THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

COO - Cooper Companies Inc at Raymond James Life Sciences & MedTech Conference

EVENT DATE/TIME: JUNE 18, 2019 / 2:20PM GMT

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Lawrence Soren Keusch *Raymond James & Associates, Inc., Research Division - MD*

PRESENTATION

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Welcome, everyone, to our next presentation here. I'm Larry Keusch, the hospital supply analyst. Thank you again for attending the inaugural Raymond James Life Sciences & MedTech Conference. We're extremely honored to have Al White, who is the President and Chief Executive Officer of Cooper, join us. He flew across the country for this meeting. So we really do appreciate it. We also have Kim Duncan, who's the Vice President, Investor Relations as well with us.

So Al, there's obviously a lot to cover. It's exciting times at Cooper right now. You guys are -- you've got growth drivers all over the place. But maybe just -- I want to just start at a very high level and maybe just think a little bit about the market itself. It's historically been a very consistent 4% to 6% grower. I think even in 2009, I mean, we really didn't get below 3% growth. So it's a consistent growth driver.

QUESTIONS AND ANSWERS

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

What is ultimately, at this point, sort of driving the growth in the market? And so how do you see the market developing over the next several years?

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

Yes. You're right. The contact lens market has been growing for what seems like forever at this point. The durability of the underlying market growth is really fantastic. And you're right, 2009, last time we ran into a kind of recessionary environment, contact lens market grew 3%. We grew 5%. But if you look at the dynamic that drive the market, and you're talking about things like geographic expansion, and we're getting growth in Asia Pac. And we're getting expansion of the wearer base in some of those regions. If you look at the fitting of lenses like torics and multifocals, which are -- have a stronger presence in developed markets but are very underindexed in developing markets. Those all help driving growth as they move into those developing markets. You look at things like dailies as being one of the biggest drivers. So you're getting a material shift to silicone hydrogels within contact lenses. You're also getting a shift from wearers who used to wear 2-week or monthly lenses move into daily lenses where optometrists are telling people, "Hey, this is the best lens for your eye. This is the most comfortable. This is the product that you should be wearing."

So when you look at that -- and there are some other facets. But when you look at growth characteristics, there's a number of them, which is kind of exciting. And it keeps us in a position where, at the end of the day, you're most likely going to get a pretty good market growing in that 4% to 6%. And we've certainly been more in the 5% to 7%, if you will, than we have been 4% to 6% here over the last couple of years. But I think we'll continue to get pretty nice growth in the marketplace.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So is it your sense that the market right now given all of these dynamics is growing at the upper end of that range right now?

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

Yes. Yes, I think trailing 12-month basis is around 7%. And we've been running for the last 3 years, if I include this year, it'll be in the 5% to 7% range is where we've kind of been settling out, yes.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

And then as you think about Cooper's opportunities for growth here, let's stick with contact lenses, the CVI business and you think about again conceptually this market growing in the higher end of this 4% to 6% range, where do you foresee yourself fitting in here in terms of, again, a durable growth type of company here?

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

Yes. We've been taking market share for a number of years. I would envision we'll continue to do that given our product portfolio. One of the keys is that daily lenses are driving growth of the contact lens market. That's the biggest component of growth right now. And within that is daily silicone hydrogels. And if you look at our product mix and where we are today, everything is kind of an indicator that we'll continue to take share. We're about 24% global market share as a company. But within the daily space, we're only about 18%. Within the FRP, the 2-week and monthly space, we're about 31% market share. So you kind of look at that and say, okay, 31% in the high end, the 18%, 24%, what gives you comfort that, that 18% is going to continue to grow and you'll be able to move that and move your 24% up, and that ends up being in the product portfolio. We did an acquisition of Sauflon a few years ago. We're rolling that product out, our MyDay product. We've had a lot of success in the daily silicone franchise. So I kind of threw a lot of numbers, but that 18% growing gets driven by daily silicones. In daily silicones, we have 27% market share. So if we can just keep our market share where it's at and continue to perform at the level we're currently performing at, you're going to see that 18% trending towards 27%, which lift the entire -- our entire market share and it will be market share gains. So at any individual quarter, anything can happen. But I think where we're sitting today and for the coming years, you're going to continue to see us take market share.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Got it. Okay. Perfect. So one thing that's certainly on top of investors' minds as they think about the growth algorithm for the company is you just put up an 8% organic growth number in the second quarter. Your comps certainly get a little bit more difficult than the second half. You've expressed confidence that you're going to essentially grow through this. But what gives you the confidence -- what do you see out there over the next 6 months that make you feel good that we can get past these tough comps?

