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EDITED TRANSCRIPT

COO - Q4 2014 Cooper Companies Inc Earnings Call

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OVERVIEW:

Co. reported 4Q14 consolidated revenues of $468m and GAAP EPS of $0.63. Expects FY15 revenues to be $1.90-1.96b and non-GAAP EPS to be $7.30-7.70.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth quarter and full year 2014 The Cooper Companies Incorporated earnings conference call. My name is Tony, and I will be your operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, Miss Kim Duncan, Vice President of Investor Relations. Please proceed.

Kim Duncan - *Cooper Companies Inc - VP of IR*

Good afternoon, and welcome to The Cooper Companies fourth quarter and full year 2014 earnings conference call. I'm Kim Duncan, Vice President of Investor Relations, and joining me on today's call are Bob Weiss, Chief Executive Officer, Greg Matz, Chief Financial Officer, and Al White, Chief Strategy Officer. Before we get started, I'd like to remind you that his conference call contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995, 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 the business section of Cooper's annual report on Form 10-K. These are publicly available and on request from the Company's investor relations department.

Now, before I turn the call over to Bob, let me comment on the agenda for the call. Bob will begin by providing highlights on the quarter, followed by Greg who will then discuss the fourth quarter and full-year financial results. We will keep the formal presentation to roughly 30 minutes, then open up the call for questions. We expect the call to last approximately one hour. We request that anyone asking questions please limit yourself to one question. Should you have any additional questions, please call our investor line at 925-460-3663 or e-mail IR@cooperco.com. As a reminder, this call is being webcast, and a copy of the earnings release and historical Sauflon financial information, including quarterly detail, are available through the investor relation section of the Cooper Companies website. And with that, I'll turn the call over to Bob for his opening remarks.

Bob Weiss - *Cooper Companies Inc - CEO*

Thank you, Kim and good afternoon, everyone. Welcome to our fourth quarter and full-year 2014 conference call. Let me start by saying I'm very proud of our accomplishments this year highlighted by revenue growth of 8% and non-GAAP earnings per share growth of 14%. Fiscal Q4 was a very busy quarter, and we have entered into FY15 with strong momentum. I am pleased to say we remain confident we will be taking market share and driving strong earnings growth in 2015 and well beyond.

Before getting into the details, let me start by providing three key highlights to take away from this call. First, CooperVision posted 9% year-over-year pro forma revenue growth in the fourth quarter. And when I refer to pro forma, I mean adjustment for currency, Sauflon and Aime. CooperVision also took market share in every region of the world, including the Americas. Second, we delivered $108 million of free cash flow this quarter, and we believe our free cash flow in the coming years will be stronger than we envisioned prior to the Sauflon acquisition. This is due to advantages we gained from Sauflon which will lower future CapEx.

Third, our FY15 guidance has been reduced solely due to currency. If we exclude currency, we actually increased earnings per share $0.10 to reflect greater synergies from Sauflon. Our internal forecast for our outer years have also improved due to Sauflon, and we feel more comfortable with our 26% plus operating margin target in 2018, even hurdling the significant impact of currency this year. Having said that, we can't ignore the significant negative impact of currency to our current and future results. I'll discuss foreign exchange and the three takeaways in more detail throughout the conference call.

Moving to the fourth quarter highlights, on a consolidated basis, the fourth quarter revenues grew 14% year over year to $468 million. We posted non-GAAP earnings per share of $1.95 and recorded free cash flow of $108 million. CooperVision revenue grew 18% year over year, or 9% pro forma. CooperSurgical was down 3%. Although CooperSurgical was down, as we discussed last quarter, we are reducing our focus on low margin capital equipment sales within fertility, so results did meet our expectations.

CooperVision revenue and consolidated earnings per share were lower than expected, and this was primarily as a result of three items. First, currency negatively impacted revenues by an incremental $3 million from the time we last gave guidance on September 4 earnings call. Second, we experienced some temporary softness with Sauflon in the US as a result of backorder and logistical problems due to high demand and an inefficient distribution network. This was a double-edged sword as demand was, and is, very strong. But it created a situation where customer service wasn't up to our standards. We made a decision to address this by focusing on existing accounts rather than aggressively calling on new accounts. Ultimately, this meant reducing the roll out of clariti short term.

Meanwhile, we began working quickly to move distribution to our state-of-the-art US distribution center. We still have some work to do, but we are in excellent shape as we enter the new fiscal year, and our plan is to begin a robust roll-out with clariti beginning in January. It's a little bit of guess as to how much this impacted fourth quarter revenues, but it was likely around $4 million.

Thirdly, inventory reductions impacted US distribution channel. I had mentioned this before and I hate to sound like a broken record, but it happened again. We have several distributors in the US and our days on hand at these distributors are now at the lowest they have ever been. I believe this is attributable to the progress we were making on improving our own distribution process, which has given outside distributors more confidence in receiving shipments from us, along with the possibility of some competitors seeing inventory growth in the distribution channel.

To provide comfort, our new fit data remains strong, indicating that we are taking share, and we have contractual obligations with our distributors to maintain certain inventory days on hand levels. Based on this, I feel confident that this is the last time I'll be raising this issue. This item impacted us around $6 million for the quarter. Three items combined to reduce our fourth quarter revenue by roughly $13 million, or roughly $0.13 of earnings per share. In spite of this, I am pleased with our performance as 9% pro forma revenue growth in the quarter was very respectable.

Now, let me get into some additional detail on Sauflon. I believe everyone is aware that the UK Competition in Markets Authority, or CMA, decided to evaluate the acquisition, giving formal notice on September 19th. This was unexpected and resulted in CooperVision temporarily halting all direct and indirect integration activity which could impact the UK. This caused around 2.5 month delay, but I am extremely pleased to say the CMA approved the transaction today and we are back to integrating the businesses.

As a result of the CMA order, non-GAAP operating margins at Sauflon came in lower than we had expected in fiscal Q4 at 13%. Included in the 13% was a large number of operational costs which will be rationalized over the next year. As an example, in the fourth quarter, Sauflon had $5 million of general and administrative expenses. Without CMA order, we would have likely reduced the number in half, saving around $2.5 million. Ultimately removing the $5 million in G&A will increase the operating to 23%, which is clearly heading in the right direction. And that's just G&A.

