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PRESENTATION

Samir Shah - *Novartis AG - Global Head of IR*

Good morning, everybody, and good morning to everybody who's on the webcast here today.

First of all, a very big thank you for all of you for the time that you're spending with us today. We really appreciate the fact that you're spending the time in a very busy schedule for you.

So on June 29 of this year, Novartis announced its intention to spin-off its medical devices eye care division, which is Alcon.

They announced that the intention was to do a 100% spin. And of course, it's still subject to shareholder approval. Everything in relation to the spin is on track. On November 13 of this year, there was an initial 20-F filed for the Alcon stand-alone companies, it's filed with the United States SEC.

The next major milestone will be the shareholder vote, which will take place at the Novartis AGM on February 28 of 2019.

Between now and the shareholder vote, Karen, who I'm going to be introducing to you shortly, who's Head of Investor Relations and Communications for Alcon, we will be going at, together with the management team, on roadshows and bank conferences. So you'd have a chance to meet the management in person.

Our third -- Karen, Heads of the Investor Relations and Communications Group. We've been working very closely with Karen from all sides in Novartis. Just to ensure, we have a very smooth transition between ourselves and ultimately, Alcon when they do spin-off. Up to now, all questions related to Alcon have been processed and passed on through to Novartis Investor Relations team. And in future, up until the spin, you can continue to ask questions back to the Novartis team or alternatively, you can go directly to Karen. Karen?

Karen King

Thank you. Good morning, everyone. So I'm Karen King and as Sameer said, I'm going to be running the Investor Relations area for Alcon. Some of you I know from the past. Prior to here, I worked at LivaNova for the last couple of years. They're a medical device company based in the U.K. So it's focused on neuromodulation and cardiac surgery. And then prior to that, I spent many years at Hospira. And I saw a lot of you this morning, but I know from the past. Thank you for being here. We really appreciate you coming, and I see a lot of new faces. So it's wonderful to see you, and I really look forward to building relationship and talking about Alcon.

A couple of housekeeping items. If you do have cell phones, please take them out and put them on silent. We also have the for web -- for Wi-Fi. If you're looking for a Wi-Fi code, it's on the back of your badge. And then we have book on the table. The books on the table should have everything that you need for today. It has the agenda in the front. It has a -- all the biographies on both the speakers and on the booth exhibitors, which we're going to talk about in a little bit. It has all the presentations. It also has, at the very back, it has a glossary of acronyms and terms that if we use something that you don't understand, you can refer to that.

We are going to be webcasting the entire meeting, including the Q&A. So I will announce during the Q&A, but we're going to bring the microphone around so that we capture all of the questions and answers for the people sitting on the webcast. And then also, if you're looking for the presentation on the webcast, it is on the Novartis site. You can go to the Investor Relations events section.

So I'm going to turn it over to Sameer to talk about the agenda.

Samir Shah - *Novartis AG - Global Head of IR*

Okay. So for those on the webcast, we're now on Slide 3. As you can see, this is the full agenda on this slide, and we're going to actually begin with Mike. Mike Ball is the Chairman-Designate for Alcon.

He will be up on the stage together with David Endicott, who's Alcon's CEO. Mike will actually go through the progress that's been made on Alcon and on operations and business perspective over the last couple of years. Mike will also describe why Alcon is a perfect company now to be a stand-alone company.

David will then take the lead and will discuss and go through Alcon's vision, it's strategies and include both near and long-term targets in terms of growth and margin expectations.

We'll then have a Q&A session. And as you'll see from this slide, there are several Q&A sessions after the main presentation. The purpose is just to make sure we address all your specific questions in more detail.

So after the first morning session, we'll then move on to Michael Onuscheck, who's President of the Global Businesses. So he heads up all the businesses together with innovations site for Alcon.

Mike will actually run through the surgical franchise business as well. So he takes a deep dive into the surgical franchise.

We then have Andy Pawson. Andy Pawson looks after and is a head of the Global Vision Care, a franchise within Alcon. He'll, of course, go into more depth with respect to Vision Care.

Again, after Mike and Andy's session, there will be an in-depth Q&A to address any lingering questions or further information that you may require.

We then break off for lunch and during lunch, management will be around so you have a chance to talk to them in more informal way.

Following lunch, Frank Leveiller, who heads up the Research and Development part of Alcon, will go through the R&D section and particularly highlight the key points from the pipeline, the key milestones, which are coming up and research and development capabilities.

And then, we'll finish the formal presentations with David Murray. David Murray is the CFO of Alcon, he'll go through the financial strategy, including capital allocation, where the current business is today and our targets both short and midterm by division for Alcon.

Then David Endicott will come back on, do a summary and then all management will come back on together for the final Q&A session. Karen?

Karen King

Thanks. So we have breaks. You can see that are also built in throughout the day to visit our exhibit booths. You may have seen them when you walked in, they are down the hallway here, and then there is one with those one right across this deli area. So the display booths are -- they're really for you to get to know our products better. And we've got 5 different booths out there. We have 2 in our Vision Care business, we have 2 in our Surgical Care business and then one kind of extra special booth. The 2 in our Vision Care, we have one focused on our latest contact lens, our Dailies Total1. We have one focused on our dry eye family of products called SUSTAIN. And then in surgical, we have one focused on our AT-IOL, which are advanced technology intraocular lenses, used for cataract surgery. And then, we have a fourth booth that's based on our vitreoretinal technology. And then the last booth is kind of fun, it's more of a virtual reality. You put on glasses and you put on headphones and you feel like you're on the inside of an eye. So we do encourage you during the breaks to go visit the booths, it will help you get to know our products better.

So there is a couple of objectives we'd like you to take away today. The first is that we like you to really get to know the Alcon management team. And as Sameer said, the team will be around during the day. They'll be walking around during the lunch period. So please, again, take the time to get to know them. The second is that we really hope you leave today with a better understanding of our strategy, of our vision and that includes our financial goals as well. The fourth one is that we hope again you understand why we believe there are benefits to Alcon being a stand-alone company. And the last is, we've got a lot of Q&A session, so please ask your questions. And as you start to digest the information, if you have more questions, feel free to contact me, contact Sameer, anybody on his team. We're all here to help you.

So I'm going to move to the Safe Harbor. This presentation contains forward-looking statements that involves risk and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the eye care industry and our business and financial results.

Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements. Important factors that could cause our actual results to differ materially from those in our forward-looking statements are included in the Alcon Form 20-F registration statement, filed with the Securities and Exchange Commission and available on the SEC's website at www.sec.gov for information.

Any forward-looking statements made by us in this presentation speak only as of the date on which they're made. We're under no obligation to and expressly disclaim any obligation to update any forward-looking statements as a result of new information or future events or developments except as required by law.

There're also other legal disclaimers on this slide that I'd encourage you to read and understand.

And with that, I will turn it over to our esteemed Chairman-Designate, Mike Ball.

F. Michael Ball

Thanks, Karen, and thanks, Sameer. And good morning, everyone, welcome to Alcon's Capital Markets Day. So I think we have a very exciting agenda ahead for you. I hope you enjoy it. I thank you very much for coming.

For those of you who don't know me, I'm Mike Ball, the Chairman-Designate, and I'll give you a little bit of background on myself as well as my journey to Chairman-Designate.

Prior to joining Alcon, I spent 4.5 years as CEO of Hospira, which is the global leader in injectable pharmaceuticals and infusion pump medical devices. This was a major turnaround situation. We successfully turned the company around. I think, as you probably know, it was then acquired by Pfizer.

Prior to that, I spent 16 years at Allergan. The last 5 years as President of Allergan and again, as I think you know, it was one of the global leaders in eye care and esthetics and also a major growth company.

Now what I got out of those 2 companies was I discovered that I had a love of eye care, and I actually like turning companies around. And so you can imagine, it was slightly irresistible as the folks from Alcon approached me and asked me about the CEO position. Here we had Alcon, a leader in eye care in a challenging time and a time that required a turnaround.

Now, I knew a lot about Alcon because obviously, I've been a competitor to Alcon for many years. And in particular, I'd been a competitor of the Surgical Division. It was interesting when you get the perspective from a competitor's point of view.

So what do I think of Alcon, from a competitor's standpoint, great innovation, best service, best relationships, best training, best equipment and the list goes on. Alcon was a formidable competitor. But before I decided to join, I wanted to understand a little bit about what caused these challenging times. So I looked at the obvious things, right? So was it a new scary competitor, well, no, I looked across the competitive landscape and pretty much the same players I was familiar with. Perhaps, it was some new disruptive technology. But again, that didn't seem to be the case. The technology all seemed to be sound and actually in Alcon's favor. Perhaps, there was a major environmental shift that caused these challenging times. But again, looking at it, that didn't seem to be the case. When I looked deeper, it really seemed that the issues were caused from an internal standpoint. And of course, this was great news, because if issues come from an internal standpoint, one can get after those and fix them.

So in February of 2016, I decided to join as CEO of Alcon. Loved what I saw immediately inside the company, passionate people, deep expertise in eye care and from my standpoint, great products and technology. I also found lots of issues. So we went after those issues. We attacked them over the next couple of years to the point that we got the company turned around. And so then, in June of this year, Novartis announced that Alcon would be spun out as a separate company, and I moved to Chairman-Designate.

So today, what we're proposing to do then, we'll have the Alcon's executive leadership team or certain elements of it, describe what I think is a really exciting 5-year vision for Alcon going forward as a stand-alone company. I'm going to take the first 15 minutes and talk a little bit more about the turnaround we had and the progress we've made since 2015.

So first off, let's start with describing a little bit about Alcon. So Alcon is almost $7 billion in sales in 2017 and is, by far, the market leader in eye care medical devices. It plays in a approximately $23 billion market that's growing nicely at 4%. And the market growth is helped by some megatrends. Couple of these megatrends, the aging megatrend. The front edge of the baby boomers is just hitting the early 70s now, which is prime cataract surgery season.

Also, there is emerging markets where populations -- fast populations are now getting access to healthcare. And looking at cataract again, cataracts are a great bang for the buck. Because at the end of the day, when you do a cataract procedure, you're potentially saving someone from blindness. So great value there.