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

Yes. I think there's a couple of factors. I mean if we look at geographically and you look at Asia Pac, we've been growing low double digits, and I think we can continue to put up that type of growth. We're underindexed in the region. We're rolling products out. We're hiring salespeople. We're having a lot of success within Asia Pac. I think that'll continue. So I feel good about saying, "Hey, we can put up some double-digit growth there."

When I look at Europe, we've been growing faster than market. We recently moved into the #1 position for contact lenses over Alcon in Europe. I think we continue to put a decent growth there driven by key account. Our key account strategy is bigger there when you look at some of the big retailers and some of the growth opportunities there where we've had success. And then I think if you look at the Americas, where we grew 4% and 5% the first couple of quarters of this year, there's some growth opportunities here. We finally have anniversarized the rebate activity that we had. Even as an industry, a lot of the rebates have now moved behind us. And you're moving into a better environment. We're seeing a little bit of pricing come up.

So I think when you combine those 3 regions you look at, I believe the Americas has some upside potential versus what it was in the first half of this year. So when I kind of say, "Hey, we can hurdle that." I think continuing strength in Asia Pac, continuing strength just from geographics and growth dynamics and so forth, continuing strength with our key account strategy and then hurdling the rebate activity and so forth in the back half of the year just gives us a decent opportunity to put up some good numbers.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So it sounds like consistent performance in Europe and Asia Pacific. The Americas, again, you anniversary the rebates, so that's no longer a headwind towards you. You've got -- hopefully, you're continuing to push on clariti. And then you've got -- just to be clear with everyone, you've got potentially a little bit of positive price working its way through.

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

Yes. In the Americas market, it's been a little frustrating over the last few years because a lot of the dynamics that are driving the contact lens industry revolve around daily lenses, as we were talking about. And you look at the Americas market, that's where dailies have been most underindexed. And we've been seeing growth where dailies are bigger. But then you look at it and say, "Why is the Americas market not growing consistent mid-single digit or upper single digit? What is it that's causing the problem here?" A lot of that has been tied -- as a matter of fact, I believe all of it has been tied to rebate activity. We've seen heightened rebates. Now that those have leveled off, you're actually seeing some list price increases. So maybe we'll see some pricing activity. I mean for a number of years in the contact lens industry, you were seeing the industry grow -- let's use easy numbers, seeing it grow 6%, and half of that growth was coming from price increases. And every year, you kind of get, hey, it's 3% a year price increases because contact lenses aren't that expensive. I mean a year's supply of lenses, you're spending less than you're spending on coffee for a year, that's for sure, $500 or something. So you were seeing price increases drive it. I think over the last 4, 5 years, you haven't seen that, right? You just haven't. Now you're seeing maybe it's a point or something along those lines. So anything where we can get improvement because of pricing perspective is going to help stabilize to increase the contact lens market growth rate.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Perfect. Let's switch gears and talk about 2 facets of the growth strategy. One is key accounts, which is extremely important. And then the other we'll get to is just sort of your product portfolio and how you're kind of moving that. But Al, maybe just to kind of get everybody on the same page, the basis to the key account strategy, in my mind, is customization at the end of the day. It is partnering with large retailers in different ways than you have in the past. And I think if I have my numbers correctly, about 1/3 of your business is, call it, private label but the majority of that is more customized offering versus what we would all consider traditional private label. So a, is that correct? And b, sort of really talk about what's resonating in that private label strategy that's allowing you to execute there.