There are other overlapping operational items which we will be addressing quickly as we proceed with integration. In general, the most important takeaway is that we now believe we will see more synergies than when we initially acquired Sauflon. When we look at Sauflon by region, in the US Sauflon was building significant infrastructure prior to the acquisition. Almost all of it duplicated our operations and thus offered relatively quick synergies. I'm happy to say we have consolidated the majority of their US business into ours. We still have some things to finish such as the distribution network I discussed earlier, but we are in great shape and poised to aggressively market clariti in the US as we enter January. Sauflon's remaining business, which is mostly in Europe, was impacted by the CMA order. But it didn't stop us from completing integration planning or posting solid operating results. We saw a lot of strength in Europe, especially with clariti's daily, and we are looking forward to integrating Sauflon and making them fully part of CooperVision.

Finally on Sauflon, I want to highlight product demand and manufacturing operations as two drivers that make me very optimistic about the future. Demand for clariti is extremely strong, and we see this in many parts of the world. With the decision I discussed earlier to address the US distribution network, we have been able to rebuild inventory and we are in great position to aggressively market clariti in the US beginning in January. Also, we grow more and more excited with what we see from Sauflon on the manufacturing and formulation standpoint. They have been doing a great job ramping up production, and everything is going to plan or ahead of plan.

Remember, their manufacturing the lines costs one-third the price of ours and receive these lines in half the time it takes us, and their lines have better flexibility around shifting production from one product to another. A large reason for this is their material formulation which provides them with the ability to produce silicone hydrogel lenses without alcohol. This is a major step forward, and as we integrate this manufacturing and formulation expertise, it will allow us to add manufacturing lines in a much more efficient manner. This will reduce capital expenditures beginning in late 2015 and afterward. This is also lower our cost per unit, and we anticipate seeing the benefits in the P&L beginning in mid 2016.

These adjustments have already allowed us to evaluate certain product upgrade opportunities and we acted on a Avaira Toric. As you may remember, we had a recall with the Avaira -- the Avaira family back in 2011 which resulted in changing our manufacturing process. This was done successfully, but resulted in higher cost of production, especially for the toric. The acquisition of Sauflon and the advances made in silicone manufacturing will now allow us to implement improvements with Avaira Toric. Upon finalizing this decision, we took certain charges in the fourth quarter, and these charges are part of our non-GAAP adjustment.

For competitive reasons, I don't want to get into too much detail on the changes being made. The decisions will not impact the availability of Avaira Toric, and they will have no impact on Avaira Sphere. We are currently running gross margins on Avaira Toric at less than 50%, and I believe the changes will significantly improve gross margins by late 2016. To conclude on integration activity, should expect to see integration-related activities throughout FY15, but tapering off significantly as we end the fiscal year. This will include normal integration work such as organizational decisions, along with some product rationalization work.

Now, back to CooperVision, our performance for the quarter. On the sales side, we had consolidated revenues of $385 million up 18% year over year and up 9% pro forma. Included in this Sauflon business which had revenues of $50 million, up 50% above the prior year. And this was in spite of the backorder and logistics issues in the US, which I discussed earlier. Excuse me, the 50% was up 20% over the prior year.

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I don't want to get too granular on Sauflon, but demand for daily silicones was very strong, solutions and some non-core products were weaker. This was expected. Overall for CooperVision, our silicone hydrogel family continues to drive our top line with $198 million in revenues. Our silicone hydrogel family is very deep with our monthly Biofinity family leading the way, posting 13% constant currency growth in the fourth quarter. Our two-week family of products, Avaira, also grew very nicely, up 31% in constant currency. It's important to note we are still under index against the market in the two-week and monthly silicone space. Silicones represent approximately 76% of the two-week and monthly space and we are at 67%, so we should continue growing nicely in this part of the market for several years.

Regarding silicone dailies, MyDay had a solid quarter, up 79% in constant currency. We had several strong production months from MyDay, the back half of fiscal 2014 average gross margins(technical difficulty) expectations at 11%. Going forward, our expectation is to continue seeing margin improvements as we bring an additional -- on additional lines and position the lens as a premium offering. We plan to launch MyDay in the US in March to key opinion leaders and then roll it out more aggressively in the back half of the year. We continue to believe there's a great opportunity to split the market with a premium daily silicone hydrogel lens and a mass-market lens. We also believe we have the premiere portfolio to become the market leader in the coming years. As a reminder, with the Sauflon acquisition, we are the only company offering a full daily hydrogel product portfolio, including a premium in a mass market offering of which the mass market portfolio includes a sphere, toric and multifocal.

The toric business remains strong, growing 13%, and torics now represent 29% of CooperVision's revenue. Multifocals grew 26% and now represent 10% of CooperVision's revenue. We continue to lead the global market in specialized categories, and we are taking market share. Regarding Proclear, sales were up 5% in constant currency for the quarter and represent 22% of CooperVision's revenues. This was a pretty solid quarter for Proclear and shows there's still some growth in the non-silicone hydrogel space. Regionally, we were also very strong this quarter, growing solidly throughout the world.

Before I get into the CooperSurgical, let me comment on the overall contact lens market for the calendar year Q3. And remember, this data is listed in the last page of our earnings release. We are presenting this data without including Sauflon as we closed the acquisition in the middle of the third calendar quarter. Obviously, if we did include their results, our performance would look even better. Also, when I discuss market results on doing [so off] manufacturer sales, which are the best metric to determine market share. The market was softer in calendar Q3, growing 2% while CooperVision grew 8% and again, this is without Sauflon. Regionally, the Americas grew 2% with CooperVision posting growth of 7%. In EMEA, or Europe, the market grew 4% and we grew 7% while in Asia Pacific the market grew 2% and we grew 11%.

I couldn't be happier to say we are -- we grew faster in the market in every region of the world. Also if we look at the market modality basis, the single-use market continued to drive growth up 6% while we grew 12%, non-single use lenses were flat for the market and we were up 6%. At a high level, I don't believe this quarter reflects where the market is really growing. If we look at a trailing 12 months, the market grew 5%, we grew 9%. I believe this is a better representation of the market growth and our share gains. We have a fairly healthy market, and I believe we will continue seeing us take share, especially with the addition of the clariti portfolio.

Moving to CooperSurgical, the business declined 3% on an as reported basis, or 3% -- or 1%, rather in constant currency. Fertility was down 5%, or 1% in constant currency, while the office surgical procedures business was down 1%. As we discussed on our last earnings call, we continue to work in -- to work to find the optimal model of sales growth in margin improvement. With respect to our fertility business, this may result in lower revenue growth until we annualize the removal of certain low margin capital equipment sales. We expect this to begin in fiscal Q3 of 2015, so Q1 and Q2 revenues will likely be lower with acceleration in Q3 and Q4. Meanwhile, our office and surgical procedures business continues to deal with the pains of lower OB-GYN office visits in the United States. On the plus side, our CooperSurgical team is very focused on driving operational improvements, and their stand alone non-GAAP operating margin increased from 25% to 28% for the quarter. This was driven by an increase in our non-GAAP gross margins from 64% to 65% and strong expense control.

