

FINAL TRANSCRIPT

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C00 - Cooper Companies 4Q08 and FY08 Earnings

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the The Cooper Companies fourth quarter '08 and fiscal year '08 earnings conference call. (OPERATOR INSTRUCTIONS) We will conduct a question-and-answer session toward the end of this conference. I will now like to turn the call over to Mr. Al White, Vice President. Please proceed.

Al White - *The Cooper Companies, Inc. - VP, Treasurer and Investor Relations*

Thank you. Good afternoon, and welcome to The Cooper Companies' fourth quarter and full year 2008 earnings conference call. I'm Al White, Vice President, Treasurer and Investor Relations. Joining me on today's call are Bob Weiss, Chief Executive Officer, and Gene Midlock, Chief Financial Officer. Before we get started, I'd like to remind you that this conference call will contain 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 conditions and planned product launches. Forward-looking statements necessarily depend on assumptions, data or other methods that may be incorrect or imprecise, and are subject to risks and uncertainties. Events that could cause our actual results and future actions as a Company to differ materially from those described in forward-looking statements are set forth under the caption,

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"Forward-Looking Statement", 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 available publicly and on request from the 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 some highlights on the quarter, then get into specific details including new products, product launches, the market and guidance. Following Bob's remarks, Gene Midlock will comment on the fourth quarter financial results. We will then open the call for questions. We will keep the formal presentation to roughly 30 minutes, followed by 30 minutes of Q&A, so the call will last one hour in total. We request that anyone asking questions, please limit yourself to one question so we may be able to get to as many callers as possible in the allotted time. Should you have any additional questions following the call, please call our Investor Relations line at 925-4603663, and we'll get back to you as soon as possible. As a reminder, this call is being recorded, and a copy of the press release is available on our Website at www.coopercos.com, under Investor Relations. With that, let me turn the call over to Bob for his opening comments.

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

Thank you, Al, and good afternoon, ladies and gentlemen. I think, probably, the real caption here is, in spite of the economy, in spite of the financial crisis, and in spite of a strengthening dollar, we had a great quarter. In keeping with our most recent tradition, we're going to stay focused on trying to deliver a 30 minute presentation, and 30 minutes of Q&A, as Al indicated. The key take-aways, the key messages that I hope you walk away from this call with are as follows. A strong fourth quarter, the market was strong in spite of a dismal October. We continue our best in class rollouts, trading up patients that are out there with Proclear 1 Day, with Avaira, and with Biofinity. We grew at 1.4 times the market for the 12 months ended September 30th, which is the most recent data. In constant currency, the market was up 7%, and we were up 10%, for the 12 months ended September 30th. Our gross margin hit 60% for the fourth quarter, and in fact CooperVision achieved 61%. Our earnings per share was \$0.65, and importantly, there were no call outs.

From a liquidity point of view, our liquidity is solid. We have \$178 million at capacity, and \$138 million under our revolver, as of October 31st. Our fourth quarter operating cash flow is \$41 million, our free cash flow \$18 million, and we paid down debt of \$23 million. Our CapEx expansion program is winding down and we expect to have it substantially completed by mid 2009, by April. New products are on track or ahead of schedule. Our Proclear 1Day, we have approval in Japan, and we'll be launching it in calendar first quarter of '09, which is slightly ahead of schedule. Biofinity Toric will launch, it's on track for the first calendar quarter of '09, also.

A solid fourth quarter, in spite of a weak October. We reported \$269 million in revenue, up 6% in actual and in constant currency. CooperVision reported \$224 million in revenue, up 6% also actual in constant currency. CooperSurgical, with revenue of \$44.7 million, was up 7%. All of that is organic growth. Earnings per share, GAAP and non-GAAP, were both \$0.65, and once again, we had no call outs. We did have a lower effective tax rate of only 11%, which reflects a weak US market and strength outside of the US in terms of profitability. For the year, recognizing this is the end of the year results, we broke through the billion dollar revenue barrier with \$1,063,000,000 in revenue, up 12%, 8% in constant currency. For the year we reported GAAP net income of \$65.5 million, compared to \$11 million loss in 2007, also GAAP. And for the year, our GAAP earnings per share was \$1.43, compared to \$0.27 loss last year. On a non-GAAP basis, our earnings per share was \$2.26 this year, compared to \$2.12 last year.

As far as new products, and the Proclear family, they continue to drive the top line. Biofinity revenue achieved \$15 million for the quarter, and remains at an annualized rate of \$60 million. We today have adequate capacity, we've expanded the range of Biofinity to include the pluses and high minuses, and we now have extended wear approval which we recently got, this past week. Avaira is gaining some momentum in the US in the two week space. We will expand its range in Q1, fiscal '09, with pluses and high minuses also. The production ramp up of Avaira has been excellent. The Puerto Rican high volume production is exceeding 2 million lenses a month, and we continue to roll out fitting sets in excess of 9,000 at year-end, so we're over half the way to our targeted 17,000 fitting sets.

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As far as the Proclear family is concerned, it remains strong, up 21% in constant currency worldwide, and it now accounts for 27% of CooperVision's revenues. Proclear 1Day, Avaira and Biofinity had aggregate sales of \$28 million for the quarter, and now account for 12% of CooperVision's revenue. Geographically there were no surprises. We made great strides in the Asia PAC market, up 19% in constant currency, Europe was up 7%, likewise constant currency. The Americas, impacted by an October decline, softened to only 2%. Importantly, the US market reflected a dead October, down 10% for the month of October. One more important point, we are trading up our customer base, and by that I mean the new customers that were achieving as well as those that we are getting within the silicon hydrogel space are higher revenue per patient. Both the 1 Day and silicon hydrogel represents more profit per patient in terms of our targeted end point, and by that I mean, is we expect to continue to reduce cost in both of those areas, the 1 Day modality with Proclear, as well as in our silicon hydrogel lenses. Our silicon hydrogel represents today 8% of revenue compared to 2% in the fourth quarter last year, and our 1 Day modality represents 20% of revenue compared to only 16% in the prior year.

As far as future products, they are on track or slightly ahead of schedule. Proclear 1 Day, once again, got approval to launch in Japan. We are now putting the necessary product codes on it and we'll be launching in the first calendar quarter of '09. Keep in mind that Japan is a huge market, well in excess of \$1.2 billion, 57% of that market is 1 Day, so Proclear 1Day will hit that sweet spot of the market. Biofinity Toric production is proceeding well. We now have product inventory. We produced inventory for half of the SKEs, stock keeping units, for the launch. We remain on track for our calendar Q1 '09 launch, and we are still targeting for the end of calendar '09 for an aspheric Toric launch. With these launches we will have rounded out our offering with silicon hydrogel and non-silicon hydrogel products.