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

Yes. You're absolutely right. Those numbers are accurate. The difference ends up being when people think about private label, generally speaking, you're thinking about, oh, that's a bad thing or there's a lot of risks associated with that. Someone could walk in the door and low ball you and take our business, right? Our percentage of our business that is what I call private label is very low, right? So when I look at it, I look at it more in that customized solution perspective, which is to say we want to work with somebody. We'll put your store brand on the product itself, but we want to work with you in terms of customized labeling, packaging, IT support, sales support. There's a lot of other things that go into that, and a lot of that is fairly complex. When you start talking to a big retailer and saying, "Hey, we've always shipped pallets of contact lenses to you and you break them down and you sell them or you ship them into your stores or however you want to handle it," and you move to today's world where we're shipping product directly to individuals on behalf of the store, that's much, much more complex. Someone can't just walk in the door and say, "Hey, I'll sell you a contact lens for a lower price point and put your name on it." Like people can't do that. You can't walk in the door because the barriers to entry are so much higher on these customized solutions than they are in the traditional private label side. And then the other thing is we've been working with a lot of these big retailers, big key accounts on, how do you increase the wearer base? How do you increase it for them? And how do you retain your customers? The one thing these big key accounts don't want to do is have someone come in, get fitted for a contact lens -- keep in mind, we're talking about a medical device, they're not coming in and buying toothpaste. They're coming in, they're getting fitted for a medical device. They want that customer to come back. They don't want to lose them. They don't want to lose them to the Internet. They don't want to lose them to Amazon or anyone else that's out there. They want that person coming back to their store and buying contact lenses and buying toothpaste and a variety of other stuff while they're there. So the more that you can help them link in to their customer and tie their customer in so the customer comes back to them, the better; all the way to the point where we actually have specialized contact lenses going to some key accounts. And if you do that, the only place that person can get that contact lens is from that key account itself. That person is going to come back because they can't buy it anywhere else. They come back in and you're trying to partner with the retailer to lock their wearer base in. So that's a completely different story than private label, as you know. You go to a grocery store and you buy milk. Well, the next day, you could be buying milk with -- it could be a different supplier, but it's still Safeway or Wegmans or whatever it is. That's not what we're talking about here, and that's been a big driver of our growth. And our ability to go in and say, "Hey, we'll sell you branded products. We're happy to sell you branded products, and we have fantastic branded products." And we could certainly compete in the marketplace on the branded product side. But in conjunction to that or in addition to that, we'll also do some customized solutions for you, some store brands for you, some unique packaging, shipping. And we can ship our lenses with solutions as an example. That type of thing. So it's much more exciting.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So the nuance there, at least partially, the nuance is, it sounds like longer-term contracts versus what would be traditionally considered private label. And I think another departure has been rather than selling old products, you're actually trying to sell your newest product private label.

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

That's right.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So help us think about, it seems to me you're hopefully trading off more consistent growth. But how much are you giving up? What's the right way to think about what you're giving up on margin as you execute against this strategy? And is that a drag overall on your margins on the business?

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

Yes. Well, I think about it in the context of operating margins for me and also in dollars coming through the P&L, which might be a little different. So there could be -- there's gross margin pressure coming from the shift to dailies that you're seeing right now. Now our margins have been up a little bit. If you pull currency out, they've been up a little bit. So we've been able to drive manufacturing efficiency improvements as we increased production in places like Puerto Rico and Costa Rica, in our new facilities in Budapest. We've done a nice job on maximizing our operations to help drive gross margins higher. But when I look at it on an operating margin basis, there's not that much of a difference between the strategies, and that's one of the keys. And then the other one ends up being more sustainable revenue growth. So you're in a good marketplace with good growth characteristics and you say, "Hey, I can get more dollars coming through the P&L. So if I can maintain or expand my margins a little bit, then I'm getting more dollars as we shift to dailies because we just are, a daily wearer gets us a lot more revenue dollars than a 2-week or a monthly wearer." That's our recipe for success.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So you touched on this, but I want to dive a little deeper into it. So it seems to me one of the problems with this industry is what you described earlier. Somebody comes in, they get fitted for a contact lens. And within a week, they're gone. And you lose that wearer, that new wearer. So what can be done to really try to retain new wearers within this market? Because I think in the U.S., and correct me if I'm wrong, wearer base is pretty static. It hasn't moved a lot.