Now, let me touch a little on guidance and on ongoing strategy. September we provided some early guidance for FY15, and today we are updated -- we have updated it to reflect currency and operational improvements. Currency had a significant impact, negative impact, and Greg is going to walk through these details. Excluding the adjustments for currency, our revenue remained the same and our non-GAAP earnings per share increased by $0.10 on the bottom and top of the range. This increase is driven by comfort, we'll be seeing some synergies in the Sauflon acquisition, more synergies in the Sauflon acquisition than we initially guided to.

For CooperVision, we are forecasting pro forma revenue growth of 8% to 11%, which is higher than the 7% to 10% we guided in September. But it reflects the belief that we have a strong fourth quarter 2015 due to easier comps as a result of the events I discussed earlier, which negatively impacted this year's fourth quarter. I feel confident this should be a strong year with the back half leading the way as we really start rolling out clariti and MyDay in the United States.

For CooperSurgical, we are starting to see a little sunshine on the horizon and we are forecasting 3% to 7% constant currency revenue growth. This should result in non-GAAP earnings per share of $7.30 to $7.70. This earnings per share range is up 16% to 22% from FY14 on a constant currency basis. Regarding free cash flow and CapEx, we believe both to be slightly over $200 million; having said that, I believe we will start seeing a reduction in CapEx in FY16 while operating cash flow continues to grow -- while operating cash flow continues to grow. So, I anticipate a very strong 2016 free cash flow number.

Now, a few comments about strategy. We will continue with our successful strategy, which I frequently articulated in the past. We believe it is solid and it has delivered results. This includes investing in our businesses to continue taking market share including direct investments such as the new manufacturing facility in Costa Rica where we anticipate production beginning in late 2015, our investments in emerging markets such as China and our strategic acquisitions such as Sauflon. We also keenly focused -- we are also keenly focused on improving our non-GAAP operating margins which we see being 26% plus in FY18. And finally, we will buy back shares if it makes sense as we did in the fourth quarter, repurchasing roughly 176,000 shares at an average price of approximately $147.

In summary, before I turn it over to Greg, let me say how happy I am with our businesses. We are making a ton of progress integrating Sauflon and our family of products is extremely strong. Our product margins -- our profit margins are solid, and our free cash flow generation is strong, and we believe it will get a lot stronger in the coming years. We remain keenly focused on delivering improving results, mindful of our desire to invest and leverage prudently, thereby delivering optimized total shareholder value. With that, as I'll remind you that our employees are our number 1 asset, and to them I express my appreciation for their dedication to creating value and delivering results. And now I'll turn it over to Greg to cover financial results.

Greg Matz - *Cooper Companies Inc - CFO*

Thanks, Bob. And I'm battling a little bit of laryngitis, so I apologize for my voice. Good afternoon, everyone. Bob shared with you a pretty thorough review of the market and our revenue picture. As a reminder, we have excluded amortization from the non-GAAP numbers, and any non-GAAP comparisons year over year will reflect this. Let me start with gross margins. Looking at gross margins in Q4, the consolidated GAAP and non-GAAP gross margins were 59.7% and 63.2% respectively compared with 64.1% for GAAP and non-GAAP in the prior year. The main difference between GAAP and non-GAAP is related to inventory and equipment rationalization due to the Sauflon acquisition. When comparing non-GAAP gross margins this quarter to the prior year, we saw an approximate negative 160 basis point impact with FX due to the combined impact of FX on revenue, as well as pound based inventory flushing through the system. In addition, the acquisition of Sauflon had an approximate 100 basis point negative impact. These headwinds were partially offset with product mix led by Biofinity.

Full-year non-GAAP gross margin finished at 64.5 %, just under the 64.7% in 2013. CooperVision on a GAAP and a non-GAAP basis reported gross margin of 58.7% and 62.8% respectively versus 64% for GAAP and non-GAAP in Q4 last year. The difference between GAAP and non-GAAP is related to the Sauflon acquisition. The drop in non-GAAP gross margins I mentioned earlier was due to FX, Sauflon, which had a gross margin just above 54%, partially offset by product mix led by Biofinity. CooperVision's full-year non-GAAP gross margin was 64.5% versus 64.8% for 2013. CooperSurgical had a GAAP and non-GAAP gross margin of 64.4% and 64.9% respectively, which compares to 64 -- I'm sorry, which compares to Q4 '13 of 64.3%.

In the past, we have not really talked about FX impact on CSI as currencies had a relatively minor impact, though we did have a negative 40 basis point FX impact to gross margin this quarter due to the significant lose in the currency. The difference between GAAP and non-GAAP relates to approximately $436,000 of severance cost. For the full year, CooperSurgical's non-GAAP gross margin was 64.6% versus 64.2% in 2013.

Now, looking at operating expenses, SG&A on a GAAP basis, SG&A expenses increased by approximately 32% from Q4 last year to $208 million and were 44% of revenue versus 38% in the prior year. On a non-GAAP basis, SG&A increased approximately 8% to $169.2 million. The difference between GAAP and non-GAAP is about $39 million due largely to acquisition restructuring costs related to the Sauflon acquisition, which is included in our GAAP numbers. SG&A on a non-GAAP basis increased 8% sequentially and actually declined about 5%, excluding Sauflon. You can see the strong expense control management happening in both businesses.

Now, looking at R&D. In Q4, R&D increased by approximately 15% year over year to $18.2 million, or up $2.4 million, of which $1.7 million was related to Sauflon. R&D was 3.9% of revenue, up from 3.8% in Q4 '13 and 3.7% sequentially. In Q4, depreciation was $28.6 million, up $4.5 million, or 19% -- 19% year over year. Amortization was $14 million, up approximately $6.3 million, or 82% year over year for a total of $42.6 million. On a GAAP basis, we expect approximately $7 million of amortization per quarter for the Sauflon acquisition. For the year, depreciation of $102.5 million.

Moving to operating margins, for Q4, consolidated GAAP operating income and margin were $39.4 million and 8.4% of revenue versus $62 million and 15.1% of revenue for GAAP in Q4 last year. Primarily due to the Sauflon acquisition and the related integration inventory and equipment rationalization and restructuring charges which we have already mentioned, we believe it makes sense to focus on non-GAAP.