If we look at our participation in both the Surgical and Vision Care markets, we're #1 or #2 in every segment that we serve. So combined then with our size, our #1 size overall, this gives us great cross marketing opportunities. This gives us competitive advantage in going for inorganic technology opportunities. People want to partner with the biggest and the best company in a specific field. It also allows us to have the largest innovation budget and therefore, it should allow us to have the best innovation pipeline.

Also, with global scale comes global reach. And so we reach into a 140 countries around the world. And I think very importantly, we've had decades of experience and have critical mass in the big emerging brick marketplaces. So with this global infrastructure, we can add on a lot of sales to that without adding on more infrastructure or adding infrastructure at a lot slower rate than we're adding sales. And I think the leverage opportunity here are considerable.

When I look at the management team, we spent the last 2.5 years building up a management team. And what I did or what we did was we went outside of Alcon and looked for the best and brightest in the medical device and our formic industry, brought them in and combined them with the best and the brightest from Alcon. So what we're able to understand is a management team, I think, really has the trust and credibility of the employees and not only the employees, but also our customer base, which is very important. And very important to me, we brought in the right people and combined them with the right people to ensure that we have the right medical device culture as we move forward.

Now we're looking here at a spin, a new spin, but we're not exactly a new company. Alcon has been around for 70 years, sometimes as an independent company, sometimes as the Alcon Division of a larger company.

But we have a well-established 70-year track record and 70 years of trust with our customers, a great legacy of long-term thinking and a great history of innovation first throughout this industry.

So we are well known by our customer groups and have a great identity, and I dare say, if you ask people in this industry, Alcon is the #1 name in eye care.

So I believe we can build on these strengths as we move forward as a stand-alone company and also further these strengths as we evolve our medical device culture. And what do I mean by that? Well, there is stark differences in my opinion between medical device and pharmaceuticals. To the outside world, they may look very similar in healthcare, but I participated in both, and I can tell you there are very important differences between the two and how they act. A successful medical device company, a couple of instances here, in innovation. Innovation has got to be fast. It's got to be iterative. It's got to be customer informed versus the long cycle times of pharmaceuticals. The medical device business model demands that one be agile, quick decision making, customer centric, again, a very different model than the pharmaceutical model. There are other differences too, as it relates to supply chain, training, the importance of the depth of customer relationships. But all nets out to, there's real important differences here between the two entities, and we are moving rapidly to this medical device culture.

Now as I look at the past and think about coming in here as CEO in 2016, I think there's difference between medical device and pharmaceutical culture contributed to some of the issues I saw here at Alcon as I joined the company.

What you can see in front of you is essentially the turnaround plan we outlined early in 2016. And also in early 2016, I explained what the #1 objective was of this turnaround plan. And that was to get sales turned around and return to grow. Now what I also said is that the investment required in order to turn sales around and get them moving in the right direction would necessarily impact in a negative way core operating income margin. And at the drop of core operating income margin would be 2017. So all those of you who have looked at our financials and, sure enough, what you see is a depth in, in core operating margin in '16 and '17, but this was all part of the plan that we outlined at that time.

And I thought it was worth doing because as you look at Alcon and the potential of the company, you can see a path to long-term sustainable topline and bottom-line growth. And the leverage between topline and bottom line, I think, it's considerable and we'll contribute then to the financials you see on free cash flow. So I think a plan that was well conceived and well executed here. Now as we go to these specific points, our service levels needed to be enhanced and our execution sharpened, which we described here. So we attacked that and went after resolving the issues there. In the consumer business, one needs to invest in promotion. I didn't feel there was enough. We invested in more promotion. Also, our systems were not where they needed to be. We invested in SAP. As we looked at innovation, the innovation pipeline was not what I thought it needed to be, and so we invested both in our organic pipeline but importantly, in inorganic business develop moves as well.

Alcon, as I said, it had long history of great customer relationships. Feedback I got from some of the customers coming in the doors, we'd gone astray somehow so we worked to strengthen customer relationships. And as I mentioned before as well, we needed to establish and get back to this nimble medical device culture. And I felt with that moving forward that this would really motivate the employees and bring our morale up.

So what were the results? As we look at the Men we got market share stabilized. We've had 8 consecutive quarters of growth. And if you look at 2018s core operating margin, you can see that it is expanding versus the trough of 2017. Our service levels went up dramatically. Our innovation pipeline, I would describe as Rich and Franck will be talking about the innovation pipeline so you can decide for yourself.

We strengthen the infrastructure. And I think, importantly, our employee morale really came back. The voluntary turnover, which was rapidly increasing 2.5 years ago, I can say, completely reversed itself, and we now are at a 6-year low in terms of employee voluntary turnover. And feedback from the physicians is we have strengthened the company.

I still believe there is a lot that we -- sorry, I still believe that there is a lot we need to do in terms of moving forward in culture. In my view, people and culture are the most important things in an organization. I think that we've come a long way in terms of organizing this into a nimble company, into a company that is customer centric and my view is that this will continue to improve and move forward.

So where are we? I feel like the foundation has been strengthened as you look at this chart with 3 different phases then of where the company has been and where it's going. I've talked about the first phase where we essentially strengthened the foundation, did the right sharpening of the execution, made the appropriate investments and the right results have come out.

I also was really gratified to hear going to the American Academy of Ophthalmology and the European Society of Cataract and Refractive Surgery from our customers and they really had a similar refrain, which was Alcon is back. And that is the music to my ears, hearing the customers feel like Alcon is back.

So we'll be moving then into Phase II with a new and improved growth plan, with a new and presumably improved CEO, David Endicott. I've been very impressed, really impressed with what David has done at Alcon in his 2.5 years here. And also, he's done a great job at his prior 2 companies. I really look forward to his leadership and growth of Alcon as an independent organization with David Endicott as the helm. So David, you. Thank you.

David J. Endicott - *Novartis AG - CEO of Alcon*

Good morning, Azerbaijan. I appreciate everybody's time this morning. It's exciting to be here. The team's excited to be here. I want to start with 2 quick stories. One of them, coincidently, right here originates over the skies of Britain in the '40s.

There, over Moorefields there was a Dr. Harold Ridly who was taking shards of CANOPY out of the eyes of pilots when the flak was hitting the canopies of the planes. It would break and it would get into the eyes. One of the interesting observations at that time was that there was no inflammatory effect of that plastic. The plastic was called PMMA, Polymethyl methacrylate. The reason that's valuable is because that was the origin of the first intraocular lens for cataract surgery. Dr. Ridly went on to create that lens.

Second story, just quick fast forward to the '70s. A Russian doctor Fyodorov is doing free-hand surgery with a blade, really cutting from the optical zone out to the periphery of the cornea. He did that several times and what happened was, he would see as the cornea healed, it settled down and the optic curve jerk changed. That became the first radial keratotomy modern refractive surgery. Now why does that matter? Because Alcon has been beside ophthalmology since the mid-'40s.

We've been involved in almost everything that's gone on here. The cataract surgery, a big part of our business. Refractive surgery, a huge part of our business. But we've been doing that with customer informed innovation from the very beginning, and it is our expertise in that area. That's what's particularly unique to Alcon. So some of you may be skeptical about kind of where we are on a journey right now. I think it's been an interesting process for me to rediscover. I've been in ophthalmology since the late '80s, and I know a lot about the space. As I came and I was skeptical. I think one of the things that I really want to make sure you walk away with today, is a conviction that we have the people here, the products to get us over the hump and then the plan -- the financial plan really that can deliver. And I think, if we get that through today, that will be a terrific use of time. One of things I'm -- we're going to do is, we're going to redundantly cover, kind of, some of that same pattern. We're going to talk a little bit about our people. We're going to talk about products -- markets and products. We're going to talk about short term and then a little bit longer term. And then, we're also going to talk a little bit about how that translates into a financial plan. You'll see that double-click as we go through the day. That's pretty much the structure of the day.

All right, so let's get going. The interesting thing about this business is that Alcon is a product's company. It's always been a product's company. We started with very basic ideas, which is, let's listen to the ophthalmologist and let's create what they need and then let's help them work through those processes. But at its core, we're also doing something really remarkable. We're in the eye care business and that is something unique. Because about 80% of what you perceive through your senses, comes from your eyes. And so the value of creating products that improve vision is extraordinary and the effect it has on people is extraordinary.

So we often talk about, we change people's lives through extraordinary ideas of products that really do reconnect people. There -- people to their children, parents to their children, grandparents to their children, children to the world. It's a remarkable thing to go from not being able to see these functionally blind to take off a patch post-cataract surgery and see your family again. It's a remarkable thing we do.

So we connect that through a basic idea around we help people see better, because it's an important idea that kind of binds this whole group of us, there's 20,000 or so of Alcon folks together. And this is kind of at the core of what we do. So it's important. Now we simplify that a little bit, but really the strategy is pretty straightforward. We're trying to apply world-leading expertise in optics, in material science, in surface chemistry and in a series of technologies that ultimately allow us to assess technology and apply technology more efficiently than our competitors, that's really what we're doing. We win when we apply and understand those technologies through the markets. When they develop, we know when they're going to develop and how that looks. We accessed that risk well, all right. That's the idea. Then we put capital against it, we move quickly. And that's when Alcon is doing its best work and that's the strategy of the company, it always has been. It's been to leverage the expertise of the folks. So importantly, as we go through that, it matters that we got a management team that has deep ophthalmic experience and deep medical device experience.

So I mention this is about people, products and plan, I think it really is. I'll start with the first one because the management team itself is got a more than half of its entire career in ophthalmology. So you got -- folks like our manufacturing had Ed McGough who spent most of his career. You're not just in manufacturing, but in the field talking to customers and talking to suppliers and searching out technologies and bringing to bear a lot of application science into this thing that we do, which is product creation. We've got other folks on the list that have been experts in medical device or international expertise. Most of us have worked globally around the world in one place or another. And importantly, we also -- where we haven't had deep expertise, we brought it in. So you'll hear from Andy Pawson later. Andy is bringing a whole lot new consumer orientation to us, which bring us an expertise that is deep in a certain area for us.

Important that we bring those in, we continue to build on this, because this is the core of how we see, I mean, our competitive advantage. I would say that it's important to apply it because the markets are really exciting and they're far less developed, I think, then many of you might suspect. If you weigh the $23 billion market that we're participating as an established market. And yet, what we would say is that if you were to take all of the opportunities that exist to treat or prevent visual impairment, you'd probably have something far closer to $100 billion.