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

That's right. That's right. Yes, one of the frustrations that we have as a manufacturer and it's become a much larger frustration of these key accounts, and in almost all optometrists out there, is how many patients end up getting lost almost immediately. They wear glasses but they want contact lenses. Then they try them. They get lenses for free. And for whatever reason, a few days in or a week in, they drop out. They don't like sticking them in their eye or something about it that's causing them problems. So that's been -- that has -- the attention to that has increased over the last couple of years. And it's interesting that we're seeing that kind of throughout the industry like the competitors are seeing the same thing, which is a lot of the big retailers have people coming back saying, "Hey, this is a great way for me to lock down my customers. I want to stop losing these guys. Like this is free dollars I'm spending the time in the chair to fit them in contact lenses. Get them comfortable in contact lenses. How do we keep them? So we're working with retailers and people right now. I mean some of it goes to things like technology improvements. I mean you look at -- people don't respond to phone calls. They don't respond to e-mails. They do respond to text, right? So we have -- I mentioned IT earlier, some of the platforms and stuff we have where we'll link in with somebody and send a text and say, "Hey, are you having problems? Hey, how is it going?" What we've seen, the response rates are way higher on that type of activity, and I'm sure our industry is no different. You text somebody, the likelihood of -- especially a young person texting you back is way higher. So the idea is saying, hey, how is it going? Do you like the lenses? Do you need help? Is there anything I can help you with? By the way, here's a link. Just click on this. It'll take you to a fitting site. It'll help for insertion and so forth. So there's all of that kind of activity, the training, the education, making sure that people are comfortable when they're leaving the store and inserting the lens and taking it out of their eye, all of that kind of activity.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Perfect. Last one on the -- or last 2 on the key account strategy. Why don't the competitors do this exact same thing? It seems like again if you can enter into multiyear contracts, drive volume of your newest products, drive margins up on those products and keep your margins overall, sort of whole, why isn't everyone else jumping in on this?

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

Yes. Well, one of the key bases of this strategy is the willingness to put brand-new products in store brand names, and we're willing to do that. I mean if you step back and you look at the contact lens industry, you're talking about 4 players have 96% of the global contact lens industry. Three, J&J, Alcon and us have around 87% of the global contact lens industry. J&J is a branded company. That's what they do. The sell on a branded basis. Alcon sells on a branded basis. We sell on a branded basis, but we'll also do the strategy. We've employed this strategy very successfully. So it's not unique or special or rocket science out here. It's just a matter of going into these big accounts and saying, "Hey, we're willing to do this type of activity."

Now we don't do TV advertising, as an example. We don't build that brand. We're a contact lens company, and that's what we're focused on. So our willingness to kind of offer customized solutions is much better than some of our competitors.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Got it. And the other question is if we're outsiders looking in, how do we measure the success of this strategy? Is it just you're going to drive durable growth in this kind of 6% range and that's the right way to think about it? Or is there other metrics that we should be paying attention to?

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

At the end of the day, to me it's -- the metrics that you could pay attention to end up really being your revenue. What's the market grown and what have you grown? We obviously look more in depth than that because we'll look at fit data and actual customers, how many customers we're winning and so forth. But this isn't a strategy about going, saying, "Hey, I need to -- I'm going to cut price, and I'm going to try to grow 2x the market or do anything crazy." That's not what is going on here. You're talking about a contact lens market that's growing 6%, and you're talking about us at 7%, 8%. It's to put up good solid growth, to partner with people, to win new wearers. That's what we're trying to do because our focus is on getting sustainable revenue growth. It's not trying to buy it or anything else. It's trying to win wearers and get sustainable revenue growth.

So I think from investor perspective looking at it and saying, "Okay, well, am I comfortable with the market and the market dynamics? Where it's growing? Why it's growing there and so forth. Am I comfortable with Cooper's strategy and their positioning within the marketplace to grow a little bit faster than the market?" That's -- those are the key questions for me. As you could tell, I feel pretty good about both of those.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Right. So before we touch on competition and staying with the theme of revenue growth, there have been some changes in the way management is being compensated. I just want to review that again. Maybe just describe to us what's changed there and what's changing within the company to really focus on revenue growth.

