. One, MiSight. I mean it sure seems like MiSight has -- I don't want to say turned a corner, but I'm more positive on it than I was maybe a year or 2 ago because I think we're seeing good renewal rates there, but also, I think some of these docs have realized who the right patient is to sell to, have maybe improved their selling message, closing rates have gone up a little bit, things like that. Does it feel like we're on a more sustained I don't know what it is, but 20%, 30% growth in MiSight kind of over the next few years kind of path?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes, you're exactly right. Our confidence is building, too. Retention has been high, we've got around 90%. Fitters that are having the conversation, they may have started with high myopes last year and tried to have the conversation with other kids that have come in. They're seeing the results from the placements of the fittings that they had last year. Those parents that said no last year are coming in this summer and are now being told that their child's progression has worsened. And so even though they said no to MiSight last year, they're saying, yes, this year.

Those optometrists are now going and fitting MiSight as standard of care in their practices. You're seeing retailers in key accounts adopt MiSight more broadly. So I mean the momentum is building. I still would caution people to say, I don't think there's necessarily going to be an inflection, but it's steady continued progress. But it's accelerating. Like I said, August was a really good month for MiSight, especially in the U.S.

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

All right. Good. And then just on the CSI side. I think in 9 seconds, fertility seems like it's just locked in, going to be a good growth market, secular trends there. You guys are a big important player there. So I'm good. The other half of the business, or a little over half, it's the surgical side. You've had some really good new product launches and equipment, things like that. Do we have to worry about cycling into just tough comps from that? Or are we just in a decent area on the surgical side as well, ex-PARAGARD?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. We put up some good numbers recently on the device side, the nonfertility side. Some of that is getting through some back orders. So you've got a little bit of lumpiness because we carried a big back order into this 2023. We still have a back order. So there's going to be some releases that will help some of those numbers. PARAGARD, we're getting from price. Stem cell is doing what we thought it would. So if I look at the longer-term horizon, the nonfertility part of that business is still probably in the low single-digit side long term.

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

[2% to 4%? 3% to 5%]?

Brian G. Andrews - *CooperCompanies - Executive VP, CFO & Treasurer*

Yes. Low single digits, yes. And then the fertility being high single digit. I think we've probably been a little conservative there. We've done 11 consecutive quarters of double-digit growth. But that is becoming a bigger part of our business, helping to drive that business. Long term, mid-single digits.

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

All right. Well, fair enough. I think we're a little bit over there. So thank you, Brian, for a wonderful overview here. Very helpful, as always. And as a reminder, the next presentation is set to begin at 2:00 p.m. Eastern Time and include Quest Diagnostics, QIAGEN, Karyopharm Therapeutics and INmune Bio. Thank you.