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EDITED TRANSCRIPT

COO - The Cooper Companies, Inc. at JPMorgan Healthcare Conference

EVENT DATE/TIME: JANUARY 14, 2014 / 10:30PM GMT

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CORPORATE PARTICIPANTS

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PRESENTATION

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Good afternoon. I'm going to introduce myself. I'm Bob Weiss of The Cooper Companies. And before I get started with The Cooper Companies, just one point administratively. The breakout room after this presentation will be in the Yorkshire Room just off to our left out the door, I believe.

The Cooper Companies, it's a New York Stock Exchange company. We've been on the exchange since 1983; over 30 years.

As soon as I figure out how to use all this technology.

First of all, forward-looking statements. I'll let you glance at that.

Cooper is in two healthcare operating businesses. First is CooperVision, which is 80% of our business. And CooperVision is about $1.3 billion. Overall we're $1.6 billion. The Company has 8,000 employees. In CooperVision that's 7,000 of the 8,000 employees.

Contact lenses, soft contact lenses are a $7.4 billion industry. Really, only four players; J&J, which is Vistakon, which has basically 43% of the market; CIBA, which is part of Alcon, part of Novartis, is 25% of the market; Cooper is number three, 19% of the market; and Bausch & Lomb is 9% of the market. That's pretty much 94% of the overall market.

The good thing about contact lenses is they are very recession resistant, so even in the tougher years in 2007, 2008, 2009 we did very well. The market never dipped below 3%. It's been averaging in around 5%, 4% to 6% range. Most recently, the last quarter, 6%.

CooperSurgical is our women's healthcare franchise. It is primarily a US business targeting the obstetrician and gynecologists, not only in the office, but also in the hospital and the outpatient centers. We also expanded into international reach with our acquisition of Origio a little over -- almost two years ago now, and that's in IVF where we're number one in the world in IVF, which is much more a global business. In the case of Origio or IVF, 70% of the business is outside the US compared to 30% here in the United States.

Cooper's put up some pretty good top line numbers. We are a fiscal year company that has its fiscal year ended October 31st, so we've already reported our year-end numbers; $1.6 billion, up 10%, 8% in constant currency, excluding acquisitions. And we reported non-GAAP earnings per share of $5.95. Importantly, we generate a lot of free cash flow. Last year, $239 million of free cash flow.

As you can see, a pretty consistent growth. Top-line compounded annual growth rate of 10%. We reported a fourth quarter in December with revenue up 4% overall, 7% in constant currency, so a 3% currency headwind. And importantly, the continuation of free cash flow, $78 million of free cash flow.

That top line is translated to the bottom line. If we look at our earnings per share growth, non-GAAP, it's compounded at almost 22% and the last three years or the last two years have been at close to 15% with our guidance, the midpoint of our guidance for 2014 being 15% also.

Importantly, a lot of this bottom-line growth came as a result of top-line growth, as well as a large expansion in our gross margin which had moved from around 56% up to 65%; 64% over a six, seven-year period. That allowed us to invest in -- importantly, in operating expenses, which included geographic expansion, as well as salesforce expansion and R&D expansion.

In December we came out with guidance. The midpoint of our guidance for Cooper is 7%, for CooperVision 8% and for women's healthcare, 3%. The CooperVision guidance at 8% importantly reflects the fact that we had sold a business at the end of our fiscal year in Japan that had $25 million in revenue called Aime. It was in a non-core part of the business, the hard contact lenses and lens care products. And adjusting for that we would have -- that and currency, which is a more minor factor on the guidance, would have had 11% midpoint in our guidance.

That 11% is a little bit more robust than Cooper normally would guide. Two factors; one is a rollout of a new product called MyDay which assumes $25 million in revenue and, secondarily, we had a contraction of distributor pipeline in the fourth quarter which took about $4 million out of the fourth quarter of fiscal year 2013. So, the comp is somewhat a little easier.