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

Yes. So our opportunity to take sustainable revenue growth is better than it's been for many years in my mind. We're in a great position because of the shift to dailies and because of our product portfolio within the dailies space, especially the daily silicone hydrogel space. So I shifted -- when I took over as CEO, moved everybody to 50% for bonuses on revenues, 25% on OI or EPS and then the rest being discretionary. We used to have 25% of that be cash flow-based. And it's not to say that cash flow is not important anymore because it is important, and we put up a lot of cash flow. But the important message is to say, let's not get overfocused on CapEx today. We need to spend CapEx. We're building out distribution centers. We're building out manufacturing facilities. We're expanding. We're putting new capital in place for new manufacturing lines out there. There's dollars that we need to spend because of the dynamics of the business today and because the longer-term growth characteristics are as solid as they are. So I don't want to overfocus on that. I want to focus on driving sustainable revenue growth right now. And that doesn't mean ignore everything else, obviously, because you keep EPS or OI in there as bonus characteristics. But a little bit greater focus on let's capitalize on the opportunity in front of us.

You don't get every day in your market where you have an opportunity to go gain wearers and gain share, and we're in a pretty good spot to be able to do that for a number of years.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Perfect. Let's switch gears to competition. So it seems like everybody is worried about Alcon. They're worried about the PRECISION1 lens coming in and challenging you in the mass market on single-use silicone hydrogels. Maybe talk to us about the experience that you had with J&J launching a series of products and how you view Alcon's competitive threat. Because my suspicion, as people start to look into next year, that's going to become more top of mind.

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

Yes. I mean Alcon is a great company. It's a great management team and they have good products. And they're out in the marketplace selling their products, and they have been for a number of years. I mean they were selling them under Novartis aggressively, and now they're a stand-alone company. J&J is a great company and a great competitor. They -- everyone was worried about that a few years ago kind of, hey, they're going to launch OASYS daily. And how is Cooper going to compete? Are they going to come out with a monthly? And now Alcon is coming out with a product. So I'd say this is no different than we've been dealing with for many, many years. We have strong competitors and smart management teams with good products, and they're out there selling product. And that's one of the reasons you're getting contact lens market growth being in the mid-single digits because this is a good industry with a lot of smart people with a lot of good products. But we don't stand still. So just because a competitor is coming out with a new product doesn't mean we sit around and put our head in the sand. I mean at the same time we launch products, we launch new base curve on the sphere in Japan. And people will be like, well, I don't know what that is or that's not meaningful. Well, it is meaningful and it is meaningful to us. And we'll take products that are already out in the marketplace, and we'll put them into additional markets. And we'll do things where we advance our distribution capabilities to be able to work better with the retailers and our key account strategies. There's a lot of dynamics. So I think that at the end of the day, the PRECISION1 launch, if anything, makes me feel a little bit better about the contact lens market growth rates being decent.

But one of the key takeaways that you have to remember that Alcon deals with, J&J deals with, we all deal with this is you can't go buy a contact lens machine, manufacturing machine at Walmart. They're all custom-made lines, they're huge. They're like the size of this room kind of thing. It's huge lines that are out there. Custom-made manufacturers, they'll take anywhere as long as 15 to 18 months to get a line from the time your order to the time you get it in and it's producing product that you can sell. So it's challenging to do that. And you can't go order 10 lines at the same time. You're working with specific custom manufacturers. We're making medical device products here. You need to be able to make the same product over and over. I mean we make billions of lenses. They need to be the same product over and over and over. So it's very challenging to come out and launch a new product and aggressively launch it because you're putting fitting sets on the doctor's office. You're putting free lenses out there. Try it, you'll like it. You're putting the product out there in different markets around the world. So it's a challenge to go out and be able to do an aggressive launch at once. What happens is that people put the product in the market and then they roll it out. They roll it out in different regions. They roll it out into other parameters towards multifocals, wider ranges and so forth. But these things will take years and years to roll out. It's not, like, bam, like someone launches a new product, including us and all of a sudden you have a new product there, and it's everywhere and everywhere it's available. It's not how it works in the industry.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Just, I want to just touch on one new technology, which is the myopia management. That sounds like an exciting space that overall specialty category for you now is annualizing at, what, $55 million so -- and growing [130%].

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

Yes.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

So that's a percent of organic growth if you can continue to keep driving that business forward. But talk about why we should get excited about myopia management and maybe touch on the annuity that these patients can become for you guys.