Let's talk, briefly, about the market, calendar '08, the third quarter, ended September 30th, surprisingly solid results. The Q3 numbers were the strongest quarter of the year, 6.8% growth, in constant currency. During the same period we were up 8.7%, so we grew 1.3 times the market for the calendar quarter ended September 30th. Note that October did us in, if you will, with the decline in the market for October. Of course, we will not have fourth quarter data for the marketplace well until February. So it's a long way off before we get our next hard market share data, if you will, and movement. Q3 by region, the Americas was up 7.3%, Asia PAC 5.2%, and Europe up 7.6%, all in constant currency. By product silicon hydrogel was up 25%, 1 Day was up 11%, Torics were up 10%, and multi-focals, a strong 14%. Silicon hydrogel now equals 32% of the entire market, and 1 Day modality equals 34% of the entire market.

Brief comments about gross margin operating income and call outs. That's right, there really were no call outs in the fourth quarter. During the quarter, we achieved 60% gross margin, and I might point out that CooperVision actually had a 61% gross margin. More importantly, our operating income was 18%. Our GAAP operating profit was \$47.5 million compared to a loss in the prior year. The shift to the 1 Day reflects a profit per patient upgrade. The shift to silicon hydrogel reflects a trading up to a higher revenue per patient. Once again, our products are targeting those patients that are already wearing silicon hydrogel lenses. Those that have been wearing Proclear for years and years, were not trying to switch them over, and they're not likely to switch over, they like the non-silicon hydrogel modality, if you will. With 1 Day, however, while our gross margin goes down, our operating income will remain solid. Our focus remains going forward on OI, earnings per share, and free cash flow.

Capital expansion and cash flow and liquidity, let's talk about that briefly. Cash flow and free cash flow was better than expected for the fourth quarter. Our operating cash flow was \$41 million, our free cash flow \$18 million. Debt was reduced to \$905 million, and keep in mind as of the end of April, it was \$941 million. So overall, there was a decline in debt for the fourth quarter of \$23 million. Importantly, we are nearing the end of our capital expansion program. Five more lines of Gen 2 and one of Avaira line, meaning the second Avaira line, will be in place by mid fiscal '09. We've had \$50 million of CapEx representing those projects that will roll out of '08 into the first half of '09 and that's why, in fact, our CapEx for the fiscal year 2008 was, if you will, \$50 million down from earlier estimates. Our maintenance CapEx going forward will come in around \$30 million and then beyond that it will be mainly expansion cost savings, and low volume automation, and then we will have some costs going into the IT arena to be determined, as far as how aggressive and what timing.

It is true, we pushed some CapEx out of this year. We did it because we didn't need the equipment earlier, and we're more aligning the timing of the receipt of the equipment in order to maximize interest savings or cash flow, as well as align it with

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our needs in term of capacity requirements. We have \$178 million of credit available, \$138 million under the revolver. Keep in mind that our requirement is we can borrow up to four time our EBITDA, and one of the things about our deleveraging for the quarter is that it allowed us to reduce our funded debt to EBITDA, which saves us 25 basis points on our line of credit. So we are financially solid, as we move into 2009.

Some comments on guidance. Guidance is a little trickier issue. Certainly because of the strengthening of the dollar, as well as the recession that we're now in. As you know, the dollar strengthened against the pound, the Euro and the Canadian dollar. It is strengthened 24% against the pound, 20% against the Euro, and 18% against the Canadian dollar, since really we were talking in mid June. So since June it's been downhill for foreign currencies, if you will. This has an impact on our model, excluding hedging, of about 1% equalling \$0.03, or said another way, a 10% strengthening of the dollar, would have a negative impact on us of \$0.30. Now, we've been able to hedge half of that, but built into our guidance is about \$0.15 charge for foreign exchange being half of that.

The combination of the FX impact and the recession, we've given a broader guidance than perhaps in the past, revenue for CooperVision, \$865 million to \$925 million, plus three to minus three. CooperSurgical, \$165 to \$175 million, a plus four to a minus 2% growth year-over-year, all up. The Cooper Companies's \$1.30 billion to \$1.1 billion, up three to down three. Within that, the currency impact is overall around 4% to 5%, as a negative. So backing those out you would see constant currency impact. Our earnings per share guidance range of \$2.16 to \$2.36, plus four to minus four. That reflects what I mentioned about the negative impact of foreign exchange, and also represents a fair amount of concern for the current softness in the market that has been exhibited in the last two months of October and now into November.

We expect operating income for 2009 to come in around 16%, which will be 4% above the GAAP this year, about equal with the non-GAAP this year. And, we expect to achieve \$50 million in free cash flow for 2009. We are managing 2009 for cash in earnings, while gaining share with our new product rollouts. We will use hiring freezes, salary freezes, and also have a select reduction in force throughout the year. Nothing compared to many companies out there, which have, if you will, not done restructuring like we have over the last four years. But having said that, there are still some pockets of reduction in force that we will plan on.

Looking at CooperSurgical, our women's health care franchise, it came in with a solid 7% growth for the quarter, all organic. We continue to go slow with mergers and acquisition activity, reflecting our desire to preserve cash. CSI continues to contribute solidly to operating ratios with a gross margin of 59% for the quarter compared to 58% last year, and an operating margin of 22% for the quarter compared to the prior year. For the fiscal year, CooperSurgical's EBITDA was \$40 million and its free cash flow, \$20 million. So, it is a major contributor to our cash that we generate in the company. The hospital strategy continues to perform well. Hospital product sales remain up strong 18% for the quarter, and hospital product sales now account for 30% of CooperSurgical.

In summary, before I turn it over to Gene, remember the key take-aways, a strong fourth quarter. The market has been strong in spite of a dismal October. We continue our best of product rollouts, Proclear 1 Day, Avaira and Biofinity. CVI gained share and was 1.4 times the growth of the market for the 12 months ended September 30th, the last reported data point, where we grew 10% compared to the market of 7%, in constant currency. We achieved a gross margin of 60% for the quarter, and our earnings per share did exclude call outs and achieve \$0.65. Our liquidity is solid, with \$138 million available under our revolver. We had operating cash flow and strong free cash flow for the quarter and payed down \$23 million of debt. Our CapEx expansion program is winding down and will be essentially completed by April 30th, and we remain on track and slightly ahead in the case of Proclear 1 Day for new product rollouts. With that, I'll turn it over to Gene on the financial side.

Gene Midlock - *The Cooper Companies, Inc. - CFO*

Excuse me, thank you, Bob, and good afternoon, everyone and thank you for joining our Q4 earnings call. As Bob indicated, we had a really solid quarter and especially in light of the adverse economic conditions, as well as the unprecedented increase in

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the strength of the US dollar. I'd like to briefly review some of our financial results. I think Bob covered most of them, but I will just highlight a few.