Our long-term objectives are to continue to gain market share. We've been growing at 1.5 to 2 times the market in contact lenses and we expect to continue to grow and gain market share in the future. Once again, a pretty good market which has been growing at 4% to 6% range. We expect to over the next five years improve our operating margin, which had moved from -- over the last five years from 15% to almost 21%, 20.6% in 2013, and expect to bring it to 25%.

The tailwinds in accomplishing that; there was a number of factors, including drop off of amortization, drop off in certain depreciation of a company we bought 10 years ago called Ocular Sciences, as well as elimination of royalty that we pay on our silicone hydrogel products over the next five years.

Additionally, we've been investing, as I mentioned, quite heavily in operating costs and that we would expect to start leveraging some of that investment activity over the next five years, particularly over the last two or three years post our investment in the MyDay product line.

As a result of that we expect to grow earnings per share faster than our top line, leveraging operating costs, improving operating margins, continuing to pay down debt and reduce interest expense. A good bottom line story.

As I mentioned, we generate a lot of free cash flow. We expect to generate $1.3 billion in free cash flow. I might point out that that is hurdling probably close to $1 billion in CapEx. The soft contact lens industry, and particularly as we migrate into one day, the one-day modality, is fairly capital intense. It's a barrier of entry. And if you're not prepared to step up and pay for high automation equipment then you can't participate. At any rate, that $1.3 billion is net of close to $1 billion of capital.

We will continue to take money that we generate. In terms of priorities of cash, we've been paying down debt. We have bought 2.4 million shares on the open market over the last 2.5 years, so periodically we're in the market. But most importantly, we want to first invest in our business. Geographic expansion will continue. New product rollouts will continue.

And secondarily, the high priority is to acquire and integrate activities that fit our two core businesses. So in women's healthcare, over the last 20 years we acquired more than 30 acquisitions, all small in size, easy tuck-ins. And particularly in a world of Affordable Care Act there are going to be more companies that are one-product companies that don't fit the mold to have a standalone salesforce and they'll be gobbled up over the next 20 years.

CooperVision is number three in contact lenses with a 19% market share. As I mentioned, we have 7,000 employees. We're in over 100 countries, headquartered across the Bay here in Pleasanton. We have three primary manufacturing locations that make 1.6 billion lenses and, of that, only 10 million are made in the United States. So essentially, they're all made in Puerto Rico and in the UK. We are now expanded into Costa Rica where we have a plant under construction that will go into production sometime in 2015. In addition, we have three primary distribution centers; one in the Rochester area of New York, one in South Hampton area of the UK and in Liege in Belgium.

A little profile of the soft contact lens industry. It's -- as I mentioned, it was about $7.4 billion in 2013. We still don't have the year-end numbers, but $7.1 billion in 2012. About 19% of the business is torics for astigmatism, another 5% multifocals for presbyopia, and then the balance are the easier to fit patients, 76% of the revenue dollars are in spheres.

When we look at the growth of the industry, we're targeting around 6% the next five years; slightly better than the last five years. That growth continues to be higher in multifocals, which is a small base but reflects the fact a lot of us are getting to the point where presbyopia has taken its toll. And migrating from soft contact spherical lenses into multifocal lenses is becoming more a norm. So, that's a good growth area.

And then torics, which have been underpenetrated except for the last 15 years. In the 1980s and the 1990s you were told if you had astigmatism you weren't a candidate for contact lenses. So, we're early in the overall market maturity around the world of torics and, therefore, it will grow faster than the rest of the industry. Why is that important? Cooper is number one in the world in torics and multifocals, the higher growth areas of the industry, so that gives us a leg up in that area.

Geographically we expect a fairly good balance, with Europe growing around 6%; Asia growing a little less, 5%; and the Americas, 7%. The reason Asia is a little less, even though China and the greater area, Taiwan, etc., are doing very well, double digit, is Japan is two-thirds of the overall Asian market. It got there quickest. It is a very mature market. It's only growing 2% or 3%. So, that's kind of weighting down the overall growth of Asia-Pac.