Our non-GAAP operating income and margin were $108.9 million and 23.3% of revenue versus $90.8 million and 22% of revenue for the prior year. This represents a 20% increase in operating income over the prior year non-GAAP numbers. On a non-GAAP basis for the full year, operating income and margin were $403.9 million and 23.5% of revenue, up approximately 13% in operating income and 100 basis points on the margin. In Q4, CooperVision had GAAP operating income and margin of $33.8 million and 8.8% of revenue versus the prior year Q4 of $54.9 million and 16.8% of revenue for GAAP. On a non-GAAP basis, operating income and margin were $98 million and 25.4% of revenue versus $80.2 million and 24.5% of revenue in Q4 '13. On a non-GAAP basis for the full year, operating income and margin were $370.3 million and 26.6% of revenue, up approximately 13% in operating income and 80 basis points on the margin.

CSI had GAAP operating income and margin of $18.4 million and 22.2% of revenue versus the prior year Q4 of $17.8 million and 21% of revenue for GAAP. Non-GAAP operating income and margin were $22.9 million and 27.8% of revenue versus Q4 '13 of $21.2 million operating income and 25.1% of revenue. Main difference between GAAP and non-GAAP is related to approximately $1.3 million of acquisition and severance cost as well as the $3.3 million worth of amortization. On a non-GAAP basis for the full year, operating income and margin were $84.2 million and 25.9% of revenue, up approximately 12.5% in operating income and 250 basis points on the margin. Interest expense was $3.3 million for the quarter, up 71% year over year, primarily due to the acquisition of Sauflon. Interest expense was $8 million for the year.

In looking at the effective tax rate, in Q4 the GAAP and non-GAAP effective tax rate was 10.4% and 8.7% respectively versus Q4 '13 GAAP effective tax rate of 6.2% and non-GAAP effective tax rate of 11.4%. Again, as we have mentioned before, the effective tax rate continues to be below the US statutory rate as a majority of our income is earned in foreign jurisdictions with lower tax rates. The full-year GAAP and non-GAAP effective tax rates were 8.3% and 9.1% respectively.

In thinking about Sauflon we have been a little delayed due to CMA, but we are finalizing our tax planning and we expect Sauflon to be absorbed into our global trade arrangement sometime in the first calendar quarter. Earnings per share, our Q4 earnings per share on a GAAP and a non-GAAP basis was $0.63 and $1.95 respectively versus $1.15 and $1.60 in a GAAP and a non-GAAP basis in Q4 '13. GAAP EPS includes the impact of acquisition of restructuring-related charges of approximately $56.6 million and includes amortization expense of $14 million. For the full year, our GAAP -- I'm sorry, for the full year, our EPS on a GAAP and non-GAAP basis was $5.51 and $7.29 respectively. Non-GAAP EPS was up approximately 14% for the year.

We will mention during Q4 we repurchased approximately 176,000 shares at an average share value of around $147 per share, for a total cost of $25.8 million. This leaves approximately $186 million available for future share repurchases under the current approved plan. FX. Regarding foreign exchange, we are using rates as of December 3, or last night. For our main currencies, we are using 1.23 for the euro, 120 for yen, 1.57 for the pound. The net impact year over year for Q4 was an unfavorable impact of $0.22, which is $0.05 more than we guided to on our last earnings call. This earnings per share deterioration is primarily related to the yen and the euro, but also a significant number of other currencies which also weakened against the dollar. This brings the negative FX impact to $0.36 on EPS in FY14.

If we look at currency from the date of our last earnings call when we first provided FY15 guidance, currency rates have moved significantly against us, down over 8% on a weighted average basis. The yen led the way, down over 14% and the 84 euro down over 6%. This has had a significantly negative impact on our revenues in EPS. From an incremental standpoint from our September guidance, revenues have been reduced $100 million and EPS $1. Note the revenue calculation is based on roughly 60% of our revenues being outside the US. The EPS impact is calculated off of the revenue impact, offset by offshore costs, including manufacturing and operating expenses. If we look at currency from a year-over-year perspective, we expect FX to negatively impact our FY15 earnings per share by $1.19. This is a very significant impact, and it's driven by an overall decline in currencies of 10% on a weighted average year-over-year basis. This is primarily the result of the weakening of the yen, which has moved against us by 16% year over year and the euro which has moved against us been 10% year over year.

One of the most frustrating things about currency has been the locations of the moves. When we look at a location like Japan where we have relatively low operating expenses, roughly 72% of the currency move falls through to OI, our operating income. In Europe it's slightly better, it's 60% as we have more infrastructure. We do have a natural offset from the pound, given our UK manufacturing. But unfortunately, it only moved 5%, and there's a lag roughly five months which has delayed the upside on cost of goods sold into the back half of FY15. Additionally, due to a high pound five months ago, it's actually negatively impacting cost of goods at the start of this fiscal year.

Rolling all this together, as you can tell, we are expecting the impact of EPS to be equivalent to roughly $0.12 for each 1% move in currency; that's definitely at the high end of how much currency could impact us. But unfortunately, this is almost a perfect storm with very strong moves in currencies where we have little offset and a relatively small move in the pound. In general, as a rule of thumb, if you assume 1% move in all currencies, the impact will be 8 -- between $0.08 and $0.12. The $0.12 comes from the situation we're in, and the $0.08 would occur if the moves were more heavily weighted in currencies such as the pound and the euro. And remember, our revenues outside the US have increased significantly over the past several years with the acquisitions of Sauflon and Origio, combined with strong growth in our core businesses.

Regarding timing on FY15, I don't want to get too granular as there are a number of variables which influence the impact of currency on EPS such as future sales. But assuming rates stay the same, the FX impact will clearly be greatest in Q1, relatively high in Q2. It will then start to taper off in Q3 as lower pound inventory starts to have a positive impact. Q4 will have the lowest impact.

Moving away from FX and to balance sheet and liquidity, in Q4 we had cash provided by operations of $152.1 million, capital expenditures at $60.1 million and excluding acquisition-related costs of $16 million resulting in $108 million of free cash flow. Free cash flow for the year was $236 million versus $239 million in 2013.

Total debt increase within the quarter by $1.34 billion o $1.382 billion. Inventories increased approximately $28 million to $381.5 million from the last quarter. This increase is largely due to adding Sauflon, offset by some inventory rationalization due to the acquisition. For the quarter we are seeing months on hand at 6.1 months on a GAAP basis and 6.6 months on hand excluding inventory rationalization, down from months on hand at 6.9 months last year and down from 7 months on hand last quarter. Days sales outstanding is at 53 days and is consistent with the prior quarter and last year.