But before I start that, I wanted to talk a little bit about our liquidity. There were some rumors floating a round, a few weeks ago in the market, that we were in danger of violating our debt covenants and so forth. I would just like to set the record straight. That is not true. I'll reiterate, in Q4 we had \$18.4 million of free cash flow. We reduced debt by \$23 million. We only drew \$511 million of our \$650 million revolving line of credit. We are comfortably within our borrowing limitations. We're not in danger of violating any debt covenants. Our credit limitation for '09 is four times trailing four quarters EBITDA, and the multiple increases to 3.75 in fiscal 2010. Again, there was some confusion on that point out in the street, as well. At 10/31/08, we were at ratio of 3.46, funded debt to EBITDA. This allows us to reduce our borrowing rate for 25 basis points, so we're now at LIBOR plus 1.25, so around 3%. This will allow us to save approximately \$325,000 in interest in Q1.

As Bob indicated, we have extreme amount of borrowing capacity, a lot more than we would anticipate using in any particular quarter. Also note that we are proactively managing our business in this recessionary environment. As Bob indicated, we are deferring, postponing and may eliminate all salary increases. We have put a hiring freeze on so we're not doing any replacement hiring. Expenses are being cut and, for example, travel is restricted to only that necessary to serve our customers. We're looking at cost savings opportunities, minimizing capital expenditures, and we're also looking at some restructuring which will result in the downsizing of certain positions throughout our global world. And CapEx was reduced in '08 by roughly \$65 million, and will be deferred a portion of which into '09. Again, in short, we're proactively taking all the steps we believe are necessary to effectively manage the business in these hard economic times and to maintain our positive cash position.

I'd like to go into some of the financial highlights now. Again, no call outs, we've finished with those. They have worked their way through the profit and loss statement, so in Q4, there are none. Bob touched on revenue. We had a strong quarter, \$268.8 million, an increase of 6% over '07, and both in actual and constant currency. For the year, we had a record revenue of \$1.63.2 billion, up 12% in '07, and 7% in constant currency. Turning to gross margin on a consolidated basis, it was 60% compared with 46% in Q4 of '07, versus 61% in Q4 last year, on a non-GAAP basis. For the year, it was 57%, versus 55% in '07 on a GAAP, and 60% versus 62% on a non-GAAP. CooperVision's gross margin was actually 61% compared with 44% in the fourth quarter of '07, and 61% on non-GAAP. What this reflects is really the recognition or the realization of lower manufacturing costs we kept talking about last year, that would hit our profit and loss statement as the inventory turn. So it further emphasizes that I know there was some doubt about these excess manufacturing costs that we identified as call outs, but this really is sort of the proof of the pudding that they actually were accurate. We lost a little margin because of a change in mix to single use, but again, we're not unhappy about that, because those sales fall right all the way to operating income.

For the full year, CVI's GAAP gross margin is 57%, versus 54% in '07, 60% versus 63% on non-GAAP. I guess one of the major impacts we suffered, such that other companies like Merck, we had a press release on it in fact, we were hit pretty hard by the drop in the currency, and hopefully that will stabilize as we go forward. CooperSurgical's gross margin was 59%, up from 58% in the fourth quarter of '07, and 59% from the year, unchanged from the prior year. Consolidated SG&A in Q4 decreased by 4% to \$101.3 million, from Q4 of '07, and increased as a percentage of sales from 38% from 41%. Full year SG&A increased by 5% on a GAAP basis, but decreased to 40% of sales from 43%. Non-GAAP SG&A decreased from 40% to 39%. Selling expenses decreased by 1.3% from Q4 of '07, and are 28% of sales versus 30% in '07, and this is largely attributable to our enhancement of factoring costs in the lower cost of the free lenses and the fitting sets which we reflect in marketing expense. For the year, selling expenses increased by 9% over '07, but decreased as a percentage of sales to 30% from 31%.

G&A expenses decreased by 9%, \$25.9 million from \$28.6 in Q4 of '07, and by 5% for the full year to \$208.5 million. Again, this is attributable to reduced litigation costs and a better leveraging of our administrative services. Consolidated R&D in Q4 decreased by 1% from '07, and it was 3% of sales versus 4% in '07. Year-over-year R&D decreased by 11%, was 3% of revenue versus 4% in '07. But, and I can't get through one of these without talking about call outs, as you recall, CooperSurgical had incurred in '07, the two acquisitions it had written off fairly significant amounts of in-process R&D. If you adjust for those, our R&D expense on year-over-year basis increased by 8.5%. The effective tax rate, in our analysts' discussions in September we had indicated it would be 26.5%, subject to fluctuations and geographic earnings of income, and so forth, and we really saw a massive change

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in October. Products made in the US, sold in the US, products in EMA, dropped considerably. So, our profitability in those high tax jurisdictions dropped, and accordingly the taxes we incurred also dropped as a percentage. In addition, we updated our global economic transfer pricing analysis in Q4 and resulted in more of our profits being shifted to lower tax jurisdictions. So, the effective rate was 11.4% in Q4, and 14.1% for the full year.

Operating margin, as Bob indicated, was 18%, versus negative 2% in '07. And for the year, operating margin was 12%, versus 5% last year. Lastly, I did want to mention that there is a fairly significant amount of non-cash expense in our results, and that is mainly amortization, and for Q4 was roughly \$4.1 million, or \$0.09 a share, and for the full year it was \$16.8 million or \$0.36 a share, so it really does skew the results considerably. So with that, I'll conclude and turn the program back over to Al White.

Al White - *The Cooper Companies, Inc. - VP, Treasurer and Investor Relations*

Thank you, Gene. Thank you Bob. We'll go ahead now and turn the meeting over here for questions. Operator, if you could go ahead and cue people, that would be fantastic.

QUESTIONS AND ANSWERS

Operator

The first question comes from the line of Joanne Wuensch with BMO Capital Markets. Please proceed.

Unidentified Participant

Hi, this is Matt for Joanne. Thanks for taking our question.

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

Hi, Matt.

Unidentified Participant

I just want to start off with some more discussion around the tax rate. It was quite a bit lower than we thought it would be. I think I understand the reasons, but how are you thinking about going forward, given that we're still kind of in the same boat with the current?

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

I'll take a couple comments and then turn that over to Gene, but we have always seen that, aside from discrete events that take place throughout the quarter, we expect a range of 14% to 16%, ballpark 15%, as an effective tax rate run rate. The accounting for taxes now, on a quarter-by-quarter, gets pretty jumpy, if you will, for a variety of reasons with the new accounting. Gene made two or three comments that certainly impacted, but keep in mind, one of the heaviest weighting impacts would be the part of our business that really crashed in October was the US market. The US is, of course, a US taxpayer, and so there is a pretty drastic shift, that being one of the reasons for the shift to profits between the US and the non-US component. Gene, why don't I let you amplify anything.

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Gene Midlock - *The Cooper Companies, Inc. - CFO*

Bob, you're exactly correct. We're expecting a run rate next year, for the year, of 15% approximately. But note, as I mentioned in September, it is going to be lower in Q1, as well as Q4 of next year, because of discrete items. Q2 and Q3 should be higher, it will average out to that 15% range. Hopefully things have stabilized, and again, the big impact, as Bob said, was the US market just totally tanking. We did not, obviously, dial that in our forecast when we gave you the rates earlier.