The Americas, on the other hand, is growing very well. Even though it's the most mature market in the world it's growing because there's a lot of conversion now of people moving into the one-day modality, which is already prevalent outside the US, which is throw the lenses away every day. In the US we tend to buy two-week lenses and monthly lenses. The two-week lenses we tend to push out to a month. And that's called lack of compliance but that's the way it is done.

There is a big shift now to the one-day wear, both from a health point of view as well as the cost point of view. Important to our industry is a trade up from a two-week lens and a monthly lens to a one-day lens. Generally, it trades up about 400% to 600% more revenue and about 300% to 500% more profit. So, we kind of like that model and the industry all supports it and the practitioners certainly support it.

The drivers of the contact lens market. I've kind of given you some. In the lower right, and this pie is not exactly accurate to scale, half the pie I would say is trading-up activity. It's silicone hydrogel. Think of that as a new generation material. It's now 15 years old, but a fairly new generation material. That's a trade up of 20% to 40%. And then we have single use, which I mentioned is a 400% to 600% trade up.

In addition to that, the other drivers, clearly geographic expansion, the BRIC countries. You hear about that in almost every industry you listen to. Eastern Europe is doing well and then Asia-Pac certainly is doing well.

On the wearer-based side, basically children entering in the market earlier, younger and younger. Presbyopes, which is clearly what happens when you get to 40 or 45 and your arms get too short to read the newspaper. And then better comfort. We have 35 million wearers in the United States and we have 30 million former wearers of contact lenses. So, that's all failures where people have dropped out, partly because of comfort, partly for other reasons, but our job as an industry is keep them in longer. Keep them in until they're in multifocals and hopefully they're liking the multifocal experience.

The incidence of myopia continues to grow throughout the world, more so in areas where you have rural locations migrating into urban locations or children spending more time inside, indoors, than outside. It used to be thought it was mainly the computer. I used to talk about we should align with Microsoft and different companies and make sure everyone had a computer in front of them, but it's more indoor/outdoor. If you spend more time indoors and less time outdoors you have a higher incidence of myopia.

Geographically, the world is not one size fits all. If we look at Asia, upper right, one-day is by far the biggest. That's because in Japan they didn't like lens care regimens, which had thimerosal and mercury in it. And as a result of that, they pushed the market into a one-day modality or you could boil them every day and the lenses didn't boil very well every day. So as a result of that, Japan became one of the biggest markets in the world, mainly because of the revenue per patient driving factor.

On the other hand, in Europe they're kind of balanced. The don't like the idea of a two-week and they basically say if you're going to wear a lens for a month, why don't you call it a monthly, unlike in the United States where they call it a two-week and then you wear it for a month. So, they kind of call it the way they see it, a one-day and a monthly.

In the Americas, if we were to profile that, two years ago we would see one-day at only 11% of the revenue dollars. Today it's 23%; actually, last quarter it was 26%. So, there's a huge shift in the Americas shifting up or trading up at 400% to 600% of the market. And therefore, as a result of that, the global market is now 40% the one-day modality. Outside the US well over 50% of the market is the one-day modality.

Here you can see Cooper's drive on market share going from 15.8% four years ago to over 19% today. And the players I mentioned, J&J, 43%, which is Vistakon; and CIBA, which is part of Alcon now, is 25%; Cooper, 19%; and then B&L at 9%.

Our market share has been doing very well the last five years. We've been growing 1.5 to 2 times the market. And quite frankly, the last two years we've been closer to the 2 than we have the 1.5. There's a lot of good reasons for that. I'll get a little bit into the product line momentarily.

Over the last five years we've introduced and expanded our product lines, driven by Biofinity. Biofinity is a one-month modality, a silicon hydrogel lens. Keep in mind that's the 20% to 40% trade up. It is now a $500 million product in our portfolio and grew more than 20% last year. So, high growth, high gross margin.

And one thing you should think about when you think about gross margins, typically a one-day is about 40% to 50% gross margin, 50s; two-week is 60s; monthly is 70s. And when you think about types of lenses, spheres, easy to fit, will be lower, low 60s. And then your specialty lenses, torics and multifocals up in the 70s.