Now, turning to guidance. In order to provide a little more color for your models, let me share some additional specifics in our non-GAAP guidance. But before getting into the details, remember the significant impact of currency I discussed earlier. Not only has currency impacted revenues and EPS, but it's obviously also affected the rest of the P&L, including margin percentages. The revenue range for the Company is $1.9 billion to $1.96 billion, CVI's revenue range is $1.575 billion to $1.62 billion. CSI's revenue range is $325 million to $340 million, and we expect non-GAAP gross margin to be around 63% for the year. The margin should be lower in the first half of the year due to higher pound-based inventory rolling through the P&L, and then it should improve in Q3 and more in Q4.

OpEx is expected to be around 40%, operating margin is expected to be around 23%. Interest expense is expected to be around $18 million. Our effective tax rate is expected to be in the range of 9% to 11%, and this includes the transfer of Sauflon's IP. Our non-GAAP EPS is expected to be in the range of $7.30 to $7.70 off of a $50 million share count. Finally, we expect both capital expenditures and free cash flow for the year to be north of $200 million.

From a timing perspective, as you can tell from my previous comments on currency, we expect a challenge beginning to the fiscal year. At this point, I believe our Q1 and Q2 non-GAAP EPS of FY15 will likely be below Q1 and Q2 2014, with Q1 being a bigger challenge. However, I want to stress that we are making a lot of progress operationally, and things are moving ahead well, and in many cases, better than we had laid out in our prior discussions. If it wasn't for the currency, we would be guiding to extremely strong as-reported numbers; but currency hides the fact we are guiding to a midpoint of 9% pro forma constant currency growth for the year, including an 8% to 11% pro forma constant currency range in CooperVision and strong non-GAAP EPS growth of 16% to 22% in constant currency. With that, let me turn it back to Kim for the Q&A session.

Kim Duncan - *Cooper Companies Inc - VP of IR*

Operator, we're ready to take some questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Your first question comes from the line of Mr. Matthew O'Brien of William Blair. Please proceed.

Matthew O'Brien - *William Blair & Company - Analyst*

Great. Thanks for taking the questions. I was hoping we could start with the currency the commentary. Greg, not to make you speak any more than you need to tonight with your voice, but I just want to make sure that we flush this out a little bit.

As you mentioned, and just doing some simple math, I think what you're saying is the 60% of revenue being OUS, your Japanese-related revenue specifically I think is $250 million-ish, roughly, and so that's coming down by about 14%. And then the other piece of the business, or about $1 billion of sales, is coming down about 6%-ish related to currency, so that together gets you to around $100 million of the revenue reduction. Is that the right way of thinking about it?

Greg Matz - *Cooper Companies Inc - CFO*

Yes, Matt, I think that's the right process and that does get you close to it.

Matthew O'Brien - *William Blair & Company - Analyst*

Okay.

Greg Matz - *Cooper Companies Inc - CFO*

Again, one of the things I mentioned too is, it really does impact where the currency is declining. We have given percentages in the past, we said a 1% decline. If you look at how currency has reacted over the last couple of months, it hasn't been a 1% decline and it hasn't been even across all currencies. And so you have seen, as an example, the yen taking a bigger hit, and that has a bigger hit than average than if it was a euro decline. And you even saw the Russian ruble down 53%, you've got currencies that really did a free fall against the dollar.

Matthew O'Brien - *William Blair & Company - Analyst*

That makes sense. And then if I may with a quick follow-up on the market. I know you're optimistic going forward, but last couple quarters it's been fairly soft. With the UPP coming in and some potential for some pricing pressures from your bigger competitors, just what gives you the confidence that the market is going to remain healthy and grow 5% plus-ish? And then, how do you think about your pro forma CVI growth if the market continues to be somewhat weak?

Bob Weiss - *Cooper Companies Inc - CEO*

I think looking at the last 12 months, as I said, one quarter does not a trend make. The 2% was certainly soft. We had a very robust first quarter last year. When you put it all together trailing 12 months, 5% I think is pretty indicative. Keep in mind that the drivers are -- a lot of them are still in place, a continuation of the one-day modality in the US being very robust. I do believe the market has good legs to it, and that's certainly been borne out the last four, five years, and I think that will continue.

Relative to Cooper, while we have been gaining share in all regions, keep in mind probably the -- our strong suit has been Europe where both clariti and MyDay are represented. In the US, for all practical purposes, we have only just begun. We are in the first inning, if you will. There was somewhat of a scrambled egg we had to work with because of the weak distribution system in the first quarter -- the fourth quarter, so that's not indicative of where clariti in the US should end up. We are very optimistic about clariti's rollout in January in the US. I am proud to say that we have dealt with the distribution channels and we are now shipping out of but one warehouse in the US. So, we like to say one invoice, one shipment instead of two different distribution centers and two different invoices. I think we will start seeing some momentum build, particularly in the United States, with that product family.

Matthew O'Brien - *William Blair & Company - Analyst*

Got it. Thank you.

Operator

Your next question comes from the line of Mr. Chris Pasquale. Please proceed.

Chris Pasquale - *JPMorgan - Analyst*

Bob, can you just update your thoughts on daily silicone hydrogel sales in FY15? I know you've had moving pieces here with clariti. How are you thinking about the combination of clariti and MyDay in the coming year?

Bob Weiss - *Cooper Companies Inc - CEO*

We will clearly thinking about it from a combined point of view as opposed to each individually, so, one influences the other. And we are obviously in the US putting a lot more muscle behind clariti and waiting until we have a more robust production support for MyDay. But also, and most importantly, even if we had plenty of MyDay, we would not attempt to do both -- one single-use product rolled out in the US concurrently. MyDay is going to continue to work Europe, clariti is reaching from Europe where it's done extremely well into the US. We have the capacity, we now have the distribution system. When I look at single use one day, we are still gearing towards 175 million in total for the combined silicone hydrogel one day portfolio.

Chris Pasquale - *JPMorgan - Analyst*

Okay. And then it seems like the solutions business has gotten tougher recently for some of your peers. Can you comment on how that piece of Sauflon performed year over year and whether some of the weakness there changes the outlook for that piece of the business going forward?

Bob Weiss - *Cooper Companies Inc - CEO*

Solutions has been pretty much a flat market since the late '90s, so there's been no growth in the last 17 years, no reason to think there will be growth. We are not naive to that fact and particularly as contact lenses move from planned replacement into the one day modality, there's even further pressure on that. Having said that, what Sauflon did very nicely is package a nice portfolio of products leveraging some large retailers that, among other things, get into direct to consumer shipments combination lenses and lens care for those that are not on the daily regimen. And they are still -- keep in mind, the majority of wearers are not on the daily regimen. Off of a small base, we think there's something there to look at. We have yet to determine how much muscle we will put behind it.