So there are a lot of opportunities out there to correct and change what's going on. It is far from a satisfied market, far from a mature market. There is a lot of room here, a lot of headroom. And that's why we get excited about a lot of the science going on behind, almost all of these disorders. Its people of all ages and governments understand this. What governments want to do is they want to create value. So if you're really trying to put where the bank for the buck is, what you really want to do is reintegrate someone who is blind so that their family can go back to work, and not have to care for them, so they can function on their own. That's big money value for people in emerging markets or for new money going into healthcare where it might not exist. And likewise, if you're thinking about how you improve your own quality life, just cash pay, consumer pay. The value that people place on being able to see in the morning when they get up, they can get the shower and look at their toes and they're -- they can see they're all set over there. That's a really big positive. Being able to take your contact lenses out, be able to go out and treat with the laser, have LASIK throw away your glasses. This notion of spectacle independence. Being able to not have to find those glasses wherever they were. It's a really important idea. And people spend their money on it because it's valuable.

So governments believe it, people believe it and I think it's important to know that there's a lot more market out there for us than the market we've participated in. Now look, there is a lot of different disorders that we can -- that can cause you problems that we can talk about. I'm not going to go through these next 2 slides during the deck, they're for your benefit. There's also a glossary in the back. We sometime bounce through acronyms that are a little bit handy to us, and we forget that we're using them so if we do something like that, hopefully, you'll find it at the back. The thing to say here is that there is a lot of stuff going on in the eye care business that is well developed in some ways, but with great opportunity. And if that spans a great deal of age, so no matter what age you are, you're probably dealing with your eyes.

So whether it's kids coming through with their first set of glasses or a teenager trying to work doing the cataracts -- sorry, into contacts or refractive needs that really span all kinds of things, including now, obviously, laser surgeries or whether it's more mature disorders that we kind of most commonly think about cataracts, et cetera or dry eyes, needs that developed as we age. There is a big market out there and there is always something that we're doing that's touching somebody at some point in their lives. So it's a really interesting and exciting market.

Let me just orient you to the way we define the market. So we talk about the market as a $23 billion market, growing about 4%. What we've done is we break our businesses into 2: the Surgical business, which you can kind of see there in that teal color; and then, the Vision Care business in the green color. And then we break it further down into product categories of implantable, consumables and equipment. And then similarly, in Vision Care, contact lenses in our ocular health business. The -- Andy and Michael will take you through more detail what's in those categories, what products are there. And we'll talk a little bit more about what's coming in those spaces. But they're good markets for us right now. They're almost all growing. And in some cases, for example, implantables, they're over indexing the market where we happen to have some advantages. So we see real opportunity here for solid underpinning of the market. And that underpinning, that is solid, comes because there is tremendous positives on 2 different fronts. One is, Mike nicely said, there's this cataract season or so if you get there. If you can get kind of into that 60s to 70s, you live long enough, you're going to get a cataract and going you're ultimately going to need to take it out. So there is an opportunity with you, with all of the markets as the world ages, to kind of advance the market and that is very Western to a certain degree. But we also see, on the other side of the world, this notion of myopic patients growing quite rapidly. Young people today, partly because of this phenomenon, are not exercising their eye and as you're developing as a child, usually that eye need to elongate and it usually comes from exercising distant vision, being outside, running and playing, doing stuff as if. But the more near vision work we do, the less developed the eye gets and as a consequence, there is an epidemic of myopia developing all over the world, particularly, however, in the Asian markets.

So we see a tremendous amount of demand for what's -- what are we going to do to treat these patients? How are they going to become ametropic? How they're going to get to be regular seeing, either with glasses or with laser or with something else. But there is a lot of demand growing even in the young folks right now.

Now if you combine that with the nature of technology changing, there is a tremendous amount of movement in technology right now. And then you combine it with the wealth of these developing markets. We see kind of continuous demand in a category that is really substantial. So exciting times for ophthalmology and optometry and a really big opportunity for us to continue to grow.

Alcon enjoys a very significant market position. We've been in this place for a while. In our Surgical business, we are a good bit bigger than our 2 very good competitors, Johnson & Johnson Eyes and B&L. And in Vision Care, we have a very neck-to-neck run with Johnson & Johnson. They do a little better in contact lenses than we do. We do a little better in eye drops than they do. So we -- combine that stuff together, we're pretty close. That's good fight. And then we worry a lot about our other competitors, CooperVision and B&L, who are very good players in this space and obviously, we're intrigued as to what's going on there.

But we view the world as, importantly strong positions in strong markets where we now are applying technology at a rate that gives us an optimistic view of what we can accomplish.

So as you think through that and I jump down one piece of this, these are market positions that I talked about are built on a variety of products. So one of the things that we get asked a lot is, is there that kind of $2 billion, $3 billion product out there, that's going to blow up the company if it goes the wrong direction. And the answer is no, not really. And we're built on a lot of little products actually. Some of these categories are large. So if you take implantables and you say, well there is a $1 billion of revenue for us in there, but we have ReSTOR and PanOptix and AcrySof, all different brands. We have within that all kinds of different kinds of those lenses. So we have a toric version, which treats astigmatism. We have a spherical version, which just treats for distance. And then we have a multifocal. It was a series of ideas -- and then we have with and without UV blocking. So it's an important distinction that we have lots of products within the families that really diversify the risk a little bit on terms of what we can accomplish in here.

So that's largely the case across, not just that, but if you think about our contact lens business, same idea. We have several brand families with several modalities, with several kinds of opportunities to sell, sustained in our OTC lines the same way. What that market position has allowed us is an ability to have a global reach and a footprint that is really substantial. You know, it's enabled us to develop this footprint that, ultimately, we believe we can leverage. And at the core of the plan that you are going to hear today, is a believe that we can drive revenue on an existing cost structure that we don't really have to grow our cost structure a whole bunch to drive revenue here, we can, with the investments we've made, continue to actually produce products, put that on top of the infrastructure we have and do well with it and get leverage to the bottom line, because today in 140 countries, we are participating with Optometry, with ophthalmology. We're in the surgeon's office, we're in eye clinics, we're kind of everywhere we need to be today to sell what we have and we have multiple sales forces doing that work. All right, we have a key accounts team reaching chains and distributors, and we've got more than 1,200 service engineers out there working on equipment. We've got another 200, 300 clinical applications specialists who train people on our equipment. And those are leverageable assets as we see them today. So more equipment goes in on top of that, we can do that, it's a really important idea because it gives us immediately leverageable assets that we think that we can build upon. We have a great footprint out there all over the world.

All right, so as we kind of wrap that together and we start talking about product, what are we going to bring to bear on this product flow that we're going to talk about. There's a couple of really important ideas here. We are in really good markets right now where, if we innovate into some of these markets, we're innovating into markets with tail winds. We're not trying to fight uphill here. All right, we're in a situation where we have deep expertise in eye care, which allows us to evaluate market technologies, efficiently and make better investment decisions. See we want -- we typically see things first, one of the valuable parts of having a footprint like this is that if you're thinking about commercializing an asset in eye care, you're going to come talk to us at some point all the way, sometimes early, and we're interested in early technology, sometimes a little bit the middle where you got real data or -- pretty good data and you're thinking about a big clinical trial, maybe you need resource for that. Or maybe you've got it all the way through and you're looking for commercialization help. We are -- in every one of those situations, we're in a really nice spot, and we see these technologies develop and we're involved in many of them along the way, so really works well for us to leverage that footprint. We have world-class development capabilities and investment capacity to bring new products to market efficiently. So if you've got something for us, we've got the capability that we're a tremendously effective development company and we use and apply those technologies that we see out there.

We also have a deep history with relationships. So if you really look one of the unique foundational ideas is for Alcon, we have been with these customers a long time. We have a compelling launch platform, so we think the trajectory of product flow, when you're trying to see about how fast can we move something from zero revenue to something, we can get up the curve quicker because we have deep relationships where people will try things for us, we have great reach, we have the ability to leverage that platform for compelling launches.

And then lastly, as I said we have a commercial manufacturing R&D footprint that is a globally scaled, again, I think we've got great leverage on that piece of it. So we bring those things to bear on product flow. And so as we see the world, we talk about product opportunities, and we've been talking about the world in these kind of phases, really this notion of horizons, where we have some immediate opportunities in the next couple of years, which we think are big opportunities they contribute about 80% of growth that's coming in the next couple of years. And what you see then is as we develop that we've got a whole lot of folks working on that next-generation of stuff, and we'll talk about both of those today and we'll move you through what that looks like.

But let me start with the kind of near term, these next kind of 18, 24 months and work you through what's going on there. Now, Andy and Michael are going to cover all the stuff in detail, I just want to highlight it for you. We have a really unique proposition in PanOptix, which is -- will be and the United States, at least, the first tri-focal in the United States market, we believe. So what that matters -- what matters is that it gives you distance vision, it gives you computer vision, if you will, something at about 60 centimeters and then it gives you near vision for reading, that's a very unique proposition for the United States markets. Now those products exist here in Europe, they exist in some of the other products around the world, but the penetration of multifocal lenses still remains significantly lower than what we think it will ultimately peak at. It's not possible for us to believe ultimately that some technology cannot be created, that we will drive technology penetration up to something that is significantly higher than where we are based on the value and the economics of that business. So we think there is a real interest here. We think there's lots of growth room to go, particularly with PanOptix. We've been surprised on retina over the last several years. One of the really exciting things in drug therapy has been the advancement of retinal drugs. That has opened up a whole bunch of diagnostic effort that's creating a significant awareness and procedural growth in many markets, where you're seeing now an increase amount of attention paid to what's going on in the peripheral retina, really important ideas because that's where you find tears and you find things that we fix. So in the Surgical business, there is a deep confluence of diabetes epidemic with technology and screening that's going on that brings us to a place where we think there's market growth in a really substantial way for the vitreous business for our Vit-Ret business.

And then our Vision Care business, we really think that the Dailies lenses are where the market's moving. I think where we are right now is about half the value is in Dailies anyway but it's continuing to move that way and we have the really interesting property here with our multifocal DT-1 or what we call Dailies Total 1.

