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PRESENTATION

Steve Lichtman - *Oppenheimer - Analyst*

My name is Steve Lichtman, Medical Device Analyst here at Oppenheimer. Very happy to have with us up next The Cooper Companies. With us today is Greg Matz, Chief Financial Officer, also Kim Duncan, Vice President of Investor Relations. Greg will go through a presentation here in the room, and then we'll have a little bit of time for Q&A here in the room. So I'll turn it over to Greg.

Greg Matz - *The Cooper Companies, Inc. - CFO*

Steve, thank you. Okay, good morning. Thank you all for taking time to hear the Cooper story this morning. First off, this is a reading chart, and we have lenses in the hallway. But for those people who are on the recorded session, we have our forward-looking slide up. I will be talking about forward-looking statements. And by their nature, there is risk with forward-looking statements. Also encourage you to look up our Securities and Exchange Commission filings on Form 10-K and 10-Q. And I will be talking about non-GAAP. So in non-GAAP, please feel free to visit our investor website for the reconciliation of GAAP to non-GAAP.

Cooper Companies -- so Cooper Companies, we have two major businesses. We're a global medical device company. The first business is our contact lens business. It makes up about 83% of the total based on 2015 revenues. It's about $1.5 billion.

We compete in a business we call recession-resistant. So from a -- our key competitors are J&J, with about 39% market share. We've got Alcon, about 26% market share, ourselves with about 22% market share, and then Bausch & Lomb with about 9% market share. So you are looking at a global market of about $7 billion.

On the other side of the house is CooperSurgical, and that business is about a $300 million business. That business is focused on OB/GYN, women's healthcare, also IVF. So from the women's healthcare perspective, we help the OB/GYN in the hospital, the surgery center, and in the office. On the in vitro fertilization front, we have both media, capital equipment, and also recently genetic testing. So we just purchased Reprogenetics in Q4. That provides genetic testing, so it's strengthening the IVF family.

The thing about the CooperSurgical business is I think we have a unique value proposition in the fact that we have -- we've done over 30 acquisitions since 1990. We have over 600 products. And as the health industry starts to change and you start to get consolidation and procurement managers and central buying groups, we really bring a portfolio of products that are pretty unique.

Looking at our annual sales, we had our earnings call last Thursday night, so this information is pretty fresh. For 2015, our sales, $1.8 billion, up 5%, up 5% on a pro forma basis. When I talk about pro forma, that includes the effects of currency and also any acquisition. So for Q4, we have Reprogenetics in both years as if we'd owned them. For the full year, we have Reprogenetics in Sauflon. So Reprogenetics Q4 to Q4 Sauflon for the full year.

For the full year, non-GAAP earnings per share, about $7.44. That's up 2% year over year on an as-reported basis, but it's up 26% on a constant-currency basis.

When we look at Q4, non-GAAP, $2 per share; up about 3% on an as-reported basis, up 18% on a constant-currency basis. I'm going to talk about constant currency throughout this presentation because it was the one big thing that had a major impact during the course of the year.

Currency from a revenue perspective, we were hit by about $153 million in revenue loss due to FX, $1.76 on an earnings-per-share basis for the full year. So currency had a major impact.

Looking at earnings growth, again, you can see the constant growth in earnings per share, this driven over the long term by several factors. First factor is growing revenue growth beyond the competition. If you look at CooperVision as an example, growing 1.7 to over 2 times the market. If you look at gross margin improvement, since 2008 to 2013, we saw good, steady gross margin improvement. 2014 it kind of flattened out. 2015, slightly down, and per our guidance, 2016 probably slightly up.

So what you are seeing on gross margins, just to kind of touch on that for a second, is our gross margins, we've done a lot of improvements on the gross margin field, both in materials and process, etc. And some of the things that are offsetting that, the headwinds have been the FX. If you have $153 million worth of FX on the revenue line, that's pretty significant. We do hedge a little bit from a perspective of natural hedges. We have manufacturing in the UK and Hungary. But you can't have natural hedges that offset $153 million.

The other factors that provide some headwind, as we go into daily contact lenses, they generally have a lower margin than our average. So that puts some headwinds on gross margin, but not necessarily operating margin.

The other areas of improvement for earnings per share is that we are seeing leverage in our SG&A since 2013, in R&D since 2015. Now, if you look at this slide, you can see good growth. You get to 2014 to 2015, again, as I mentioned, you saw about a 2% as-reported growth in earnings per share, 2014 to 2015. That was 26% on a constant-currency basis -- again, that magnitude.