So, think of 2015 as doing our historic, homework but don't expect that we are going to rush to any rash decision in terms of minimizing that business. To your question, how did it do, it held its own. It was a flattish business in the quarter.

Chris Pasquale - *JPMorgan - Analyst*

That's helpful. Thanks.

Operator

Mr. Larry Biegelson of Wells Fargo. Please proceed.

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

Hi, guys, thanks for taking the question. Hopefully you can hear me okay. You hear me okay? Good. The 1% FX change and 12% EPS, but the $100 million reduction in the top line EPS 6% year over year changed, and that equates to $0.15. It's -- so it's a $0.90 reduction, it's a 1% is over $0.15 based on the change, if you're following my math. $100 million, negative 6% year over year, hit 90 -- so I'm trying to understand --

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Greg Matz - *Cooper Companies Inc - CFO*

Larry? Larry?

Larry Keusch - *Raymond James & Associates, Inc. - Analyst*

Yes?

Greg Matz - *Cooper Companies Inc - CFO*

Sorry, Larry if I can jump in, it's Greg.

Larry Keusch - *Raymond James & Associates, Inc. - Analyst*

Sure.

Greg Matz - *Cooper Companies Inc - CFO*

We had a 10% move year over year in currencies.

Larry Keusch - *Raymond James & Associates, Inc. - Analyst*

Okay, I'll go back and look at that. But the $100 million change is 6% versus what you reported in FY14, so that 6 -- the $0.90 divided by 6 gives you 15% for each 1% change.

Bob Weiss - *Cooper Companies Inc - CEO*

Larry? Just on that point, the 10% devaluation year over year, in other words, using last year's exchange rates, this year would have been 10% higher, the $100 million higher. That 10% is, of course, the foreign exchange piece. And if you then say 60% of our business is outside the US, that's 6% on the overall number. I think maybe we are saying the same thing. 60 equals the 6. The 10 equals 6, or what?

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

Okay, we can take it offline because I'm not sure I can do the math on the fly, but I'm not quite following. But that's okay. We can take it offline later. And then just one other question, Bob, the change issues in the US, it seems like that will continue into the fourth quarter. How do you guys see that impacting you guys? Is that an opportunity? Is that an opportunity for you guys? Thanks.

Bob Weiss - *Cooper Companies Inc - CEO*

Well, J&J has been one of the generous people in the marketplace the last couple of years and obviously, they have gotten pretty aggressive on UPP. I think someone asked the question on UPP before, we still think that's somewhat fattish. Although we are, in the case of clariti, going along with a decision that Sauflon made to use UPP in the US. Certainly J&J has leveraged the UPP concept somewhat to their benefit on one side of the aisle but very much to their detriment on the other side if we compare the independent to the retailer. So, they certainly have alienated the retailer.

We are still of the opinion that it's somewhat novel, but is not a long-term strategy, meaning UPP is not the way the market should go. We will let that play out. J&J is -- of course, as we look at it the next two years, they have in the one day modality where the market is shifting to two weeks, their sweet spot, they own, for all practical purposes, ex-Avaira, they own the two-week market in the US. That is shifting somewhat into the one day -- into the monthly modality, but very much into the one day modality where J&J still gets a fair amount of business, but they are also losing a fair amount of business. So, that's where the real game gets played is what goes on in the one day modality in the US. We like our chances with Proclear one day, clariti and then down the road, MyDay in that space.

J&J has moist, which is not bad as a non-silicone hydrogel. And we think that when someone has a choice, the eye care professional, when we look at planned replacement, 75% of the revenue dollars are in the silicone hydrogel modality. The only reason that does not also apply in the one day modality, which is now more like 16%, 15%, 16% silicone hydrogel, the only reason it's not bigger is price point. And that's where TruEyes and Total1 are on the high end of the price point. The premium price point, and that is not the average consumer and therefore, we think that's where a lot of fair game is for our product portfolio.

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

Thanks for taking the questions.

Operator

Mr. Matthew Mishan of KeyBanc. Please proceed.

Matthew Mishan - *KeyBanc Capital Markets - Analyst*

Great. Thank you for taking my questions. Can you talk a little bit about the synergies you're -- the added synergies you are expecting to receive? I was a little surprised by that because of the delay and the integration with Sauflon in the UK.

Bob Weiss - *Cooper Companies Inc - CEO*

There was no doubt the 2.5 month delay cost us, and that's why we ended up with the 13% OI for Sauflon. And a lot of people were on planes ready to hit the go button in September when all that hit. So, yes, we lost some timing. And relative to where we are going on the $0.10 pickup, that really is reflected from the fact there have been a number of things, both on their cost structure on the manufacturing side primarily, that is driving us to be a lot more bullish. And we will make pretty good inroads into catching up on the synergy side and basically have identified more synergies than we initially thought, which led to the $0.10 pickup.

Matthew Mishan - *KeyBanc Capital Markets - Analyst*

Okay, and just a follow-up. I think you said that you expect about $200 million in daily silicone hydrogel sales for 2015. Is that still ballpark? Maybe $75 million MyDay, $125 million for Sauflon?

Bob Weiss - *Cooper Companies Inc - CEO*

I quoted last quarter and again today $175 million, so in total. We have not done the split out because as I indicated, we are going to be pushing clariti, particularly in the US, a lot harder than MyDay and reserving MyDay mainly for the continuation of the European rollout, only because we don't want -- for two reasons. One, we have the capacity with clariti and so why not put the muscle behind it. And two is, we don't want to try rolling out two silicone hydrogels at once in the US.

Operator

Mr. Larry Keusch of Raymond James.

Larry Keusch - *Raymond James & Associates, Inc. - Analyst*

Hi. Good afternoon. Bob, for those of us that lived through the integration of Ocular, I recognize that Sauflon obviously is smaller, less complex, less distribution centers, less manufacturing sites, et cetera. But help us really understand the confidence that you have that the time that you took this quarter to deal with some of these service disruption issues are truly behind you so that when you get going in January you've got a clean slate in front of you and we are not going to hear about it on the next quarter's report.

Bob Weiss - *Cooper Companies Inc - CEO*

Sure, Larry. Fair question. And with Ocular, for those that don't know, it was pretty much a $400 million company buying a $330 million company. So, for all practical purposes, two companies about the same size with very diverse information systems, different locations on distribution, one on the East Coast, one on the West Coast. Since we are just starting the rollout, and the reason we kind of stopped it before it went too far in the last quarter was it was coming out of separate distribution systems that was in a startup mode knowing it was going to be in a shutdown mode, which is very difficult to ramp up and ramp down. And we also wanted to get it right from the point of view of the consumer so what we did, recognizing that, is service only existing accounts without trying to roll out and create new demand that then couldn't be met by the distribution center.