And then last but not least, we are very interested in what we've got back into the dry eye area where we're seeing a real responsiveness to some of our efforts to create new kind of product one that makes it easier for patients to self-diagnose. So an interesting groups of products and we'll talk a little bit more about them.

As I said to you though if you pay attention to those 4 categories, more or less, you're going to find where most of the growth is. All right, so we've got a good solid base and I want to make sure -- you are going to hear from Michael in particular that our equipment base, which has a lot of dedicated consumables, is a very predictable kind of business. That is a really helpful piece because on top of that then we can begin to add these increments of growth, and we've got a nice mix of very profitable business with some growing drivers. All right, what that drives us do is if you think about this next phase. So if we can get through that phase we really believe we've got several opportunities in technology that could significantly change the shape of our growth trajectory. So when we look at it, what it means is we get the first couple of things here. For some time now, we've been investing in new contact lens material and surfaces and that work begins to mature in 2020 timeframe. So we're excited about that. Andy is going to talk a little bit about the first of those efforts but about comfort, think about increased acuity, think about value, those are all angles on which we think new technology can play and be valuable in the space.

In Intraocular lenses, we've developed the most compelling portfolio in this business. I think we have -- like we like say multiple shots on goal here, we probably have 5-or-so platforms of ideas that we think that will advance the advanced technology IOL space, which is really this presbyopia-correcting lens space, really important idea. That's where we think a lot of the money growth is going to come from and where we think the market moves to.

Lastly, we have several design changes. We have contact lens presbyopia ideas that are -- there are several that we have, that are new. We robotics and lasers for laser eye surgery. We've got a movement of data, which we believe ultimately is important, where we can move data from the clinic to the OR and back to the clinic to improve outcomes. And most importantly -- or not the least importantly, I should say is, we've got in our console business a new energy source and new ideas on how we do keep that very critical equipment platform fresh and new and way out in front of the market. So we feel like we've got a nice mix of portfolio that you're going to hear more about but importantly, what if -- I hope you walk away today with is the real sense that we've got tremendous long-term pipeline. Okay, what that allows us to do with that the pipeline is first we can expand markets like our advanced technology IOL. So I won't go through a ton of this, but I pointed out that the U.S. is penetrated about 14%, we don't think that's the peak of it. But, nonetheless, if you think about where the international markets are, there is growth opportunity here. Same things with the emerging markets, our contact lens penetration right now internationally is very low. Much lower than it ought to be relative to what some other markets look like. So the opportunity is can we close that gap, what's that look like, it's a pretty big gap.

Cataract surgery rates still lower internationally, we think there's market growth in there as well. And then when you look through where we could go for white space, diagnostics remains a really interesting space for us. We don't have a lot of value in there, there's probably $600-plus million dollars in that space. Consumer driven health products, again, Andy will talk a little bit about this. And myopia control is a really big idea, lots of people are working on it, everybody says they've got something for it, that's probably true but nothing really has jumped out yet. We're watching this space super closely, we will hopefully participate in it when we see something that can really win. But importantly, we see the space clearly as an opportunity, and we're looking carefully for how to participate. So lots of opportunities in what I would describe as markets and adjacencies. And then, not inconsequently, we think the business models of today are likely to change in that purchasing a procedure or an outcome as an endpoint that's a realistic idea for government to do. So if you look at what we could be providing, we have everything required for a cataract surgery, everything required for vitreoretinal surgery. We have most things required for most eye care procedures. So if you keep thinking about trying to package up and really take account of some government pressures, we have an opportunity to think about participating in a different way rather than just on an individual product-by-product basis, but rather how do we think about the whole procedure. And importantly, we can expand that idea and say look if you've got a digital capability, and we can move data from the clinic to the OR and back and then measure that outcome and report that back. It isn't beyond the realm of possibility that we can be competing on the basis of outcomes. So this is kind of outcome we'd expect, this is how we'd pay for it and if -- again, if you don't deliver that we'll work that out with you. All right, so importantly, it's a really interesting idea. And then Importantly also is this changing network of delivery of contact lenses. So, contact lenses becoming more and more consumerized, we see the channel shifting, we're wildly aware of it. What we are interested in seeing is how that settles down and how we participate in it, still keeping the optometrist or the fitter at the center of that, where we think the highest quality is because that quality fit matters to the duration of the patient's experience in lenses. So really important that we kind of work our way through that, but we're excited about the longer-term product flow and how that affects business solutions because we think we're well positioned to create some new business solutions.

All right, now let me pull that all together because I said it was about people and products and plan. What I want to talk about really is just the financial plan. So we believe we're positioned to grow mid-single digits on the top line. And it took us a couple of years to get back to market growth and then we're probably going to grow about market growth for the next 1.5, 2 years, we see as the product flow kicks, that accelerating in the back end of the plan but, importantly, we feel good about the whole plan kind of sitting at that kind of mid- to -- well, mid-single-digits place. What that does though is it delivers core operating income in the low to mid-'20s by 2023. And in other words, our plan basically is to invest behind the new product growth and then leverage our existing infrastructure to drive bottom line growth. That's the plan, it's very straightforward, all right?

Now, David will take you through more detail on it but let me just kind of give you the whys behind that. The fundamentals is we're not really asking for our sales to outgrow the market very much, we are asking to outgrow modestly. So if we grow the sales and we get SG&A improvement and leverage existing structure we get natural leverage on this. So the next piece is we've been focused on operational efficiency for a while. We started an SAP investment, which was very expensive for us, several years ago, we will in the course of this plan conclude that and we'll get, we believe, significant productivity gains from it as we begin to settle that in and really begin to refine the operating structure into something that we really feel like is appropriate for a device company our size. So as we go through that, we should see an ability to free up cash for other uses, now that's important to us. So we can then take a combination of other factors, if you think about it, we've got a higher mix of technology as we move through the new product flow that gives us a little bit of leverage on gross margin. And so you add that together with some pricing discipline and manufacturing productivity, and we see an ability to kind of work within our current cost structure adding revenue as a core driving leverage to the bottom lines. So that's the basics of the plan.

So we think that's reasonable, we think it's pretty straightforward. And I think, as we see this thing going forward, I want to set the stage today, which is really about convincing kind of the collective view that we have, which is we are in sizable markets that matter. We have strong market positions, we've got a unique expertise in eye care, and we have excellent line of sight to near and long product -- long-term product flow. So what we have then is there a straight-forward financial plan to leverage that to bottom line and we think we can execute that. So we're in really good place, I think, from where we've been to where we are now. That was kind of the original set up, which was why is this different today than it was three years ago. We think we've got the people, we think we've got the products and we think we've got the plan to get it done. So with that what I really want to do is invite Mike back up and we'll take some questions at this early stage, just to kind of get ourselves grounded. So Mike you want to join us back up. Thank you.

QUESTIONS AND ANSWERS

Karen King

We've got about 30 minutes for Q&A. Again just a reminder that we are going to be webcasting. (Operator Instructions) And also I would suggest, again, that you focus on this morning's presentation. I know it's a lot of financial people here, you want to get to the financials, but David will be going into that later in detail. So, again, try to focus your questions on this morning's presentations. Over here.

Marietta Eva Miemietz - *Primavenue Advisory Services Limited - Founder & Director*

Thank you very much. Marietta Miemietz with Primavenue. Just a question on the AT-IOLs. I mean I think you showed us a little penetration rates, and I think what's been hampering penetration in the last 10 years really, especially ex U.S., has been on the one hand reimbursement, because payers are basically just saying, you know, we are not paying anything towards that but we are paying the full price of the normal lens. And the second thing is I think you know your predecessors have pointed out is physician confidence because, unless you really know what you're doing, the patient's vision could actually end up worse than before. So I was just wondering how fast you think these issues are potentially going to be resolved and what is going to drive the growth of the AT-IOL's in the interim. I mean, is this a question of like you know the next three years or is this going to be another 10 to 20 years before we see a real paradigm shift?

David J. Endicott - *Novartis AG - CEO of Alcon*

So, interestingly, we've seen a small -- I would say, a small gathering of momentum over the last couple of years as PanOptix has come out and I think Symfony helped a little bit as well. I do think that there's two parts to that question. One is technology has kept I think the surgeons a little bit uncomfortable there. There has been historically a little bit of halo and glare and if you didn't screen well for that or you didn't know how to handle that, it -- there are technical aspects to this that, you know, you're competing -- when you're competing with a mono-focal outcome where you're pretty certain what you're going to get, you better be good at this. And so it is, without a doubt, part of the market that I think has -- had adopted it in the near term were the best surgeons who were the best at describing this and who knew how to manage these outcomes. That's changed a little bit and I think it will continue to change and what I would describe is a relatively steady state. I think Michael will have a view on this as well and you should probably re-ask the question then, but I think the fundamentals on this are the technology is getting better, the business model for it is getting better understood by the surgeons and how to manage patients and I think the governments are largely, around the world, beginning to allow patients to co-pay for this so to the first part of the question, remember that in some markets you can't co-pay and it's just you get what the government gives you. In many markets, but particularly the emerging markets, it's really a cash market payment phenomena. In the U.S. it's a co-pay where you can add up and top up. So we think there's plenty of market financially for a solution for presbyopia, we think there's lot of market for that. Whether or not the technologies and training get there at what pace, which I think is underlying your question, hard to know precisely, but I think it's a steady growth and then maybe up -- on the up just recently as well. So I think we would look forward to the PanOptix launch as helping us understand how that looks.

F. Michael Ball

Yes. To build on that comment, you'll see in Michael and Franck's presentation, just the evolution, as David said, of technology. So as it evolves I believe the AT-IOL penetration rate will increase.

Karen King

Back here, in the back. Yes.

Unidentified Analyst

It's [Chris Gradlow] with Crédit Suisse. I have a question regarding the thought process between splitting up drug and devices, for example, if you look wet AND, you know, no, you have no surgeons or no doctors that basically treat some modalities would also be of interest to you or there is substantial distribution synergies? Could you maybe elaborate on you know what was now kind of the thought process between the split and how you see that going forward especially whether you would want to get re-involved potentially in that space?

David J. Endicott - *Novartis AG - CEO of Alcon*

Well, let me take part of it and you take part of it.

F. Michael Ball

Yes, sure.