Our family of products that we've reached both on the monthly modality as well as the two-week modality, which is Avaira, and that's going after the J&J sweet spot, which is they own a lot of the two-week market in the United States with Oasys and Acuvue Advance. They also happen to be the large player in the one-day market with the product line called Moist. Cooper is basically following them around with a broad range of products; quality products.

CooperVision recently reported its revenue up 10% in constant currency. And once again, the drivers of our business is silicone hydrogel and single use. So, our overall silicone hydrogel market was up well north of 20% and our single use one-day was up 19%.

Geographically, I mentioned briefly there was a consolidation of the pipeline in one location, which was the US. You can see in the fourth quarter we only had 2% growth in our US market, which was essentially a consolidation of a distributor and a reduction in the channel inventory. But Europe and Asia-Pac continue to do well; 8% constant currency and 11% constant currency, respectively.

You can also glean from this chart the fact that Asia-Pac is only 22% of our pie when the market is 33%, that we're very much underpenetrated yet in Asia. We look to that as a continued area where we continue to gain market share.

In terms of products, our toric continues to do well, up 8%, the family; multifocals up 19%; and I mentioned silicone hydrogel was up 19% last quarter. And once again, these numbers are in spite of the fact that we had the contraction in the pipeline, so they actually would have been a little -- about $7 million better all up, that would be spread throughout these had it not been for that.

Our women's healthcare market, I mentioned it's 20% of our franchise. One-third of it is IVF, two-thirds of it is really focused in on the US, calling in on the gynecologists.

There is a big shift in the area of women's health in this country following Obamacare or the Affordable Care Act, if you will, and that is more and more, as women come into the profession for gynecology, instead of them setting up their own practices they are moving into group practices and aligning with hospitals and that shift will continue to migrate. So, we expect that there's a good news and bad news to that. The bad news is there's less store-facing, so to speak, of gynecologists. The good news is we're in a great position, having a broad product family with over 600 products to make buying group decisions and deal with hospitals and deal with buying groups.

So, for us it's an opportunity. We have 1,000 employees. We've already paid for the salesforce. We're competing with a lot of little players. We don't have any one head-to-head player that competes with the CooperSurgical group.

We have our operations here, primarily in the US and in Denmark where our IVF Center is located.

As far as revenue, $320 million in 2013. I mentioned our guidance next year midpoint is 3% driven mainly by our continuation of IVF double-digit growth. And once again, this part of the business is very leveragable. It is very US-centric when it comes to profits.

The overall business is an amalgamation of more than 30 acquisitions over the last 20 years. In many of the areas we're number one in the product space. So as a result of that, they're obviously pretty small products and one that your large companies are not going to invest a lot of time trying to come into certain markets, with select exceptions noted. We do expect that with the amount of cash we generate and with the Affordable Care Act that we will certainly seize the opportunity to continue to acquire in the future.

So, in summary, we have two operating businesses that are in high-growth markets with huge barriers of entry and our revenue is exceeding the market. We're gaining share not only in contact lenses, which is a market growing 5% to 6%, but also on women's healthcare where, at least temporarily in the United States, the OB-GYN market is more flat. And we expect that will change somewhat in the future. And more importantly, we expect to be able to reach out beyond the US with our product portfolio and expand CooperSurgical more into a global setting than it has been in the past.

We have been investing in infrastructure, particularly in the CooperVision business in the BRIC countries, geographic expansion and expansion of the salesforce and expansion in R&D. Obviously, our R&D has produced meaningful products that have carried us in gaining market share. And we believe we are positioned to gain our long-term objectives. I mentioned the 25% operating income target for 2018. We think we have a track record.

And with that I'll thank you and I think it's time for the breakout room.

Unidentified Participant

Yorkshire.

Bob Weiss - *The Cooper Companies, Inc. - President & CEO*

Yorkshire.

Unidentified Participant

Yes.