Unidentified Participant

Understood. Further to that, we talked about the contact lens market being pretty recession resistant. Can you talk a little bit more about what you've seen in October and November, and how and why maybe it tanked?

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

Yes, and I use that term kind of liberally. But we've always said the market is resistant and it really is when you compare it to a lot of what you see going out in the country today, be it the auto industry, real estate, all the others. Having said that, the US market, in fact, did decline 10% for the month of October. Worldwide, our revenue was down in constant currency, 2% in October. Worldwide, our currency was down in constant currency in November, 2%. We are seeing a little move out of that in December, but not enough to say a strong trend is developing. What really happened in October, I think we all understand, people turned numb and they stop buying in the United States. And, I think we're seeing some mindset in dealing with the customer, with the practitioner, where patients that maybe used to buy 12 months' supply, are now buying six months' supply, very reluctant to buy that extra six.

So, there is some collapsing of the pipeline that's going to take place. How long it will last? Will it last two months, four months, six months? Don't know. Our guidance, obviously, is put a degree of conservatism into it. But quite frankly, we're in to some degree, uncharted waters in terms of just how bad October was for the US economy, in general. Having said all that, I truly believe the combination of all of the new products that we've recently introduced and expanded, and those that we're introducing, will give us some face of a buffer in dealing with it. And, it won't really be until February, until we get the next meaningful data point on the market, be it the HPR data, which is Health Products Research, that we look at domestically, or a number of other data sources, including the Contact Lens Institute that we all belong to. So, that reading won't be here until February, and between now and February, we going to do a lot of conjecturing, more than having scientific exact information.

I think it is important to remember that contact lens wearers are not going to go away just because there is a recession. This is a medical device that they're suddenly not going to throw away their relatively low cost contact lenses for expensive frames, so we expect that it will not be a huge impact, never has been, and it's not likely to ever be.

Unidentified Participant

Okay. Fair enough. Thank you very much and I will jump back in queue.

Operator

And, the next question comes from the line of Mike Weinstein with JPMorgan. Please proceed.

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Mike Weinstein - JPMorgan - Analyst

Good afternoon, thanks for taking the question. Kim is on, as well. We had a couple of questions. First, obviously the environment that you described in October and November is fairly disconcerting, as we think about the business. As you came up with your guidance for 2009, what was the constant currency growth rate that you were assuming in the EPS guidance that you gave?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Let me say it a different way. We've impacted our revenue by 3% currency. The other portion, meaning the market in total is going to take a 7% hit for the marketplace, worldwide, constant currency. So, we're assuming that the market is around 2% to 4% in constant currency.

Mike Weinstein - JPMorgan - Analyst

So to be clear, you're assuming worldwide market growth of 2% to 4% constant currency in the next fiscal year?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Correct. Offset by 7% currency hit. Meaning a declining market in GAAP dollars, if

Mike Weinstein - JPMorgan - Analyst

In reported dollars.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Correct.

Mike Weinstein - JPMorgan - Analyst

And that would, relative to what you saw in October, that would assume some re-acceleration of what you saw in October and November?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Well, make sure I'm clear on that.

Mike Weinstein - JPMorgan - Analyst

I'm talking constant currency. Forget currency.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

In constant currency, we were down 2% in October. I'm not assuming that's the market. Yes, that's the only thing we have. We don't have data on the marketplace, so we would be conjecturing did the market go down more or less than that 2% we were down worldwide. We were down 2% in November in constant

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Mike Weinstein - *JPMorgan - Analyst*

So, that guidance for fiscal '09 does assume some recovery relative to, obviously, October and November?

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

That is correct.

Mike Weinstein - *JPMorgan - Analyst*

Help us, if you would, on two things. One, I want to make sure we're clear on what you're saying on CapEx spending for '09, particularly the first half of the year?

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

Yes.

Mike Weinstein - *JPMorgan - Analyst*

Who wants to cover that?

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

Well, I think your question is, we have guidance set for capital expending, next year, of \$125 to \$140 million. We rolled out of this year \$50 to \$60 million of projects that, at one point in time, were included in the 2008 projections. And we did that working real hard with vendors in pushing those capital projects out, particularly for the single use lens, which is five Gen 2 lines with a total value of \$60 million, and the second Avaira line, which is a \$30 million piece of equipment. So there was \$90 million, of which we pushed out essentially \$50 million to \$60 million of that \$90 million. The equipment, I'm simplifying to say that it all comes in, in one time frame. These are assembly things. So, you're getting in pieces of that equipment; some of which arrived in '08. The balance of which arrives in '09. We will complete all of the assembly of those lines by mid 2009, meaning by April 30th. We will get the second Avaira line in and paid for by April 30th. So, when we talk about basically CapEx requirements of around \$140 million, we will continue to push hard on managing down CapEx. Quite frankly, since we have a big pot of required expenditure from last year rolling into this year, that keeps the number still where it was six months ago, when we talked about targeting a range of \$125 million to \$140 million, we're still targeting a range of \$125 million to \$140 million.

Mike Weinstein - *JPMorgan - Analyst*

Wait. Just to make sure I'm clear, make sure we're all clear here. So the \$125 million to \$140 million was prior to the push out of the \$50 million.

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

Correct.

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Mike Weinstein - JPMorgan - Analyst

Are you still saying you still think, even with the \$50 million now rolling into '09, that your total CapEx budget is going to be \$140 million, or are you saying it is \$125 million, \$140 million, plus \$50 million?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

No, we're saying it's going to be \$125 million to \$140 million, which includes the \$50 million.

Mike Weinstein - JPMorgan - Analyst

Okay, because you continued to push out items.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Yes. Some of those we basically just cancelled indefinitely. There are certain things we don't need. Partly because of efficiency, some of our yields, for example Biofinity, are much better since March of his year, and so it's a combination of the push which is an all out push, as well as the roll into this year from 2008.

Mike Weinstein - JPMorgan - Analyst

Okay. So just to clarify, you still think you can do, in your model, you're doing \$50 million of free cash flow, assuming \$140 million of CapEx spending?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

That's correct.

Mike Weinstein - JPMorgan - Analyst

And then last, I'm sorry, a lot of questions. Help us get to your EPS guidance for '09. Given your top line assumptions, and even the 15% tax rate, which is lower than we were assuming, we're having a tough time getting there. Maybe you can help all of us out a little bit?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Gene, you want to take a first pass at that, and I'll add anything that I feel necessary?

Gene Midlock - The Cooper Companies, Inc. - CFO

All right. So, let's start with the range for revenue. We're saying a \$1.30 billion to a \$1.1 billion. Okay? We're saying gross margin of around 58%. We're saying an operating margin of about 16%. Roughly \$49 million of interest and other stuff. So pretax is the remainder. 15% tax rate, and roughly 45.8 million shares, so it will get you to the 216 to 236. Does that make sense, Mike?

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Mike Weinstein - JPMorgan - Analyst

Yes, we're going to have to go back through that. I appreciate your stab at that. Okay. Thanks, I'll let some others jump in here.