If you look at 2015 to 2016, it's about a 4% growth on as-reported, at the midpoint of our guidance. And it's about a 12% at the midpoint of our guidance on a constant currency. So, again, you see that double-digit earnings-per-share growth.

Guidance -- this guidance is as of Thursday night. And the guidance we provided, we did give Q1. We don't generally give quarterly guidance. We don't plan to create that as a trend. But as we started the year, we wanted to make sure everybody was on the same page, that everybody's models had as much up-to-date information as possible. Also, the fact that currency -- the expectation is currency will affect us by about $58 million or $0.58 per share, and that's based on the rates that we gave at the conference call.

The one rate that's probably the most notable that I'll mention here is the euro. We did it at $1.05. Right now, it's trading at about [$1.088]. So the morning of our conference call, our earnings call, Draghi came in, made his speech. The euro went from the $1.05s to $1.09-something. So our guidance has the $1.05 in it, so that does provide a little bit of upside, provided the euro hangs in there.

From a year-over-year perspective, full-year guidance, The Cooper Companies' growth rate is looking at that 4% to 7% range. CooperVision is 5% to 7%, and CooperSurgical growing at 1% to 4%, and that's on a pro-forma constant-currency basis.

Looking at earnings per share, $7.60 to $7.90, and that's about a 4% growth on an as-reported basis at the midpoint, and again, as I mentioned earlier, a 12% growth on a constant-currency pro-forma basis.

For those of you that follow us, you can see this. Our strategy hasn't changed over the years. It's really we've been executing on that strategy. First part is growing revenue faster than our markets. And we've been able to do that in the contact lens businesses, growing anywhere from 1.7 to over 2 times the market.

CooperSurgical, a little tougher to see. We believe we are growing faster than the markets, but it's very fragmented. 600 different products; it's harder to see what those markets are. The industry data isn't as good in trying to do a compilation.

Growing earnings per share faster than revenue, we continue to do that. You saw in the chart that we were growing just over 6% on a compound annual growth rate, our earnings per share growing just below 9%. And again, this heavily impacted by FX. We've had FX headwinds for four years. This past year was the most dramatic. The last four years, we had $0.40 in 2012; we had $0.50 in I think 2013. 2014 was $0.36, and then you go to $1.76.

The thing about the FX is it really covers or masks the great improvements that we've made in our operating margins, our processes. And when you have that kind of headwind, it really does take away from all the other good work that's been done. It's not as noticeable.

Operating margin, we put a new update to the chart, so 2020, looking at margins at 27%-plus, generating $1.5 billion in adjusted free cash flow. And when I talk about adjusted free cash flow, talking about operating cash flow minus CapEx and minus things like acquisition and integration costs.

Looking at -- and for our current-year guidance, we are looking at about $300 million in free cash flow or adjusted free cash flow. Expanding CVI and CSI geographically, we are doing that in both businesses. We are doing it both organically and inorganically. Some of the things recently have been some of the acquisitions. We had Origio, Sauflon, also on the CooperVision front, looking at distributors.

So we continue to do the same strategy we've had in the past. Complete strategic acquisitions -- we just completed Reprogenetics in Q4, bringing genetic testing into the IVF world, which is really exciting. An exciting product and exciting possibility as couples are looking to have children, and have children ore safely.

Operating margins -- so we look at that. Again, we've talked about a lot of the factors. Consistent revenue growth, the margin expansion, the leverage of SG&A and R&D, and the new target of 27%-percent.

When you look at year over year, what you are seeing is a 90- to 100-basis-point increase in operating margin, of course, until you get to 2015, and we actually went down 40 basis points. If you adjust for foreign currency, you actually pick up about 280 basis points. So the year doesn't look as exciting as prior years, but yet it's actually more exciting, because when you adjust out FX, we actually improved operating margins more than we have in the last few years. And that's disappointing for the teams, because of all the hard work; it really does get masked by the FX.

Let's step back and look at the industry itself. So if we look at the industry and where the industry is growing, we've been saying the industry should be growing about 4% to 6%. We think you will see it at more the upper end this coming year.

You look at the market itself, the sphere is growing at about 5%, toric is growing at about 8%, and multifocal is growing at 10%. For those of us who don't follow us regularly, let me just give you a quick tutorial. So a sphere lens is what most people wear. A good 65%-plus of people are wearing spheres, and that's where the eye is shaped -- it's round.