David J. Endicott - *Novartis AG - CEO of Alcon*

On the first bit of that I think we have a lot to do in device right now so we don't really envision getting in to the pharmaceutical space anytime soon. I think what's really happening -- we are in it now just a little bit already just around the surgical space and some -- I think in the vitreal space where you're describing there is really -- to do biologics and biologics research to be competitive in that is outside of our capability right now and I think we wouldn't entertain getting into that kind of an idea at this point. There is a customer overlap to your point, which is that some of the retina surgeons are also involved in injectables in the back of the eye. We didn't call on them with the same rep in the past anyway so it's probably a commercially kind of independent idea. Most importantly is the R&D side of it behind that is -- that lacks any real synergy and is a real difference in the way in which you'd approach them. Difference in the timeline of development, difference in the scale of the investment required so I think we feel like we've got a lot to do right now in the pure Surgical business in the pure Vision Care business, which is going to give us plenty of opportunities in the near term. So that would be a low priority and a long-term change, and don't see it happening anytime soon.

F. Michael Ball

Yes, I would support that. I mean, I said it in my presentation the differences between Pharma and med device are really profound, along the lines of what David said here. In a prior life, in an ophthalmic company we split out the surgical and the med device portions of the business, spun out the med device. Both businesses did better because both businesses, I felt, benefited from focus on that particular business. And getting into things like AMD, drugs is a totally different proposition than where we're going to live.

Karen King

Okay, back here in the yellow, yes.

Veronika Dubajova - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Veronika Dubajova here from Goldman Sachs. I have two questions please. My first one is on M&A and if you look at that especially that medium term growth plan that you have beyond 2020, to what extent do you need to carry out acquisitions or partnerships to access some of those growth opportunities and adjacencies. And if you can maybe comment on Alcon's historical track record in the space, especially under your tenure, that would be great?

And then my second question is I've noticed in your management overview there are still 2 positions in the senior leadership that you are looking to appoint, so any thoughts on how quickly you might get to a finished management team, that would be helpful?

David J. Endicott - *Novartis AG - CEO of Alcon*

On the first one, I think the plan that we propose here today does not include any business development activity that we are not absolutely certain of right now. So there's no placeholder, if you will, for revenue associated with some deals, some later on. We do have a lot of stuff going on, we have- you know, it kind of cycles in and out over time and we have invested in BD in various ways, sometimes small ways, sometimes more acquisitive ways, but I think the idea is that would be an augmenting idea to this particular plan, as opposed to something that is required for the plan. And I think the -- and I think we feel good about our track record in that area, I think we've come to a place where we feel like we know enough about the technologies right now and we've seen them enough that particularly in the IOL space we've gone from having very little that we had much control over to having a nice combination of things that we've developed organically and things that could augment that if they were to mature correctly. So we feel good about that and I think our track record on it has been pretty good.

The other piece on management, we have a couple of roles we've been restructuring to kind of get us prepared for driving a lot of focus around the innovation agenda in particular. So Michael's taken on a new role, that freed up his job. We'll fill that, I would think, in the next few months. And then on the other side we did a similar thing in that we created another space with our international business for our European president, we'll fill that shortly as well.

Karen King

I think over here, yes, thank you.

Ian Douglas-Pennant - *UBS Investment Bank, Research Division - Director and Analyst*

Thanks very much, yes, it's Ian Douglas-Pennant at UBS. So firstly, on your charges before you said gross margin improvement due to favorable product mix. Could expand on that a little bit? My understanding is you've actually got some products mix headwinds?

And secondly, if you don't mind me commenting, your accents on Swiss. Is this a Swiss company or is this an American company? And could you elaborate on functionally what that means?

David J. Endicott - *Novartis AG - CEO of Alcon*

It's a Swiss company, we're headquartered in Geneva and many of us will be residing there.

I think the AT-IOL business is really where we think a lot of the mix shift comes from, and this is very high margin business for us. PanOptix is a high-margin product so are many of our other IOL pieces. We have -- on a business by business places our Vision Care business also has some very high margin products, it has a little bit of headwinds to maybe you're hinting at around some of our Dailies transition but I would say on the eye drop side of the business we actually enjoy nice margins there, so we're getting some lift on the mix as that positive revenue growth we enjoy. So I think that there's kind of enough of high-margin stuff in high growth product areas that I think we we're going to do pretty well there and I think you'll see also some productivity gains as it says on that particular slide.

Karen King

Other questions over here.

Yi-Dan Wang - *Deutsche Bank AG, Research Division - Research Analyst*

Yi-Dan Wang from Deutsche Bank. Can you comment on the synergies between Surgical and Vision Care in terms of operations, R&D and sales and marketing distribution?

And then the second question is on the bigger market that you aspire to, the $104 billion of opportunity versus the $23 billion that you're currently in, you know, how much of that additional opportunity is near-, mid- and longer-term? And why?

David J. Endicott - *Novartis AG - CEO of Alcon*

On the synergy start. I think one of the things that is not really necessarily well understood by everybody is that how overlapped the R&D efforts are. We've learned a lot from our Vision Care business, for example, in our automated manufacturing around making intra-ocular lenses. We make billions of lenses on the contact lens side, we have tremendous skills in automated engineering and we've applied that now to improve our cost of goods on our intra-ocular lenses, that's just one idea. But material science the basic materials that are going in and on the eye are very overlapped, the surface chemistries are also important, the optical designs much of the optical designs of some of our new lens have been -- we would say generously stolen from our IOL colleagues to kind of bring those over and begin to think about how do we refract light and how do we measure that. A lot of technologies in quality control are also the same in terms of how we do it. So there's a tremendous back-end leverage between what is call -- I'll just call the lens business, broadly. And then there's front-end leverage on almost all of this because as you look around the world and you see what's happening, there's a bolus of people who are coming in for surgery and that is occupying the ophthalmic surgery community quite substantially, that's leaving primary care with a gap and what's happening really is optometry and other eye care professionals are beginning to fill that void, so you kind of have to think in the long term about where does eye care really go. It's really a blend of specialists doing basic eye care, so we think on the front-end at the customer level there's -- in the U.S. there's a bunch of private equity groups buying up groups and putting them together. In China, there really isn't an optometric group, there's a developing group of technologists who are importantly going to take care of a lot of this primary care, so there's an evolving customer base that is going to change and mix. We think that's again a real synergy for us as we look to market to them.

You had a second point, and I forgot was that what is was.

F. Michael Ball

$104 billion.

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, $104 million (sic) [$104 billion]. Well, it's a little bit more long-term, for sure, I mean it's aspirational just to be balanced about all of that. We see the market potentials as if you could cure, if you could treat all of these things and part of it's access, part of it's getting to it because there's a lot out there in the emerging markets, which we think will take some time to get to. But importantly, too, it's technology-related and we need to find technologies that have the effects that we want and we -- I think the biggest one and we talk a lot about is this growing myopia epidemic, we know something has to happen there with the that's treating it or whether that's preventing it, lots of people are trying different ideas. We spend a lot of time thinking about it.

F. Michael Ball

Another area we've talked about in the past is presbyopia. You know, I still haven't found the person who likes wearing reading glasses yet. I've looked all over the world and no one seems to. And so what you'll hear in a couple of presentations is us going after that presbyopic market. One of the things this industry hasn't done particularly well, and this company in particular hasn't done particularly well, is reach out to consumers and talk about the options for consumers to address these issues. There's many different ways to address presbyopia and yet I'm constantly amazed that a lot of my friends just have no idea when I talk to them about, why don't I need to wear reading glasses. They're like, it must be magic somehow, no it's not. It's Alcon magic, but it's not real magic.

Karen King

Other questions. Scott?

Scott Bardo - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Scott Bardo from Berenberg Bank. So I think Alcon has been integrated within the board of Novartis for the last 10 years and now the spin-out is proceeding at pace. So I guess the question to you is how confident are you that the spin-out is seamless and there's the correct investments, functional investments, back office, so on, so forth so that it's not disruptive, there's no big holding costs?

David J. Endicott - *Novartis AG - CEO of Alcon*

Operationally one of the advantages of having thought about this for a little while is that we've had some time to plan and we've had some time to really begin to start the separation processes. So those are well underway and on track. I feel like we've got right now is -- you know, there's always going to be some bumps in the road as you separate things and learn your through it. But we've got a -- some time to kind of do that. We'll do a trial separation, so to speak, in -- starting in January so we've got some time to feel through what's working, what's not, correct what needs to be corrected. I think as of today we feel like we're on track and I can't see anything necessarily that we'd point to and go wow that's a big danger. But what keeps me up at night, I often get asked, is the amount of systems work, there is a lot of it, as you might imagine. And we simultaneously are doing this enterprise system upgrade so we're putting in SAP right now, that is a major, major process change for a bunch of our facilities and countries. So, you kind of -- I think it's the sheer magnitude of what's going on than any one thing but it is -- I think, at this point, we're keeping very close track of it and feel like we're on track.

Karen King

Other questions? Over here.

Unidentified Analyst

Being a Swiss company -- withholding tax in Switzerland is very high, can you talk about what your views with dividends or share buybacks? And what you'll be doing to your cash flow?

David J. Endicott - *Novartis AG - CEO of Alcon*

Okay, so I think we'll let David talk a little bit more about it later on. You know, our intention right now is to pay a small dividend at the beginning on 20 -- for 19, which is ten percent. We'll obviously have a new board at that point in time and we'll decide kind of going forward how that changes or doesn't change, but importantly, we intend to pay dividend.

Karen King

Other questions? Right here.

Unidentified Analyst

Good morning, when Alcon went public, previously, about 15 years ago, pharmaceuticals was a big part of the business and obviously you've been owned by a pharma company the last several years. Do you see any synergies on the R&D side with keeping some sort of foot in pharma development for ophthalmology or is this really just a much more medical device-focused company from here on out?

David J. Endicott - *Novartis AG - CEO of Alcon*

It really is much more a medical device-focused company that -- kind of as a direct answer. I think we separated out the pharmaceutical development capabilities and have consolidated them with the Novartis Group in, largely I think, in New Jersey. So even in terms of capability right now I think we've largely separated that. So our intention at this point, is to be good at device and there's a lot to be good at so we feel like there's a lot to do.

Karen King

Other questions? In the back here, please.