Operator

And, the next question comes from the line of Steve Willoughby with Cleveland Research. Please proceed.

Steve Willoughby - Cleveland Research - Analyst

Yes, a quick question on the silicon hydrogel products. I guess two. First, Avaira came in lighter than expected. Any comments on that? And secondly, Bob made a comment that with the silicone hydrogel Toric products coming out, that in your mind, you have rounded out the portfolio. I was just wondering what your thoughts were with J & J working on a multi-focal version of the silicon hydrogel, potentially in the next few months.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Okay. First of all, in Avaira, you're right. We initially came out with guidance of 8 to 10, and then we kind of did an 8 to 12, feeling a little bit more bullish about getting north of 10. Basically, Avaira got swept up in the October flatness, where the sales were a lot less than we thought across the board with supervision, point one. Two is the up-take which we're starting to see, the actual utilization of the timing between when we launched the product and got it out there on the shelf, to when it got on eyeballs, typically takes a little longer, and we're seeing that doctors are really getting it on patients. But, the replenishment. You may call that we launched with Walmart and there was a large stocking order that took place in May, I believe it was, May or June, that took a little longer to work its way through than we had initially thought.

As far as the other thing is, we did plan on a more aggressive rollout with fitting sets. At one point in time, we were targeting 10. We then upped it to 12. We came in at nine. So, we didn't quite accomplish getting the fitting sets out to the practitioners that we had planned on, for a variety of reasons. But Avaira is still what we think is a product that is in the two week space, going head to head with Oasis and J & J. Biofinity of course, is in a monthly space when you think of where the products play. In the two week space is only J & J and Cooper. In the monthly, it's everyone else, but not J & J. So, we think there is a role for both Avaira, as well as Biofinity, going forward.

As far as rounding out the product portfolio, you're quite right, we will not have multi-focal. Today the multi-focal market is a 200 million worldwide market only, with essentially none of it in silicon hydrogel, or a very small piece. We will, as far as priorities go, once we complete the Toric rollout of Biofinity, we will do a multi-focal, be it Biofinity or Avaira. Can't say which one will be first. We have manufacturing technology available to do that rollout. It is not, compared to a Toric, a large challenge. It is a matter of resources. But, expect that in 2010 we will come out with multi-focal Toric. In the scheme of things, since multi-focals today are only, I think, 3% or 4% of the global market, it is not a big deal yet. If J & J or Vistacon gets their way, they think they can move the market and make it a bigger market, committing that they think they can move it to a billion dollar category. I hope they're right. We would love that, and we will be there not too far behind them.

Steve Willoughby - Cleveland Research - Analyst

Okay. That is helpful. And, just one question on SG&A. You mentioned it benefited by lower litigation expenses. Can you quantify that at all, and was there anything else that was kind of unusual within SG&A, maybe like less stock comp expense, or anything else?

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

Well the first thing is we settled the litigation in November of last year with CIBA. The total cost was like a little north of \$3 million, \$3.6 million or \$3.4 million, for that legal cost, first month of last year. As far as other things that are in SG&A, of the total costs we had in 2008, about \$11 million or \$12 million, if memory serves me, are call out related, that are in operating costs in total, which includes that \$3 million litigation. Gene, I don't know if anything else you want to add to that.

Gene Midlock - *The Cooper Companies, Inc. - CFO*

It's in the appendix to the press release in the call out schedules. Last year, '07, 12 months, it was 10.3, and then for the quarter last year it was 4.7. This year in '08, it is zero in Q4.

Steve Willoughby - *Cleveland Research - Analyst*

Okay. Thanks.

Operator

And, the next question comes from the line of Jared Holz with Thomas Weisel Partners. Please proceed.

Jared Holz - *Thomas Weisel Partners - Analyst*

Thanks, good afternoon Can you just talk about the strategy going forward now with Proclear, as just a component of the business, with the silicon hydrogels hopefully picking up? Where do you see Proclear going from here?

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

Yes, Jared, Proclear, you will recall, Cooper, unlike any other competitor, views the market two ways. We don't believe it's all going to silicon hydrogel. Didn't believe it in 2004, still don't believe it. The market today is 32% silicon hydrogel, the US market is kind of flattened out a little at 50, although there has been a big jump up in the Toric space. So Proclear, which today is a \$280 million product growing at 21%, annually, we see that as a big player in both the 1 Day market down the road, where it has a real story, as well as the rest of what we'll call the conventional hydrogel market that no one else is paying attention to. It's the sweet spot of Proclear. So we play, if you will, both in the silicon hydrogel market now that we have Biofinity and Avaira, and soon will have a Toric silicon hydrogel, and then in 2010, a multi-focal silicon hydrogel. But we're not at all entertaining abandoning the Proclear, if you will, story, and the non-silicon hydrogel part of the market. We're very skeptical that the 1 Day market will turn into a silicon hydrogel modality, or I shouldn't say modality, material, for a lot of good reasons, part of which is the cost barrier. At some point in time, there is a push back, and the fact of the matter is that silicon hydrogel lenses are more expensive to make than hydrogel lenses, and will be for at least the next several years, if not beyond that point in time.

So, even if you get to the point where you can reduce the costs enough to warrant a big push of a 1 Day silicon hydrogel, then the question is, so what is the story? What are you trying to accomplish? Are you trying to imply that the 1 Day wearer is going to wear their product overnight? And, that's certainly is a tangent we don't think anyone really wants to go down, keeping in mind that the 1 Day modality person is really not a person that holds on to lens care products, number one, and they're really thinking about the health of their eyes as a primary consideration. So, they're not going to just suddenly say, okay, I can now sleep in my 1 Day lenses and wear them longer. But Proclear, as we see it, we're going to go high-price, low-price. Proclear 1 Day will be our premium price 1 Day for the indefinite future, for a long time.

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Jared Holz - *Thomas Weisel Partners - Analyst*

Okay. And then Avaira, are you planning on doing a private label through Walmart for Avaira to get the sales up at some point?

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

We will do private label with Walmart or any large retailer, but it is all about price and economics. It has got to be a win win. Keep in mind, some of the private label models were a lot different than you would normally expect. In the past, the private label model was, if you will, priced at a premium to a branded product in many cases. Whether or not that will happen again, don't know. It could be that the world has changed enough. We do believe that there is interest in private label, and if so, we are certainly willing to do it and we know that many others are not.

Jared Holz - *Thomas Weisel Partners - Analyst*

Okay. And then, you guys kind of fooled everyone this quarter with gross margins which came in line.

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

I don't know why.

Jared Holz - *Thomas Weisel Partners - Analyst*

I was just wondering, you look at 2009 in your guidance at 58. Excluding currency, I know you talked about that having an impact, can you tell us what the adjusted gross margins, in your view, would look like?