Where you go to the toric, the eye is more elongated, more like an American football. There are more axis, there's more dimensions in order to hold that lens comfortably on the eye. And then multifocal is what I wear. If you get older and you are looking farther out to see the print on the page, multifocal is actually where you have three zones that you are trying to optimize -- a distance, a mid-level, and then a reading view.

And what you are seeing is multifocal is growing the fastest at 10%. And the reason for that is you have a lot of people who are staying in contact lenses longer. They were used to lenses. All of a sudden, they needed a multifocal. You have people who are coming back into multifocals. They got out of lenses -- the multifocals weren't comfortable. There's been a lot of improvement in the technology, which is around comfort and visual acuity. And so they are coming back in and trying that out. And you actually have a lot of people who are starting to come in who never wore contact lenses at all and decided that, hey, I'd like to try multifocals.

Looking at geographically, you've got EMEA growing at about 6%, the Americas growing at 7%, and Asia-Pac at 5%. Now, Asia-Pac -- Japan is part of Asia-Pac -- that's the second-largest contact lens market in the world. And they are growing much below the market growth rate. And so they are weighing down overall Asia-Pacific.

Now, other countries within Asia-Pacific are growing double digits. So there's a lot of opportunity there. Japan is just, again, with its pure size, bringing things down. If you look at from a dollar perspective, the Japanese currency four years ago was in that $0.76 to $1; now $1.23, a reduction or devaluation of 58%. So, again, that's going to weigh on that market metric.

Looking at modality, and again, for those who don't follow us regularly, modality is length of wear. So two weeks, monthly -- and both of those are classified under frequent replacement -- and then daily is the other modality. There are some other modalities -- quarterly, six-month, annual -- but those are really starting to drift off in the past, so the most common modalities are the ones I just mentioned.

So you're seeing the biggest growth in modalities is in the daily market right now. 9% going out into the future. For this last trailing 12 months, the market grew 10%. CooperVision grew 16%. Within that market is silicon dailies, and that's another category within one-day that is growing pretty rapidly. And I'll talk about that momentarily.

So when we look at the contact lens business and we say, how do we grow this business? How do we make this a larger industry? How do you go from that $7 billion to $9 billion? First off is wearer base expansion. So you start with children entering early -- earlier wearing contact lenses, presbyopes like myself staying longer, multifocals becoming much better from a technology and acuity perspective and a comfort perspective.

And then what we're seeing is increasing evidence of or incidences of myopia. And this is actually becoming fairly alarming in a number of countries. So what's happening is more and more children are becoming nearsighted. And if you think about it, when I was growing up on the weekends you were thrown out of the house. You went outside; you did stuff. You were looking at things that were far; you were looking at things that were mid; you were looking at things that were close.

Nowadays children, young adults -- they are pretty much glued right here. Or they have a TV and they are glued about here, and it doesn't move. So what happens is their eyes aren't exercising, and they are not seeing various visual distances. And they believe -- people are suspecting that that is causing myopia.

The other thing is being in daylight versus being in a closed area like conference rooms and factories and stuff. They've done studies where they've taken an ethnic group, one that's been outside, the same group, and put that in -- studied it in a factory and found there's a lot higher evidence of myopia when the people are not outside. So there are two schools of thought that are working on that. But, again, what it's doing is it's increasing the need for vision correction, both glasses and contacts.

The next big area that grows the market is pricing and modality. Pricing from a perspective of you have two major materials -- hydrogel and silicone hydrogel. So from an industry perspective, as you move up to that premium material, the silicone hydrogel, that breathes better, more oxygen to the eye, and so there's just clinical evidence that this is a better material, you get a 20% to 40% premium -- the doctor does when they sell that material.

The other area is when you move from monthly and two-week to daily, you get a multiple effect of revenue and profit per patient by moving people to a daily. Your gross margin suffers, but not your operating margin. And then finally, geographic expansion, which is fairly obvious.

Looking at this chart, this to me was an interesting chart when I first saw it a few years ago. This gives the modality preference by region, and it's evolved over the last four years. Asia-Pac, not a lot of change -- it used to be 60%; it's now 62%, led by Japan, again, a large daily market.

Go to Europe; Europe used to be strongly a monthly market. It's now over the last couple of years shifted to be a one-day market. So again, you can see how fast the daily market is moving.

The Americas -- five years ago, the Americas was 11% daily. And now you look at, it's 30%.

If you look at the two-week market, which is still about a $1 billion market, 35% -- that used to be the dominant modality, and owned by J&J. Now what you are seeing are new fits are coming out of that modality and going into dailies and, to some extent, going into monthlies.