Unidentified Analyst

[Oyo Gupto, Padinex Management]. Just wondered you mentioned you have the vision to compete on outcomes one day. How far are you away from that and what are the missing pieces really to have a full range? Do you need to make more efforts on digitalizations or maybe is that in the area with -- for M&A or ambitions?

David J. Endicott - *Novartis AG - CEO of Alcon*

Well, I'll leave that for Michael, a little bit, because I know he's going to talk a little bit about it. Let me give you a high level answer on it, which is today we can move the data pretty efficiently. Technically, there's not a ton -- there's not a lot new we need to do to actually compete on outcomes if we wanted to. It is implementation in the myriad of locations, which is the hardest part of this, which is how do we get all of the sites up and running and how do you actually move data amongst them in a HIPAA-compliant way, in a cyber-secure way and all of those details. Again, we've got a relationship today with Philips and Amazon to do cloud work around this, which I think has been really helpful to us and learning our way through this but we're pretty far down the path. Again there also has to be on the other side of this a customer who understands what you're selling to them and wants to buy it that way. So again the -- most governments are a little bit compartmentalized right now and so we're -- again we imagine this as a long-term idea, but one that I think is very real in terms of its ability if we -- if people want to buy it that way. What we may find is that some of the private centers do it first. The government comes along later, just because they'll be a more natural purchaser.

Karen King

At the very back here.

Jo Walton - *Crédit Suisse AG, Research Division - MD*

Jo Walton, Crédit Suisse. Apologies for going back to the pharmaceutical aspect again, but I'm not going to the really high tech but Novartis has some eye drops for presbyopia, I wondered whether you know -- in development whether that would be something that you might be interested in selling? And I notice when I go on holiday in Continental Europe, when I go to pharmacies there's all sorts of Alcon branded basic eye medications. So nothing too fancy but I'm assuming that they stay with you rather than go back to Novartis? And would you be interested in developing that a little bit more into things perhaps more like glaucoma, sort of the lower tech stuff rather than the super fancy biologics?

David J. Endicott - *Novartis AG - CEO of Alcon*

Right. So on the eyedrops business, what we call the eyedrops probably, which is really dry eye products, allergy products, perhaps and some red-eye stuff, we have that business now and we'll continue to build that business. Andy will talk a little bit about that. So we intend to stay in it and we think there's some really interesting opportunities there not the least of which is you'll hear us talk about self diagnosis. There's a lot of people that go to the shelf and decide for themselves what they're going to buy, because they're self-medicating. It's a heavy pollen day or it's a heavy pollution day or you're just getting a little bit older and you feel like the eyes are getting a little scratchy so you want something. Lots of people do that on their own, we're participating in that now. We'll continue to do that. In the more pharmaceutical-oriented stuff, again, I would go back to the same point, which is, honestly, right now, we don't have the capacity for it or the capability for it, and we have a lot of other things we're working on so it's not a priority for us.

Karen King

Over here.

Daniel Buchta - *Bank Vontobel AG, Research Division - Research Analyst*

Daniel Buchta, from Vontobel. Two questions if I may. The first one on -- you mentioned the different phases you went through Alcon. What has this, has changed or makes it easier to reach these steps when being a separate company compared being in a Novartis environment? So actually what can you do different or better now? And the second one in New York, at that stage, you mentioned that you have around about 100 products in the pipeline with 30 of them or more being in the near stage. Can you give us a flavor of what that actually means and probability weighted revenue potential and things like that?

David J. Endicott - *Novartis AG - CEO of Alcon*

I'm gonna punt the second one to Franck's presentation, because he's going to talk about products pretty well and then let me try that. The first one a little bit. I think, the -- what we -- -- the observations that, I think, Mike made early on and you should comment more directly on them was in particular our product flow, our design of how we do and bring and develop products and device was -- should be different than the drug development programs, and to a large degree, we were harmonizing processes and systems. I think, the fundamental difference between what we'll do at day one of spin versus before that is we're more like a device company. We'll be a little bit faster and we'll do a certain amount of work that is just done differently where decision-making is on a different timescale and on a different set of data, because we don't -- the risks are different and the nature of the products are different. So I think, fundamentally it's about product flow but again, there a lot of other things that, I think, will likely speed us up relative to where we are.

Unidentified Company Representative

I've said it before, I was amazed, again, in the prior life in a pharma company, where we split out pharma and medical device and (inaudible) the medical device business just what focus can bring you. And so I think just being able to get focus down on medical device and having a medical device feel to the company, it is much more short cycle time, quick decision-making, because it has to be. There's decisions required every single day that are profoundly different than what you find in a pharmaceutical company so it's just a different sense and a different feel. And I think the company needs to move at a different rate and I think that's the advantage of being a stand-alone company.

Karen King

Over here, please.

Unidentified Analyst

[Phen Go] at RBC Global Asset Management. I was wondering, did you have any positive learnings from your time being at Novartis going forward in terms of what you think, positive things that you could take as a stronger company? Secondly, what do you think might positively surprise us over the next 5 years? What do you think, maybe, we might be missing and in 5 years time, what does success look like for Alcon?

Unidentified Company Representative

Well, in terms of Novartis, I mean, I've met wonderful people there, a lot of them are at the back of the room. But I also was extremely impressed with the R&D process at Novartis. So you know as you look at the success of the company in the research and development, granted medical device research and development is different, but I think it does bring to the fore just how important innovation is to both pharma and med device so that was a big learning -- not necessarily big learning but I think Novartis, really practiced that in state. So I was very impressed there. And David...

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, I think, I'd evidence RTH on that one. I think they've done a fabulous job with something that is very complicated, very important product, probably adding capabilities that Alcon didn't have back in during the acquisition. I think, the kind of the biggest surprise is I don't known what the biggest surprise on the upside is. We're going to try and be predictable and try and keep you kind of in here, which is, we've baked everything in we're confident of into this plan. I think, we're going to continue look for breakout opportunities but as they come up to us we're going to give them right to you so you'll have a sense of what they look like. I feel like the plan right now is pretty solid and we get to a nice mid-single digits growth and getting good leverage on the bottom, which, I think, is a pretty nice place to be 5 years from now. In a perfect world, I would imagine we've moved [80] I will share a significant amount. I'd love to see that. I think, that's the right thing to do. I think, it's right for patients. I think we can do a lot with the contact lens area as well, there's interesting opportunities, which are both near-term and long-term. I think, those are exciting ideas. The other one I would just say is emerging markets continues to be and again we've pointed all these out. You'll hear more about all of them today. But emerging markets is really exciting. I think we should be bigger than we are there even though we're probably the biggest out there in eye care. But we can be bigger and there's a lot of market out there.

Karen King

So we just have a few minutes left. Any other questions -- over here, please?

Stefan Schneider - *Bank Vontobel AG, Research Division - Head of Life Sciences Team & Pharmaceutical Analyst*

Stefan Schneider, Vontobel. You just outlined your growth over the next few years, year-by-year. Could you also do the same for how you think that the core operating margin would expand during the time, to the goals you indicated?

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, we haven't given guidance to kind of on the trajectory itself. I think, what we have said is that 2019 will be accretive to 2018 and we expect to get to the mid-low to mid-'20s. I think, part of the thing to watch with us is how does the revenue flow. So look our interest is in trying to make sure that we generate revenue growth and then in the near frame we have a high interest in making sure that we continue to invest in the business. So even if we were able to continue to put more to the bottom line we'd have to make choices around that. And I think, we've kind of connected to, which is how we do and what are our near-term product opportunities or investment opportunities around product launches that could generate long-term growth. So our long-term principle is going to be predictable growth, with predictable bottom line effort and we're going to get to a long-term sustainable growth idea. So I would just say that in the near term, we intend to kind of be as described.

Karen King

There can be one more, actually. Can we have one more other question? Okay.

Unidentified Analyst

Can you discuss the management -- long-term management incentive plan that you have put in place for the independent company?

Unidentified Company Representative

Yes, sure. So we are establishing 1 and so we'll have the traditional short-term and long-term incentive to still stay with it. It's premature to talk about the specifics associated with it. We'll be talking with the Board of Directors of Alcon about what the exact components of that would be but then again it will be short and probably heavily weighted with long-term incentives versus short-term incentives, but really looking for the ideas as David said how do we get this to long-term sustainable growth. It's always been, I think, the magic, if you will, behind Alcon, its 70-year history. I want to make sure that we have that long-term orientation but still delivering short-term results.

Karen King

Okay. So we're going to break for about 15 to 20 minutes. Please take the opportunity to visit the booth, it's a great way for you to get to know our products and then we'll bring you back in here for the second part of the morning. Thank you.

(Break)

PRESENTATION

Karen King

Okay. So we are going to move into the second part of the morning. We are going to start out with Michael Onuscheck. Michael's going to cover the Surgical business, and then he's going to pass it to Andy Pawson, whose going to do a deep dive into Vision Care. So with that, I'd like to introduce Michael.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Well, good morning. We've just met, may be, but I'm going to ask you to trust me, just for one second. I'm going to ask you all to close your eyes right now. We're not -- see, I knew this would get your attention, right? Now I want you to imagine your commute to this event today. Imagine how you would have done that if you were visually impaired.

How would you have negotiated the commute? Through the train station, once you exited, how you would get around on the streets? Tell me how many of you would have been hit by one of those bicyclist in this town, right? Go ahead, now you can open your eyes. I appreciate you playing along with me. But the reality of what we do at Alcon is actually to restore people's vision. The Surgical business in particular is the foundation of that restoration. My name is Michael Onuscheck, I'm the President of the Global Business & Innovation. I have spent 26 years of my career in medical device. I would say the first 1/3 of my career was in commercialization, sales and sales management and start up medical device companies. The second portion of my career was actually in driving innovation at a start-up where we build a cochlear implant to restore hearing for the deaf, a spinal cord stimulator for intractable pain and a deep brain simulator, we have actually sold that company to Boston Scientific. And then the third part of my career was actually in leading at global businesses. So I actually lived in Paris although, I'm not French, as you can tell, I'm also not Swiss. But I -- we lived in Paris for 4 years, Iran, Europe and Middle East, Africa and Russia for Boston Scientific, and I turned that business around for Boston Scientific during the height of the economic crisis here in Europe, so I understand the European markets quite well. I understand the payment systems very well, and I was recruited about 3.5 years ago from Novartis and Alcon to help turn around the Surgical business, so super excited to be here. I want to thank you all for being here. It's great to see the number of people who are interested in this asset. Today, I'm going to break this presentation down into 3 sections: The first is the market and how does Alcon play in that market. The second will actually be the near-term growth drivers, which David spoke a little bit about, but I'll get into more detail in, and then I'm going to talk a lot about where we are taking this, what is our innovation pipeline look like and what does the long-term success of this do? If you remember nothing else from my presentation you need to remember these 2 things: Our core equipment and consumables business enables us to invest and drive our AT-IOL and vitreoretinal businesses.