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

Make sure, the fourth quarter gross margin, the 61% at CooperVision, it's kind of that's the way it was, no call outs. The guidance for 2009, the 58% being well below the 61%, if you will, there are two major variables. There are actually three, and the third one, I'll probably confuse everyone with it. The first one has to do with the fact that we are willfully cutting back on production to manage down inventory and maximize cash flow in 2009, and in some of the reduction in force will happen within manufacturing, as well as a less absorption caused by less throughput. So think of that as, any time if I make more products, I absorb more overhead. If I manage back, I am going to absorb less overhead. So, gross margin is taking a hit on that. Gross margin is taking a hit on a reduction in force, albeit not a large number, but it is in there. And then the third thing is, the continuation of the shift to the 1 Day modality with Proclear. 1 Day, quite frankly, not having an optimal gross margin. Today, we are still concentrating on getting the cost out of that product, and we expect to make headway, but we're not there fully yet. And then Avaira, as we roll that out, pending its, if you will, full commercialization in terms of volumes, it still carries a lower gross margin. We expect to also get improved costs, substantially improved cost reduction, within the Avaira bucket, going forward. So, those are putting some drain on gross margins. And, the third one has to do with the way we're doing hedging in '09, and I'll only answer that if you're really curious enough.

Jared Holz - *Thomas Weisel Partners - Analyst*

Maybe I'll give you a guys a call back on that one. But last thing I'll jump in here, you look at the CapEx spending next year, you have about \$2 million worth of cash. Is there any potential, given the hockey stick component of spending next year, that you might have to actually borrow more money in the first half of the year and draw down that revolver, before you actually pay it down? Thanks.

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

Yes, there is no doubt our first six months next year are cash negative because of that \$50 million of CapEx rolling into the front six months. So, absolutely. Cash is low because we want it to be low. We worked very hard, and I would be embarrassed if I had to show you \$10 million cash on my balance sheet, and I would pick on the treasurer, and that would be while he's on this call. So, will we tap into the revolver, the front six? Yes. When we talk about an aggregate positive free cash flow next year of \$50 million, that is driven and contributed by the back six months.

Jared Holz - *Thomas Weisel Partners - Analyst*

Thanks a lot. I appreciate it.

Operator

And, the next question comes from the line of Peter Bye with Jefferies & Company. Please proceed.

Peter Bye - *Jefferies & Company - Analyst*

Thanks, guys, I appreciate it. Just a couple of questions. What was the CapEx number? I might have missed it, in fiscal '08?

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

I don't know if we had actually had it in the press release. \$125 million, Gene, that sound about right?

Gene Midlock - *The Cooper Companies, Inc. - CFO*

It's \$124.9 million.

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

I was off \$200,000.

Gene Midlock - *The Cooper Companies, Inc. - CFO*

Actually \$115,000.

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

Okay.

Peter Bye - *Jefferies & Company - Analyst*

And, you talked about the October slow down. November is in the book, we're a couple weeks here. You talked a little bit about, obviously guidance applies to some kind of rebound from October, but can you stick to specifically to November? I know you don't want to get too caught up in months, but just given the trend line, what can you tell us?

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

Yes, I think I indicated that November looked like October. October was in constant currency down 2%. November in constant currency was down 2%. So, what happened since November is there may be some light at the end of the tunnel, meaning we expect to be a net positive in December. Some of that decline in October and November, our read is, and quite frankly we don't have.

Peter Bye - *Jefferies & Company - Analyst*

I guess, could you quantify, sorry to cut you have off on the phone, how much you think is patients buying three months instead of six months or 12 months' supply, versus office visits? I know you have the HPR data. What's office visits like? So if you can proportionalize the down tick, how much is fewer inventory from consumers and how much is fewer offices?

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

You know, the office visits, I've seen one survey that was done that suggest they were down 2% in October as office visits. The bigger point of what is going on, because you got two dynamics, even if office visits, like they were in the third quarter, were up modestly 2%, for the third quarter ended September 30th, and if they were in fact down 2% in October, and once again that data tends to be US centric.

Peter Bye - *Jefferies & Company - Analyst*

Yes.

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

What is really going on out there is, people are not walking out the door with 12 months' of inventory for their personal take away. They're, by and large, walking out the door with six months. There is a shrinking of the pipeline, not only within the practice, but also in the distributor network that is going on. That is fairly common. So up and down the pipeline, and the pipeline in contact lenses isn't immense, but we do have distributors and we do have doctors that inventory some product. So, it would not be at all unusual to have some shrinkage, the biggest noticeable and biggest factor will be shrinkage.

The second, by way of patient traffic, whereas, it is our understanding that for the doctors it is not all that bad, meaning the traffic you're now seeing in November and into December, as a comp goes, keeping in mind that December historically is a you shift your money and resources towards buying gifts than going to your eye care professional, but the retailer is getting a little bit more impacted than is the independents. So, there is that attribute. Relative to dollars, translating visits to dollars, there is still a substantial trading up going on, both certainly within the Toric theater where there has been a substantial increase in wearers of silicon hydrogel lenses, in the spherical area where there has been some improvement, and in the 1 Day area where there is trading up. Keep in mind those visits translate to a lot more revenue per patient. But what's declining it is more, not visits, it's more pipeline.

Peter Bye - *Jefferies & Company - Analyst*

What is the time line if that works itself out? Is it six months or nine months? We should see a bolus effect at some point, theoretically, shouldn't we?

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

Clearly, a patient going out the door getting six months is going to need to come back and get their other six months. One of the questions out there is how bad is compliance going to shift? Quite frankly a 1 Day is a 1 Day, a monthly is a monthly, a two week is a monthly. So, no one is kidding no one. When I buy a two week lens, I wear it as a monthly. I just bought it at a price point that is one-half of what the monthly guy paid for it. You know, clearly that dynamic is already in place and we don't have a rapid shift from people switching from the monthly modality into the two week modality in order to buy a two week that they can wear as a monthly. That is just not the norm. Quite frankly, you have people like CIBA Vision pushing directly the opposite way where they're trying to bring their wearer base from buying product as a two week, and then wearing it as a monthly. CIBA is basically saying, let us call it what it is. Let us sell it as a monthly, because they really are using it for a month. J & J, there is no indication that J & J would go that way. But quite frankly, from our perspective if we sold only Biofinity and didn't sell that much Avaira, that would not be a bad model for us going forward. We like the growth of Biofinity of being more robust.

Peter Bye - *Jefferies & Company - Analyst*

I know you don't give quarterly guidance, but just one thing on that front. Is your guidance assume that this bolus comes back and it is very back-end loaded on the top line, or are you assuming if the bolus comes back it comes back, but we're not assuming it does? Because you are saying it's predominantly patient inventory and that sort of front, and not so much office visits. So this down tick in the market should be somewhat temporary, theoretically, right?

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

Yes, I think the down tick is going to be six months' event, and that six months is basically people buying six months' worth of inventory, or a patient take away, and then they have to come back and get their other six months. So, at that point in time, it would be somewhat mitigated if the new purchaser is still only buying two months. You've kind of lost six months of a pipeline to a degree. And keep in mind that is, it's more maybe a US right now, will it ripple through the rest of the world? It will in varying degrees, if you will, and then come back around. So, it isn't like one global event happening in parallel.