So on a global basis, the daily market, about $3.2 billion, fastest-growing market. I told you it grew at 10%. The trailing 12 months, we grew at 16%. The silicone daily piece of that market, it's a little hard to measure, because not all manufacturers provide the data. But it's about a 600 -- we guesstimate a $600 million market at this point of the $3.2 billion.

Looking at the statistics of the market, I've already given you the market share, so I'm not going to focus on the pie, but share a little bit the CooperVision story as you look at the bar graph. Calendar year 2011, 16.8% market share. So far, 2015 year to date, 22% market share.

The story here is that prior to 2008, CooperVision missed the boat a bit. The world J&J and Novartis went to or Alcon went to, silicone, we didn't think it was going to be something that had legs, that was going to stay. And the reality, we were wrong. Since then, we've come back and come out with one of the best silicone lenses in the world, which is Biofinity family. We've also come out with a two-week lens, Avaira, a two-week silicone lens. We came out with MyDay, a high-end daily silicone sphere. And we bought Sauflon last Q4, so over a year ago.

They had something that was very unique to the industry. They had a mass-market, affordable daily silicone lens. But what they had beyond that which was unique is that lens, that family of lenses is a sphere, a toric, and a multifocal. They are the only company that had that set of products. So CooperVision is the only company that has a daily toric and multifocal at this point. And we're the only company that's at the low end from a perspective of the mass market. So we have a high-end sphere that competes with Alcon's TOTAL1 and J&J's TrueEye, and we have something that's at a lower end and a lower cost point.

One of the things from a market perspective that Cooper prides itself on is that we're focused on the eyecare practitioner, that we allow that doctor to do what they do best, which is treating eyes. We provide all the material -- it's hydrogel, it's silicone hydrogel, it's a daily, it's a monthly, it's a two-week, it's a specialty lens -- handcraft, lave lenses, which -- there are a lot of lenses that frankly only we do. So from that perspective, we have that special relationship.

Here -- we've talked about this -- you can see that we are consistently outgrowing the market. Here are some of the products that we have. And you can see that we continue to bring out new products, again, to meet the needs of our eyecare practitioners.

We are kind of highlighting our silicone products down at the bottom: Biofinity, our monthly; MyDay, our high-end silicone; and then clariti, our massmarket silicone daily lens. Things we didn't highlight, but Proclear as an example, our hydrogel lens, one of the only lenses in the market with a comfort claim with the FDA. So, again, another very excellent lens, one that was recognized at BCLA, which is the British Contact Lens Association meeting a couple of years ago for best product.

Looking at CooperVision's financials, sales this year were almost $1.5 billion, up 7%, up 6% on a pro-forma basis. And again, success has been driven by the silicone family, not only the dailies, but also monthlies. Biofinity is still growing at double digits.

One of the things as you look at CooperVision, again, proud for the future. Feel very, very excited about the future and the fact that we are outgrowing the market, had been for years, have a full family of products, from modality to material, and really, I think, in a good position as we go into next year.

We have clariti being launched in the US, MyDay being launched in the US. We've received advanced approval or approval from Japan, so we are now approved in Japan for MyDay. We haven't announced any kind of a launch time on that, but we did get approval earlier than we expected. So, again, feel really well positioned going into 2016.

The other point I'll make on that slide is the fact that the FX -- I talked about that $153 million of revenue -- was not entirely but largely affecting CooperVision.

We look at sales by geography, and you can read the growth rates in constant currency. What I will tell you that's not on the slide is if you look at the trailing-12-month market, the Americas grew at about 5% from a market perspective, and we grew it 8%. EMEA grew from a market perspective about 5%; we grew 9%. And then Asia-Pac grew at about 2% on a market basis, and we grew 8%. So overall market grew 4%, we grew 8%. So, again, good growth across all geographies.

Material breakdown -- if you look at toric and multifocal, again, the combination of those two, probably around 30% market share, and industry-leading there. Single-use sphere growing 12% on a constant-currency basis. Our non-single-use sphere in other is kind of a conglomerate category, down

2% constant currency. In that category is a lot of different products: some of the older hydrogels, but also solutions. And solutions were down about 36% on a constant-currency basis this past quarter. And so that's what you are seeing weighing on that number.