Effective December 1, all inventory of contact lenses is shipped out of West Henrietta already and it's interrogated into our system. It's a simple product line called basically clariti 1 day, not a complicated one like Ocular had. All the private labels may have had 20 or 30 different private labels and a lot of complexity to it. It was as complicated as Cooper in some respects because of the private label, modality not toric, modality, if you will. But, no, we feel highly confident that our systems are ready and in the interim, we have been able to beef up the preparation of fitting sets that are rolling out to the field. So, there will be a fair amount of muscle behind the product on all fronts, the sitting sets, the marketing emphasis in January, as well as what's behind the scenes in the back office.

Operator

Miss Joanne Wuensch of BMO Capital Markets. Please proceed.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Can you hear me okay?

Bob Weiss - *Cooper Companies Inc - CEO*

I can.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Terrific. Thank you so much. There was three explanations that you gave, one was temporary softness with Sauflon, the second one was inventory reductions. Can you remind me what the third one was? In total, it hit $13 million or $0.13 a share.

Bob Weiss - *Cooper Companies Inc - CEO*

Yes, it was foreign exchange impact on the fourth quarter, $3 million top line, if you will.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Okay, so the inventory reduction issue, we've been hearing this now a couple of times, you said, and I think I'm quoting here, you feel confident that this is the last time we will be raising this issue. Is it possible that just the purchasing patterns of the euro end users, your vendors, has changed permanently and therefore, you're going to be coming up against odd quarters for some time?

Bob Weiss - *Cooper Companies Inc - CEO*

I think it has changed permanently. And if I kind of look at it from a three year point of view, three years ago we were down 20%, last year we were down 16%, this year we are down 17% of days of inventory on hand. There are minimums that the distributors are allowed to have. They are at those minimums now. So, they cannot contractually go below on any extended basis.

I think we are pretty efficient, and I've mentioned a couple of times in the past that as an example, we ship a lot of the custom-made torics and the odd torics, the onesies and twoies, on behalf of the distributors so they don't have to stock it. That led to a much more efficient requirement on the distributor in terms of what they had to carry. In other words, they're carrying the high turnover SKUs and not the slow, complex SKUs like many of the torics are. The entire distribution channel is a lot more efficient in total, and I don't expect that to revert back the other way. We've got down to the floor. It took three years, and I would have said a year ago when we had already gotten down, basically down 20%, down 16%, in aggregate down 30%, that would have been far enough. The reason I'm confident now is that floor, the contractual floor. If they go below where they are now, then that runs the risk of back orders and servicing the customer, and that's where we push back, if you will.

Joanne Wuensch - *BMO Capital Markets - Analyst*

My second question has to do with manufacturing. Back in the spring, there was a warning letter in Puerto Rico, I believe. I'm curious where that is in the process of a resolution. And also, now that you've owned Sauflon a little bit longer, is the current thinking still to keep all of the individual manufacturing sites, or are you starting to shift towards thinking about how to consolidate some of that? Thank you.

Bob Weiss - *Cooper Companies Inc - CEO*

The first question on the warning letter which came out of Puerto Rico was issued early this fiscal year or early in the calendar year, I should say, and that has been removed. It has not yet been posted on the FDA site but basically, back in October, the FDA cleared the warning letter, so happy to say that. Relative to consolidation, we have basically robust site locations in Puerto Rico where we make over 1 billion lenses, well over 1 billion lenses, and in the UK. There will be, certainly the UK is a campus in greater Southhampton area. So, that will be one site where, from a fiscal plant location point of view, we will still look at it. Hungary is in a ramp-up mode, and that will continue in a ramp-up mode with clariti. And Costa Rica is of course our low cost -- Hungary and Costa Rica are our low cost labor centers, and so we would expect to continue to ramp up and expand into Costa Rica. In the one day modality, you talk about making a lot of lenses, so I don't see a huge amount of consolidation shutdown opportunity. We are certainly not going to exit either Southhampton or Hungary or Puerto Rico making 1 billion lenses.

Operator

Mr. Jeff Johnson of Robert Baird. Please proceed.

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

Thank you. Good evening, guys. Greg, let me ask one more currency question. And as you go through the explanation, it all seems to make sense, at least as much as it can to a simpleton like myself. But if you look at FY13 and FY14, you didn't have nearly as much of an EPS impact. '13 you had some euro help offsetting a real big yen move, so I guess that makes sense. But in '14, it looks like to me the euro was down 7% year over year, the yen down about 10% year over year, and yet the EPS impact was only $0.36. Again, I hear all your speculations for '15, but why a factor of 3X bigger in '15 over '14 when the moves in '14 actually were pretty sizable themselves?

Greg Matz - *Cooper Companies Inc - CFO*

Yes, Jeff, I would have to go back and look at the detail, but one of the things to keep in mind is if you go back to -- when I started with the Company in 2010, we were 50% US, 50% international. And we've steadily grown and each year we have grown that number. So, from that perspective, we have had a bigger and bigger hit each year. Also, the dramatic moves, it's not been a 1% move. And in the prior years, and again, I'd have to go back and look at '13 to '14 because I don't have that with me in the room. But the yen, again, was moving, but the yen is at 120, almost a free fall, so, that has been pretty dramatic in having an impact on where we are going. And again, not every rate is different. The other thing is, it's all currencies are going against the US dollar.

I'm not sure there's any one that's not, and that's a little different in the past where you've had regional moves. And you're right, a couple years ago you had -- three years ago was the euro that hit us, then it was -- last year it was the yen and the euro went the other way offsetting. And the pound, the pound has been fluctuating between 169 and 155 for, I don't know, five years or whatever. And this year was a little different, everybody went against us, and you really saw that beginning the latter part of Q3. I'd have to go back and look specifically, Jeff, but again, we have spent some time modeling this and looking at it, and it's definitely a painful fact. But the fact that the cost or the impact per 1% has gone up is the fact that our reach has gone up and our growth outside the US has gone up.