Peter Bye - *Jefferies & Company - Analyst*

Few quick questions. What is D&A for '09?

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

What is D&A?

Peter Bye - *Jefferies & Company - Analyst*

Yes.

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

G&A or D&A?

Peter Bye - *Jefferies & Company - Analyst*

D&A. Is it still \$85 million, \$90 million?

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

Yes, Gene, I think it's around \$90 million?

Peter Bye - *Jefferies & Company - Analyst*

\$90 million, okay. That is what I have. That's fine. And then on that front, you gave the guidance, you put in the transactional hedges on it, and you say you're get \$0.15 back, but when you went through with the previous questioner about the operating expense, you said net interest expense of \$49 million, and then tax. I'm assuming then, are you booking \$8 million or so, and not up gains? That gives you about \$0.15 for the currency below the top line, or how do I think about that \$0.15 coming back?

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

Well, the \$0.15 was I guess, I looked at it just the opposite. Maybe I break my egg on the other side.

Peter Bye - *Jefferies & Company - Analyst*

I wonder how you are going to report it. It is a non-contract booking, right?

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

No, no. Well, the foreign exchange hit, but the \$0.15 out of \$0.30 hit is up and down the line, up and down the P&L.

Peter Bye - *Jefferies & Company - Analyst*

I thought you said that was just the foreign exchange. What are the contracts you guys put in place in May and June then? Is that just on the CapEx side? You booking it or what?

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

No, the foreign exchange hedging will show in 2008 they all impacted cost of goods only. In 2009, and this is the one question I kind of said I would take later, in 2009 they are going to impact revenue and cost of goods. And the impact will be for a slight, if we didn't hedge, our reported 2009 revenue would, in fact, be lower. Since we did hedge and hedged some revenue, and I'm saying this simplistically, as opposed to the guys that really can talk about how the contracts work, but we will pick up revenue.

Peter Bye - *Jefferies & Company - Analyst*

Well, don't you have a guy on the call that can talk about the contracts?

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

Yes, if you want to bring the conversation to that level of technical. But trust me, we've taken a lot of people through it and they've lost it. Unless there is a lot of interest on this call, we're better off doing one on one, and call me back on that.

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Peter Bye - *Jefferies & Company - Analyst*

All right. That's fine. Last one is on the silicon hydrogel Toric next year. Are you thinking about a launch similar to Biofinity, or more similar to Avaira, or a hybrid of the two? I don't want to put a number on you, but how should we think about that coming out?

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

The silicon hydrogel Toric launch which will start in the end of the calendar quarter, will be rolled out nationally. When you think of the Toric market, it is much different than a two week Avaira space where you're dealing with a lot of distribution, both on the retail side, as well as on the independent side. So, we're not going to have a large fill the pipeline with the retailers.

Peter Bye - *Jefferies & Company - Analyst*

I just meant more maybe of Avaira as a percentage of your spheres revenue, how much do we think maybe in the range of silicon hydrogel as a percentage of your Toric revenue, not so much the mechanics of which accounts it goes to, how many fittings, that sort of stuff?

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

Sorry, Peter.

Peter Bye - *Jefferies & Company - Analyst*

Just more how should we think about the silicon hydrogel Toric revenue contribution as a percent of your overall Toric revenue, similar to where Biofinity was in the launch which was pretty minimal out of the chute, versus Avaira which was a little bit better as a percentage of your total spheres? So, just proportionality, what's the impact?

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

Okay. I assume it is not going to go out there and there is going to be a big pipeline filling a big percent of your market. So, don't get your expectation up for anything north of the \$10 million range. And, I think we need to move on to our next caller.

Operator

And, the next question comes from the line of Larry Biegelsen with Wachovia. Please proceed.

Larry Biegelsen - *Wachovia - Analyst*

Hi, thanks for taking my call. I just want to make sure I have the numbers right here for CooperVision, you're guiding for negative 3% to plus 3% next year, FX of 4% to 5%. So on a constant currency basis, plus 2% to 8%. And Bob, for the market on a constant currency basis, I think you said 2% to 4% for 2009. Is that correct?

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

Constant currency 2% to 4%, that's correct.

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Larry Biegelsen - Wachovia - Analyst

And for you guys, 2% to 8% on a constant currency, for CooperVision, is that correct?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

No. In GAAP, it's plus 3%, minus 3%. In constant currency, it's flat to 6%.

Larry Biegelsen - Wachovia - Analyst

Flat to 6%.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Currency is only 3% for Cooper, compared to a 7% market, because we have put in place hedges, and the hedges is the difference between the 7% and the 3% currency.

Larry Biegelsen - Wachovia - Analyst

Okay. Earlier I thought you said FX was going to hit your top line by 4% to 5%. Did I mis-hear?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Yes, the difference between a 7% hit and a 3% hit, is a 4% delta, which it represents the hedging.

Larry Biegelsen - Wachovia - Analyst

Okay. So flat to 6% constant currency. For you guys in the market, 2% to 4%. So, it sounds like you don't think you can do much better than the market in 2010. Just curious about the conservatism there.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Well, quite frankly, what happened is we've noticed there is a lot of reaction to the economy right now, so the 6, if you will, is 1.5 times the four, the upper end of the constant currency range. On the down side, given we were in this minus two, minus two, October and November, we went off the model of 1.5 times. And quite frankly, I think what would have if I were re-adjusting the market, is to take the market to flat to 4% constant currency. And then said if the market in fact goes flat, then that's how I got to our flat. If that's the case, if the market in fact goes flat, then in GAAP, it will be negative seven. Currency impacting at 7%, assuming the dollar stays right where it is. So to answer your question, our constant currency zero to six, probably should be compared to a market of zero to four.

Operator

(OPERATOR INSTRUCTIONS) And, the next question comes from the line of Jeff Johnson with Robert W. Baird. Please proceed.

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Jeff Johnson - Robert W. Baird - Analyst

Thanks, good evening, guys, can you hear me okay?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Yes, yes, Jeff.

Jeff Johnson - Robert W. Baird - Analyst

All right. Let me just go back to Larry's question here. Bob, I guess I'm still trying to figure out, as of the analysts' meeting, and I understand the world has changed, but why do you now think you can not outgrow the market by 1.5 X as you were talking about at the analysts' meeting and prior to the analysts' meeting.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

The answer is, we do think we can outgrow the market 1.5 X. The only question really is, is what is the market? And, is the market zero, two or four? Given our product portfolio, given that we are expanding our product range for Avaira, and going into the Toric market with Biofinity, and launching Proclear 1 Day, we do expect to grow, to gain share in the marketplace.