I'll move on to CooperSurgical. And again, we talked a little bit about the industry in total. And it's been a tough industry for the last couple years, for any kind of healthcare. The Affordable Care Act has had an impact. Some of the litigation, which didn't impact products we have, but it impacted how doctors do business and what kinds of procedures doctors do. So that has put some pressure on CooperSurgical.

Full year, $309 million in sales, down 5% year over year, down 2% pro forma. The growth in that business, really looking long term, driven by fertility and some of the exciting acquisitions we've done. If you look at fertility this past quarter, down -- or up 9% year over year on a quarterly basis and up 3% on a pro forma.

So that growth would have actually been higher had we not been -- over the last year, we've been getting rid of capital equipment. There's been a lot of capital equipment that Origio had when we bought them that was very low- to no-margin capital equipment. We're still in the capital equipment business, but not some of that capital equipment.

So we've been bleeding off and getting rid of that low- to no-margin capital equipment, and that's impacted the revenue number. As we annualize and get through that, that will actually help the growth rates go back to where the media and some of the other products really are at.

These are some of the key names. If you are an OB/GYN or if you are a fertility specialist, a lot of these names are names that you recognize, and a lot of these are gold-standard products in the industry. Again, we've done over 30 acquisition since 1990, over 600 products in the CooperSurgical women's healthcare space.

So some takeaways real quick: We are operating in two solid markers markets with high barrier to entry. And when I say that, you're talking about manufacturing, a sales team, so the infrastructure. We're talking about the products in both businesses, and we're talking about the relationship with the doctors. You can't replicate that overnight. That takes time and many, many, many years to do.

Growth -- we've talk about that. We've been outgrowing the market. Investing in infrastructure -- we have invested not only in the manufacturing in both businesses, but also in the selling effort and the salesforce of both businesses.

And we really believe we are positioned to achieve long-term growth. We believe we've have a track record over the last few years of doing that and very, very excited for 2016 because we think we are very well positioned to go into this year. And so excited about the year and excited to get started. Steve?

Steve Lichtman - *Oppenheimer - Analyst*

In the last few minutes here, as you mentioned, you guys have been growing above market. You still forecast that for 2016. But the multiple above market in terms of your growth you've tempered somewhat as you look into 2016. Can you talk about the dynamic behind that and thought process into that guide?

Greg Matz - *The Cooper Companies, Inc. - CFO*

Yes. So to be honest, we've missed guidance, what, six -- revenue guidance six quarters in a row, not earnings-per-share guidance, but revenue guidance. We are tired of that. We're disappointed in that performance.

And so we looked at where the market was growing. If the market grows faster, we believe we grow faster. We took probably a conservative bent. There is an FX component. We saw where FX is at.

So we tried to make sure that we positioned ourselves for success. We've gotten a lot of feedback from outside the Company of saying, hey, you guys are too aggressive on the numbers you go for. Why don't you do something less and achieve those numbers? So we very much want to achieve our numbers going into 2016.

Steve Lichtman - *Oppenheimer - Analyst*

Got it. And then just competitively, with Johnson & Johnson launching their new daily modality lens, it doesn't sound like you are anticipating that being a significant headwind, though, into 2016. Is that how you are thinking about it?

Greg Matz - *The Cooper Companies, Inc. - CFO*

Yes, I think what happened with J&J when they brought in their silicone daily -- and again it's at the high end. It's aimed at TOTAL1. It will -- it's got to cannibalize TrueEye, which has not been that successful for them. And it will compete a little bit with MyDay also, because those are the premium lenses in that category.

From a clariti perspective, we are at a lower end. We are closer to MOIST, which is their hydrogel daily. And so we don't see that lens really competing that effectively.

We will see where the lens goes, but clariti is in a different class above MOIST. J&J can't bring their silicone down to MOIST because that will just destroy MOIST, and that's a big franchise for them.

So in the fourth quarter, October was very, very weak. And we attribute that to J&J came into the market in September, October. They flooded it with fit sets. They went to the docs, and they said, look, you try these lenses, we will give you discounts on other products. And it really took the time for the doc. And we think it just basically they didn't have time. They were trying to get some fits into the other lenses, and it really had an impact.

I think if everybody -- if you look at Alcon's numbers, were 0% growth; they were flat for the quarter. And we didn't do what we wanted to do in the US. So we don't see that as a long-term issue. We see that as something that we'll work through.

Steve Lichtman - *Oppenheimer - Analyst*

Great. I think we are out of time. Thanks, Greg. Thanks, everybody.

Greg Matz - *The Cooper Companies, Inc. - CFO*

Steve, thanks.