Bob Weiss - *Cooper Companies Inc - CEO*

Yes, Jeff, I do have the cheat sheet a little on some of that. Just the euro, actually, as Greg alluded to, took a hit back in 2012,but actually gained slightly in 2013. And by that I mean it went from 129 to 132, and then it went to -- from 132 to 135 in 2014. So, actually from a full year point of view, it's a net marginally up. It is the yen that in 2013 took the big hit, 19% down from 79 to 94, and then this year it's gone from 94 to 103, down another 9. And now, of course, ever since September 4, it's just fallen off the cliff. So, in aggregate, the yen is now devalued 56% since its high point of 77 back in 2012. The combination of not only the yen, but also the euro. And then, of course the dollar, the pound joining it, but on a six month lag base and actually working against us, as Greg indicated. In the first six months of 2015, it works -- the pound goes the wrong way even and then it starts going favorable as becoming a part hedge. That, combined with the fact that our business has migrated from 50% outside the US to over 60% outside the US, is a big factor in what used to be $0.06 is now $0.10 with a range of $0.08 to $0.12, depending are where the pound is moving in that pendulum.

Operator

Mr. Anthony Petrone of Jefferies. Please proceed.

Anthony Petrone - *Jefferies & Co. - Analyst*

Thanks for taking my questions. I guess just to stay on the topic of FX there, Bob, and just to round out that conversation would be, can you just give us a sense, again, of the Sauflon UK revenues and their exposure to the pound and just how that's moving through the first half and how that plays into the equation as well.

Bob Weiss - *Cooper Companies Inc - CEO*

Yes, Sauflon, if you will, is essentially 90% plus an outside the US business with a lot of currency in euros, some currency and some expenses in pounds. And then of course Hungary, the plant in Hungary. And I know we have that as a dollar functional currency, but for all practical purposes, it's moving more in tandem with Europe or not in tandem with the dollar, if you will. Sauflon is part of the reason that we have moved up north of the 60% balance of US, non-US. From a manufacturing point of view, there's somewhat the natural hedge of Hungary that comes into play, just like the natural hedge of the UK plant. But in terms of the revenue side, that is where we are right now, 90% outside the US.

Operator

Mr. Steve Willoughby of Cleveland Research. Please proceed.

Rob Cottrell - *Cleveland Research Company - Analyst*

Hi, this is actually Rob Cottrell on for Steve tonight. Just a quick question for you, Bob. I know you said CapEx would start to drop in 2016. Can you give any more color on what that might look like and then what operating cash flow might look like, given the incremental revenue from earnings in Sauflon?

Bob Weiss - *Cooper Companies Inc - CEO*

Sure. We guided to where my comments are, we expect north of $20 million -- $200 million in free cash flow next year. This year we had, of course, $235 million, I think it was, or $236 million. So, our expectation is that towards the end of 2015, as we go through the integration activity and rationalization and recognizing that Sauflon is where our future capital requirements for growth are really going to be, the fact that they spend one-third what we spend for the same production volume, if you will, makes it an attractive model. There are certain types of equipment in the

CooperVision pre-Sauflon aisle, if you will, that were very expensive. And rest assured, we expect to be buying a lot less $30 million pieces of equipment as has been done in the past going forward. That mix, particularly as we rationalize some of what's going on with the manufacturing technologies and which products are made on which platforms, we are highly optimistic that by the end of 2015 and moving into 2016, capital requirements will drop substantially.

If for no other reason the fact that they spend one-third as much for the same volume as we had been spending with the clariti side. As far as free cash flow post 2015, other than to say you're going to have two drivers, one is improved operating results from the integration activity being substantially complete by the end of 2015, number one, and number 2, the reduced CapEx should lead to very attractive improvements both on the P&L and on free cash flow in 2016.

Operator

Mr. Jon Block of Stifel. Please proceed.

Jon Block - *Stifel Nicolaus & Company - Analyst*

Great, thanks. Good afternoon. Maybe two quick ones. The first one just, Bob, can you talk about how you're doing in Europe where you have both [sigh high] daily lenses, MyDay and clariti, how do you view your market share of new fits? And then the second one would be, we keeping on hearing from our checks and from you guys, all these great things about dailies; but if you look at the growth, even on a trailing 12 month basis, dailies has gone from 12% to 10% to now 9%. Can you talk to us about what you're seeing from a unit versus price standpoint within dailies? Thanks.

Bob Weiss - *Cooper Companies Inc - CEO*

Yes. As far as how we are doing in Europe, if you look at our three regions, the one that really is stellar in pro forma constant currency, in other words what we did is adjust it as if we owned Sauflon in the prior year, that was up 13% compared -- in constant currency compared to the US 5 and Asia Pac 7. That's where we have clariti in MyDay both in the marketplace, and they are basically doing stellar there.

If you will look at it from the point of view of how are our products doing in the single-use modality, you're correct that from a CLI perspective, the market of one day while last quarter was only 6%. But as I indicated, I don't think one quarter does the trend make and if I look at it from a 12 month point of view, it was 9%. Maybe that was the 9% you were quoting. We, on the other hand, put up 11% constant currency growth, once again pro forum constant currency growth, this last quarter. So, pretty robust there, and that reflects the driver being, among other things, clariti in the one day modality and MyDay to a much lesser extent yet. And for the last 12 months, trailing 12 months, we were at 16%, likewise very robust.

I think part of that 11% we had this last quarter was the fact that as far as deceleration Sauflon was what was going on in the US where we didn't really have MyDay into the US market. And quite frankly, clariti did next to nothing because of some of the things I explained regarding the disruption and our decision to pretty much stop new emphasis and opening new accounts and only serviced the existing accounts until January. It will start showing up post the calendar year end, and we look forward to good things, really, after the first quarter starting that process.

As far as pricing, you know, I would say overall pricing in that modality is on net up, meaning you have the trading up phenomena as we, particularly Total1,which is off the chart trading up. So, you have APRs migrating up for a variety of reasons, silicone hydrogel within the one day modality space. And I don't see any change in that, in other words, as we go from conventional hydrogel lenses to silicone hydrogel lenses, that is a tradeup activity that will continue.

Operator

Ladies and gentlemen, we will now hear from Mr. Bob Weiss for closing remarks, and thank you for your participation in the question-and-answer session.

Bob Weiss - *Cooper Companies Inc - CEO*

I want to thank everyone for joining us today. I wish we had a better story on foreign exchange, so if there's anyone on the line that knows how to weaken the dollar, please send your suggestions to Washington, D.C. or someplace. And I know we are not the only company that is dealing with foreign exchange, trust me, but it is kind of painful. We think hopefully you'll look beyond foreign exchange to what's really going on in the Company.

We are extremely jazzed about that, and I must admit, just getting that official notice this morning that the CMA cleared us to go forward was just a nice thing to have going forward because then the walls come down and we can hit the go button throughout the world relative to Sauflon. So, I'm jazzed about that, and we look forward to updating you on our next quarterly call which will be March 5, 2015 on the progress we are making. Look forward to it. Thank you.

Operator

Ladies and gentlemen, thank you. That concludes today's presentation. You may now disconnect and everyone have a great day.