Let me say that again. Our core equipment and consumables business enables us to invest in our AT-IOL and vitreoretinal businesses. Those are the growth drivers both of the top line and it will improve our margins. So let me jump in here and talk about what is Alcon, what is Alcon surgical? Why should you believe that this is the right company to be investing in, in surgical ophthalmology. Well, if we look at this slide, Alcon has been at the foundation of surgical innovation in this space for decades. We have improved these procedures, making them safer, faster and more effective, which lowers the overall cost of care for these patients and improves outcomes. If we look at this time line and you look at some of the things that we introduced, the introduction of the AcrySof material, which is still used today was the foundation of IOLs in this industry. Today, we also enjoy the fact that we know how to control the pressure inside of the eye, while we're evacuating either a cataract lens or the vitreous from the back of the eye. And because of our fluid management systems, we've been able to win the trust of all the surgeons around the world. If we look at the market, it's a $9 billion surgical market. Alcon owns $3.7 billion of that, our largest competitors are B&L, Johnson & Johnson and ZEISS, but when we come to Europe, we have 50 other competitors, right? The European market is very different than the rest of the world. As we think about this, David described we break the market down in to implantables which are IOLs, tubes and shunts for glaucoma; consumables, which is everything that is used during the procedure that does not remain with the patient and then the equipment that drives all of this. If we look at -- we believe this is a 4% growth CAGR over the course of the next 5 years, and we believe that we have right to win in this space. So as we look at this space and we start to talk about it, right? The equipment segment here is a $2 billion segment, this is where Alcon has its greater strength, I'll talk a little bit about that in the next couple of slides, why that's important? With that, every procedure has consumables and so we are in a unique business where there's a chronic use of new materials for every patient to improve safety for those patients so that we don't wind up with adverse events or infections, and then there is an implantable devices left behind, which is $3 billion market. If you look at the Alcon business, the foundation of that business is actually the equipment business. When we talk to surgeons, the most important thing that we deliver them are the tools that they use in the operating room. Having a reliable system that can perform day in and day out appropriately is the foundation of their trust of any company. If you look at the number of pieces of equipment that we actually offer, we can offer a piece of equipment for every level of performance that a customer wants and every segmented price point on which they would want to use a piece of equipment. That gives us the right to then win the consumables that come with those procedures and then finally, we have the opportunity to earn their business in the IOL categories or in the shunt categories. If you look at us globally, we are #1 in all of these categories but that was earned trust over time. So how did we earn that trust? Well, you saw from David's presentation, we have leadership in this industry because we have a long-standing relationship with these clinicians. Many of them were trained and educated in our classrooms. And we work with them as they went through their residencies and their fellowships, that's really the foundation of what we do. But we learn from them across time in terms of what's important to them and how do we continue to drive and elevate their performance. They've told us what they need, so we went out and we developed a portfolio of products that meets their needs. We brought in place the best-in-class equipment, which is an internal competency that we have in research and development, and then we put together a business proposition for them so that they can afford to give their patients the best care no matter where they are in the world. So if the foundation of our business is equipment. Let me share with you what the equipment looks like for us. So if you draw your attention to the top-left corner of this slide, this is the Phaco piece of equipment. Phaco is an ultrasound mechanism for removing a cataract lens. We are on our seventh generation of development, very different than in Pharmaceuticals where you are going to have a breakthrough technology. These are iterations of this technology, which improve the performance of these systems. I would say that we're either early-stage or mid-cycle launch of this material or this new platform called Centurion. You'll hear about the Centurion platform quite a bit. Globally, we have 52% market share, 52%. We are in the largest centers in the world, which means that our pack share is actually higher than 52%. The majority of the world's volume goes through one of our systems. The second thing that we are going to talk about is the vitreoretinal platform and hopefully, you take a little bit of time to walk out there to the booth and you'll get to see some of the technologies that we're delivering in vitreoretinal, but we are on our third-generation system in vitreoretinal, and that platform is called Constellation, and globally, we have 48% share in the vitreoretinal market. Again, we are in the largest institutions in the world so our share in packs in vitreoretinal is higher than our share in our current equipment platforms. And finally, we are in laser refractive surgery. Third-generation laser systems, which are used for LASIK procedure. We're in the process of launching some new planning softwares around the world, which actually improve this procedure from where we've been last year, because of the success of our Excimer laser we've now take a #1 share in the laser refractive market. Now our strength in equipment is given us the platform to win in consumables and the thing that you need to understand is that each one of those platforms has a consumable, which is dedicated to the piece of equipment. There is a fluid management system for both our Centurion device and our Constellation device. And we have patient interfaces that go to things like our femtosecond laser for cataract or our refractive suite. 40% of our consumables revenue is dedicated to our equipment. So the strength and equipment gives us the right to win the consumables business, which is the foundation of what we do. If you go into a procedure and you actually watch a cataract or a vitreoretinal procedure, you'll see a bunch of consumable products within that procedure, which we kit up into what we call a Custom-Pak. Embedded in that Custom-Pak is a consumable product, which is tied back to the piece of equipment. The value proposition is we can acquire all of these consumables at a lower price point and package them up for you than if you are an individual teaching hospital or an institution and you're trying to procure all of the stuff on your own. We then deliver you that solution into a grocery basket of tools and performance needs for your materials that allow you to do the procedures more efficiently. There is a Custom-Pak out there. If you watch the video, you can watch a scrub nurse without having to go, pull 50 different things for the procedure. Pull 1 pack, open it up, sterile field is there for you, everything is in that kit, you are ready to go. It's a tremendous advantage for us. So all of these things that we do, we've done with the customer in mind. So last year, we did a survey and we went out to all the customers, not all of them, we went out to 1,299 customers across 13 markets. Many of those markets are represented here. Those markets represent 80% of our revenue. I don't show you this slide to kind of pound our chest. We are #1 in almost every one of those categories on the left-hand side. I show you this to give you confidence that our customers trust us. Now on this slide, there are actually a few places where we've slipped to #2, Germany and in France. And if you look at our efforts that we're applying to the European, the Western European markets, it's really about we have lost some of our sales associates a few years ago, it's rebuilding the confidence of our sales organization, rebuilding our confidence with our customers. So we do these surveys to really understand where do we need to focus, and how we're going to drive our business as we go forward. So now let me drop into the near-term growth drivers of the organization. So both David and Mike talked about where we're taking advanced technology IOLs, and what is that going to do for our business? I'll double-click on that in a second. And then vitreoretinal is an opportunity for us to continue to grow. If you think about the Alcon historic management team, they grew up in the cataract business. So they always invested heavily in cataract, you have somebody that comes from the outside and they look at the business and they say, well, wait a minute, this organic vitreoretinal business is underserved around the world. If you have a retina problem, the chances of you going blind if you don't have procedure within a day or 2 is unbelievably high. We need to spend time training and educating physicians around the world in terms of how they manage these patients, and it looks like a fantastic opportunity for us to shift resources into a new growth category. So let's get into it a little bit. I have been very impressed by how much investors understand about this business. If you look at IOLs, IOLs is a $3 billion market today. We have about 31% global share, we compete, again, with Johnson & Johnson, B&L and ZEISS. If you think about monofocals, so these are the lenses that give you good distance but they, oftentimes, don't give you an intermediate or near that well, this is the category in which most governments reimburse for. 92% of the global volume of procedures goes through this category. And it generates 70% of that $3 billion market. As we move up, as you go to astigmatism-correcting lenses, which we call torics, those are about to 2 to 3 to 4x more expensive than a monofocal lens, they're harder to actually implant because you have to be able to rotate the lens onto an axis to give crisp vision. There is greater workup time there, there is greater interoperative time there, and then when you move up into the presbyopia-correcting lenses, the multifocal lenses, those are the ones that you can get distance intermediate and near and then imagine, you may also have to deal with toricity. So if you don't get the toric in the perfect place no matter how good the near vision could be, if you don't have the toric in the right angle, you're going to wind up with an outcome that the patient doesn't really like. 8% of the global volume goes through this category but it generates 30% of the value that's created in this market place. So we believe that we can move people up into these categories to help them get the best outcomes possible. We've launched the new PanOptix device, and Europe is obviously one of the first places in the world that has been able to get this. As we launch that product into the Nordics, we saw an improvement in our share capture of almost 2x. When we moved that product into Canada, we actually saw 5x improvement in the share possibilities of that lens. We are going to be getting this product approved in the United States. We believe it will be early 2020, but we believe there is a significant opportunity for us to grow that business somewhere between 2x and 3x our current share rate. So initially, what we're going to be doing is we're going to be trying to capture share with these technologies. The second phase of this actually becomes a penetration phase. So we have already described that the United States is at about a 14% penetration rate, and if you look at the rest of the world, part of this is economics, part of it is how they think about their social care and whether they should contribute to their care, but what we're starting to see governments around the world is realizes that the patients have a choice and they desire premium technologies, if they can't access it, they are starting to open up access to care where the patient can contribute to their own care. If we look at dentistry, almost everything in dentistry is a out-of-pocket expense. This is an opportunity for us to continue to grow. And we actually think that there is $500 million opportunity out there if we could just get the rest of the world up to where the United States is today. Now we know that, that's going to be a struggle. We know it's going to take some time, but as David expressed, we are starting to seeing improvements around the world in penetration rates. It's about 0.5 point in the last year, and we expect that trend to continue as these new innovations are hitting to making it easier for the physician to get solid outcomes. If we look at vitreoretinal, I'm very excited about vitreoretinal, the population, the disease growth, the contributing comorbidities of diabetes lead us to a growing market that's going to continue to expand. Improvements in Diagnostics, improvements in surgical instruments and smaller gauge is making this a less traumatic surgery for the patient, and if we look at the number of retina specialist in the United States, we've got about 7 physicians for every million patients; In China, it's 0.7. Imagine the opportunity that we have there. If we look at Constellation, Constellation is the most robust system in the marketplace. When we serve a physicians because of all the things that the systems have to be able to do during the operation, Constellation is viewed as the top-performing system. The ability to grow after peripheral vitreous, which is one of the things that causes traction on the retina though. The ability to see this and to cut it is something that has been neglected or actually not thought about as we introduce the NGENUITY System, which is another system out here, it's a 3D technology that allows you to see the back of the eye. So imagine what you're being asked to do, is you're being asked to peel a piece of wet tissue paper off of the back of the human eye and you can't really see a topographical difference. With NGENUITY 3D, you're going to be able to see that topographical difference. We're also changing the tools that you are using, which give you better grasp force, so that you can make that peel more effectively.