Jeff Johnson - Robert W. Baird - Analyst

All right. And I don't want to get into an esoteric discussion here at 20 minutes over your time limit already, but I'm surprised that you don't think there is a push out in one month where patients may be extending one month to two month, or one month to three months wear, and I would like to know your rationale for not thinking that's happening?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Well, since these are soft lenses, as opposed to hard lenses like I'm wearing, the lens does have a natural life wherein it gets gritty and people know, and every eye is different, so I'm not going to say there isn't a guy out there that won't take it from a month to a month and a half. You're always going to find an exception. By and large, a monthly cycle is a very routine part of life and it clearly is in contact lenses also.

Jeff Johnson - Robert W. Baird - Analyst

Understood. I guess my question is, how confident are you in this bolus effect Peter was talking about or you seemed to agree with, that six months from now people have to come back in and get their second half of the

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Well, in other words, I don't think at all that the model is changing from, I buy six months' supply and I use them over 12 months. It is six months' supply, the way I've used them in the past, is still going to be six months' supply. So when they run through that six months' supply, they are going to come back and get their reuse. And I think that is analogous if you bought medications, and you're used to buying 90 days, and it was an expensive medication, you suddenly said, you know, I'm only going to buy 45 days or 30 days' supply now. I got to come back after 30 days and get my next round of medication. So, it's the exact same thing.

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Jeff Johnson - Robert W. Baird - Analyst

All right. Thanks, Bob.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Okay.

Operator

And, the next question comes from the line of Chris Cooley with FTN Midwest. Please proceed.

Chris Cooley - FTN Midwest - Analyst

Thank you for letting me squeeze in the call here this evening. Just two quick ones. One, I was a little bit surprised by the CooperSurgical guidance. Your FX doesn't traditionally hit that line item, and in the past you highlighted that it's about a 4% to 5% plus, organic grower. Help us understand what's changed there now that we actually see a negative number on CooperSurgical and potential in regards with it's year-over-year growth rate? And, I have one follow-up on CooperVision as well.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Yes, Chris. The guidance is a negative 2 to a plus 4. And, I would just say that was really an abundance of caution. There is no FX impact in that negative 2 to plus 4. We put a wider range on things because, quite frankly, we're a little shell-shocked by October and November, as the market plays. But I don't think we're the only company out there that has broadened the range of things. The 4% represented what we thought was, at the high end, some acknowledgement that patient visits were down over the last quarter, something like 6% in the US market. So we've factored that into our range, and we think that range captures it right now, 165 to 175, compared to this year's 168.

Chris Cooley - FTN Midwest - Analyst

Okay. And then, just quickly thinking about cash flows next year. Are you contemplating any type of one time step-up or add-in type of payment on the pension plan there? If you look at your filings for the year, you had a fairly heavy concentration in Cooper stock or Company stock. It looked like that performance within negative did a blend just through the year-to-date. Any thoughts there, should we be contemplating on the cash flow models, that you will be doing any trueing-up relative to the BPO?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Let me ask Gene to amplify. You made a comment about Cooper stock. The only stock that I'm aware anywhere in the entire portfolio is in our 401K and I'm the stockholder in that plan, and that is only 5,000 shares. There is none in the retirement income plan though.

Gene Midlock - The Cooper Companies, Inc. - CFO

That's correct.

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

As far as, if you will, we typically do our plan through the end of August, I believe, and there will be, and has been, a look at October. It's my understanding any cash flow implication is less than \$1 million.

Chris Cooley - *FTN Midwest - Analyst*

Okay, if I could just squeeze one quickie in. In regards to I think about goodwill out there, you guys reclassified some in the last Q, you put it back up in the beginning balance in the ocular acquisition. I think the offset to that is a step up in book equity. Anything we should be looking for in the K, were there any other adjustments to the prior balances for goodwill?

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

Goodwill moves up and down rapidly with foreign exchange, so if you will, we took it up earlier in the year, I think \$30 million as the dollar weakened, and there has been a substantial go the other way now that the dollar has kind of come full circle. By the way, my comment on the cash flow for the retirement income plan was a one year comment, meaning impact on 2009. Typically, these plans have any major economic change would be spread over, I don't know, seven or eight years, over a longer period of time, at any rate. And, Gene, I don't know if there is anything you want to add to that earlier comment on it.

Gene Midlock - *The Cooper Companies, Inc. - CFO*

No, we took a look at it, as of August, and the actuaries calculated the funding requirements for '09, and it hasn't changed that much. They looked at it again now with all of the changes in the market, and so forth, and we're still pretty consistent for '09. I don't know what '10 will bring.

Operator

And, the final question comes from the line of Amit Bhalla, with Citigroup. Please proceed.

Amit Bhalla - *Citigroup - Analyst*

Hi, it's Amit Bhalla. Thanks for squeezing me. Two quick questions on CooperSurgical. I understand your range for fiscal '09, but curious about the current quarter. Were you seeing an actual impact on CooperSurgical, based on the overall economic weakness? And second question, any sort of revenue range you could give us for the new products that you're going to be selling in 2009? Thanks.

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

The first comment on surgical. Surgical, in November, started off a little softer than, let's say, what we had expected back in September. So this range reflects upon our November results, and our, if you will, year-to-date results, as where we are today. As far as the question about sales of new products next year, I think we would say that if we look at the package of silicon hydrogel products, altogether, the Biofinity, Avaira and then Toric, that this year that pot was about \$58 million in silicon hydrogel, because we're really talking primarily about silicon hydrogel, and how we're rolling out. The impact to Proclear 1 Day in Japan, I'll come back around on. But, that pot of \$58 million is likely to go in the neighborhood of something north of \$100 million. Whether or not it doubles, I would say, it could be up 80% to up 100% type range of expectation, all up. That does include the Toric in it, but the Toric, as I indicated in the earlier question, assume that's less than \$10 million. We launch it, if you will, the end of the calendar quarter by March 31st, and so we're left with a seven month kind of roll on impact.

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Amit Bhalla - Citigroup - Analyst

And, just a quick follow-up on the CooperSurgical comment. What exactly were you seeing that was soft? Was it patient volumes? Was it some surgeries? Exactly what was soft?

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Surgical, has reported, I think it has been out there in some article, I don't know, I don't have it available directly, but 6% decline in patient visits, and that is basically over a period of longer than just

Operator

Ladies and gentlemen.

Bob Weiss - The Cooper Companies, Inc. - President and CEO

Lot of that, by the way, is the Pap smear market. We basically have 50 to 55 million Pap smears done in this country annually, and there is some slowing of that, leading to slower visits, if you will.

Operator

Ladies and gentlemen, this concludes the Q&A session of the call. I will now like to turn the call over to Mr. Al White for closing remarks.

Al White - The Cooper Companies, Inc. - VP, Treasurer and Investor Relations

All right. Thank you, everyone. A lot of questions there, wrapped up. Keep in mind you're welcome to call us and we'll try to get back to people in a timely fashion, at 925-460-3663, which is our Investor Relations number, and if you don't get a live person, leave a message and we'll get back to you as soon as we can. Thank you very much. Bye.

Operator

Thank you for your participation in today's conference. This concludes the presentation.

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