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

Yes. When you talk about contact lens wearers, it's visual correction and you're mostly getting -- kids will come in at let's say 14 years old and that kind of age. And people wear them through their teens and 20s and 30s and in their 40s and so forth. And for all the reasons we talked about, that's a really nice market. When you look at myopia management and using contact lenses for myopia management, that's different. Now we're talking about myopia starts at about 8 years old and as a general rule, 8 years old to about 14 years old is when your myopia is getting worse. So what happens? Kid comes home, you can't see the blackboard, he's having problems. Mom and dad, especially if they're myopic, are taking the child into an optometrist like yes, you need glasses. By the way, if someone asked, they'd be saying, "Yes, you need glasses today because you're a 2 but you're going to go to a 4 or you're going to go to a 5, right, because your myopia is going to get worse."

Well, what myopia management contact lenses are, be they MiSight or ortho-k, products that we're selling, are to reduce the progression of myopia. It doesn't eliminate it but rather than going from a 2 to let's say a 5, you're going from a 2 to a 3.5. Now that's especially important with high myopes because if you're highly myopic, you're at a much greater risk for glaucoma or retinal detachment, macular degeneration, a number of issues. So you really want to prevent that. But at the same time, there's a big difference between someone who's a 2 and someone who's a 4 or a 5.

So you start looking at that and you're saying, "Okay, well wait a minute, that's a market that contact lenses have not played in. That's 8- to 14-year-olds." To your point, a couple of statistics on that. If you get visual -- your first form of visual correction is glasses and then you go to contact lenses, on average, you'll wear your lenses about 7 years. If your first form of visual correction is contact lenses, which it would be in this case, then on average, you're wearing contact lenses 14 years. So getting young people into contact lenses where they're very willing, much more willing than -- the older you get, the less willing you are to put a lens in your eye, you feel like you're sticking your eye. The younger you are as kids, they're much more accommodating. They're saying, "Okay, I can do that. I'll stick it in my eye." And they figure that out and then they stay with it. So it has fantastic potential for us. So we're not even in the first inning, I would say, on that as it batters up in that situation. It's pretty early stage. But it's pretty exciting and we just released 5-year clinical data and the value behind MiSight, our myopia management lens.

So there's kind of proof, if you will, which is one of the reasons we started talking about it is we're doing a lot of educational work around the world and we're getting rooms like this that are just jampacked, standing-room-only rooms and so forth of people listening and wanting to hear about myopia management.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Right. And you're still sort of navigating sort of the FDA pathway at this point. So I guess more to come on that.

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

More to come on that. Yes, I mean obviously it's a contact lens. Contact lens have been around forever. So there's a lot of basis to be like you can just start selling this. On the flip side, as I was saying, this is a treatment. This offers visual correction but it's also a treatment to reduce the progression of myopia, and it's children so it's a different -- it is -- to be fair, it's a slightly different animal.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

And are you the leaders in this space at this point?

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

Yes. We're the leaders in the space at this point.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Okay. Last moments here. I just wanted to sort of touch on long-term progression of operating margin. You've put out some targets of I want to say 32% in 2023. So again, how do we sort of think about the drivers of that? And I guess if I'm just thinking about the next year, and I know you're not providing guidance, but you have talked about the tax rate going up. So there's going to be -- for next year, I think we've got a bit of a natural headwind in there.

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

Yes. The tax rate alone could -- I mean, if we just go 8.5 to 13.5 as an example, 5 points, that's a lot to hurdle. I mean the core of the business is pretty strong right now. Vision and surgical, frankly, is pretty strong. So from an operating profit perspective or operating margin perspective, we're in pretty good shape to be able to drive profits. Now we're reinvesting a lot of those dollars in a lot of infrastructure build-out. We'll reinvest those dollars into myopia management and education, and advertising work and so forth. I don't want to get into guidance for next year. But we do feel good about the underlying kind of core profitability of the business in total for us.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Right. And just the last point in the question, the outyear margin outlook, is the variability there? I mean if MiSight really takes off and you want to really invest in this, might you walk that back if this were really to be a big opportunity?

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

Yes. Absolutely. We'll be very transparent about that. If we go down that road, right, we'll be very transparent about this is what's going on, this is why we're doing it, these are the dollars we're talking about and so forth. But we could.

Lawrence Soren Keusch - *Raymond James & Associates, Inc., Research Division - MD*

Yes. Okay. Perfect. All right, we are out of time. Thank you very much, Al. Really appreciate it. Thank you.