Now this business is a long-term business. We've been in this a very long time. Our customers have very high expectations for us. We know that innovation and incremental innovation is extremely important to the Surgical business, so we'll talk about the pipeline. We've got growth adjacencies, geographic adjacencies and white spaces where Alcon does not play today, things like Diagnostics, and visualization and then new business models, so we have the opportunity to expand into. So when I first got here, I sat down with Franck Leveiller, who's the head of the R&D organization, and I said Franck, which is our strategic plan as we take this organization forward? Where are our core competencies in R&D? What do those core competencies look like? Where are the gaps in our portfolio, where should we seek partnership, and where should we do M&A? And as we broke that down we said, look, our core competencies are in optic development, we understand optics better than anybody in the world. We build the best equipment in the world. So we are going to invest in internal programs to drive both of those categories. Because we understand optics so well, we also want to go out and find all the research that's going on in this category and make sure that we position ourselves to win there. Then we said, look, there are some things where we're not best-in-class or we have an opportunity to bolt-on talent within our organization or there are markets that are really interesting to us but we don't want to make an investment today, we want to see somebody else make the investment, novel ideas and presbyopia, we've made some sideline investments into partnerships there. And we've also gone out, and we said, look, we don't need to reinvent digital health. Let's partner with the world-class digital health company and so we announced that the American Academy of Otology and Ophthalmology, our relationship with Phillips to do a cloud-protected data set. So Franck is going to get into the details of what we're doing here but we have made some strategic choices that you all need to be aware of. As we look at these markets, right, again, really simple, we've been in China for the last 20 years. We have a presence and a reputation, we're viewed as the leader. We need to continue to invest in infrastructure and support, this market's growing significantly faster than the rest of the world. IOLs is growing at about 13% right now, compared to what's happening in the United States at 3%. We've got a heavy footprint there, we're going to leverage that as we go forward. We're getting into Diagnostics. We're now stepping into a space, which is a white space for us and visualization, that's a $600 million category, which we currently don't play in, where we have the opportunity to go play.

Finally, we want to talk a little bit about business models, when you think about this company and you think about the breadth of our portfolio. When I was in Europe, working with Boston Scientific, I was trying to do what I would say a value proposition into our customer base. What I learned when I was doing that is that the provider of care, the institutions, the hospitals were working with the payer, who really thought that they were always trying to pick their pockets, they were trying to make their money. When we got the provider and the payer aligned, we were able to then offer a value opportunity to that customer. In our organization, we have that opportunity as well because of the breadth of our portfolio, and David described it as a value proposition that we can bring to our customers that nobody else can bring. We can contract differently than everybody else in the world. The way that we're going to go about doing that though is this is a data-rich environment, right? We do millions of cataract procedures a year, yet none of that information is connected together today. So the preoperative diagnostic, the interoperative information in terms of what's happening in the surgery and the postoperative outcome are almost never tied together. And through our digital health platform, the ability to capture this information and put it into digital form will help us improve the total outcome for the patient and then share with the physician, share with the payer, what these outcomes look like and how we're improving versus the competition, and so all of this stuff is now coming together in a new unit that we are calling the SMART Suite. So as you think about the Surgical business at Alcon, let's go back to the 2 things that I want you to remember. Our core equipment and consumables gives us the ability to invest and advance technology lenses and vitreoretinal for growth. This is a very stable core that we can build off of, it's an an advantage because of the size of our footprint, the size of our sales organization, the size of our field service organization and a reputation for where we want to go. The innovations that we have coming are major market share shifters. The technologies that we have in our portfolio and our pipeline are the breakthrough things that we believe will move the market long term.

Finally, I think we've got a leadership team that's pretty unique. It's a blend of people who've been in ophthalmology for a very long time and a blend of people who are really outsiders coming in, looking at the business differently and believing in the foundations of what we've done. We do have a core culture of serving our customers, putting the customer at the center, putting the patient at the center and winning for both our payers, the provider and the patient. So I want to thank you for your attention on the Surgical business. We are very excited about where we are today and where we are taking this and hopefully, we can take some questions a little later to some of the questions that were earlier expressed. So now what I would like to do is that I'd like to introduce Andy Pawson. Now Andy has a strange accent. He is English, so some of you will understand him. And he joined us a few months ago and it's been actually a real pleasure getting to know Andy. Andy comes with a very different orientation.

He comes out of consumer goods. And he takes a different approach to our business, he looks at it differently. And he's been a great contributor to what we're thinking about and how we're doing things. And so I'd like to introduce Andy Pawson, the President of the Vision Care business. Andy Pawson.

Andrew Pawson

Thank you, Michael, good morning, everybody. Hello, London, it's great to be back on home soil. If for no other reasons, and I get to do 2 things. First, I get to say vitamins rather than vitamins legitimately, which is awesome, and we get HP sauce with our breakfast rolls, which I know Mike really appreciated, he's never in a good mood when he's hungry.

The purpose of my presentation today is to share with you Alcon's Vision Care credentials. Reflecting on the conversations we had in New York last week and with some of you this morning, I thought I'd address upfront the key question that remains on Alcon's Vision Care. And that's, does Alcon have what it takes to grow in line with the category in the short-term period? But more importantly, do we have what it takes to go ahead of the category and accelerate to drive share and win in Vision Care? My perspective is an unequivocal yes. Alcon has everything it needs from within to do just that. And over the next 20, 25 minutes or so I want to share with you the how and the why in terms of how we intend to get there and deliver just that.

I want to do so covering kind of 3 sections. I want to talk about the near-term category drivers and how they're providing headwinds -- oh, sorry, tailwinds for Alcon that will help us to grow in the near term. I want to cover up those near-term growth drivers and specifically, talk to you about some of the key drivers and the enablers of that growth, and how those tailwinds will help us to drive that short-term growth. And now I want to move the conversation on to talk about our longer-term growth perspective. How we're going to drive innovation to grow beyond the category. Now as you can see here, like the Surgical business, Vision Care has a strong legacy of innovation. It's a very proud legacy, it's a legacy that is taught to you at a very early stage in your Alcon career as you're inducted into the business. Now I noticed, I can speak from first time I joined Alcon, as Michael and David alluded, only 9 months ago. I don't have a traditional medical device background. My background is consumer packaged goods. I spent 5 years with Unilever and largely 25 years with Kimberly-Clark largely here in Europe but also in global roles, competing against formidable competitors like Procter & Gamble and like Johnson & Johnson, where success is predicated on driving brands and innovating beyond just product, innovating in promise, innovating in channel and innovating in how you go to market. And when I first met David, we were reflecting on this legacy and one thing that David said to me was, the legacy that made us success in the past versus the legacy that will define our future will be very different. The legacy that will define our future means that we need to innovate beyond product. The world is changing, the world of Vision Care is changing. We are not immune from being disrupted. The path to purchase is rapidly evolving, digital technologies are enabling direct-to-patient access and direct-to-patient influence. We have to reflect in how we go to market, the fact that the path to purchase is now truly omni-channel, is with the combination of an analog visit to an ECP, but it's also a combination of being digitally enabled to arrange appointments, to seek information and guidance on products and indeed, around the world to buy products directly. My recruitment into Alcon was a very purposeful one, it was a purposeful decision that I am very grateful of. I think fundamentally, it's grounded in the fact that to win the future Vision Care companies will need to win the hearts and minds of the patient in a predetermined way and make sure that we can influence that omni-channel path to purchase to create a truly seamless consumer experience. Our innovation of the future will be both in product but also in channel and how we go to market to win with consumers directly. We recognize that, you're going to hear more from that later and that's why I'm here. So let's get into it, if you think about our Vision Care category, we are a $3.1 billion business in a $14 billion market, which David introduced earlier. We compete with Johnson & Johnson and CooperVision and B&L, all of that you're very familiar with. We operate in -- I think we break the category down into 2 fundamental buckets: one is contact lenses, very straightforward, the other is ocular health space, which I will detail a little bit later but fundamentally, will involve our dry eye, artificial tear products, our contact lens care products as well as allergies and red eyes and vitamin solutions. So the total is about $14 billion, $8 billion in contact lenses, $6 billion in ocular health, and we estimate approximately a 4% CAGR growth over the next 5 years. So let's look at 30,000 feet about some of those categories growth drivers are. There are essentially 3 that are driving growth within Vision Care from a contact lens standpoint. First of all, modality, modality shift continues to move from reusables to disposables. This is data from 2017. By the end of this year, the majority of the category will have moved into data disposable format. Now that represents a 2 to 3x revenue opportunity because of number of lens used and value of the patient, so that's driving a premiumization of the mix. Secondly, there is design, if you look fundamentally at how contact lens is constructed, there are sphere products, which provide constant visual acuity throughout the product as regular vision correction but there are toric products, which cure -- which provide solutions for astigmatism, multifocal products, which provide solutions for presbyopia. I'm going to double down on that in a bit more detail later on. And there are also cosmetic products. Cosmetic products, very important and growing importance in markets like Asia, where cosmetic lenses are actually a point of market entry particularly for millennials, our toric multifocal and cosmetic largely represent a premium to the category where we could recognize at least a 15% to 30% price premium of a regular lenses. So it's the speciality products that are also driving this accretive mix shift within the contact lens market.

And finally, grow through international expansion, particularly coming from the CPG, where a lot of emerging market growth has been captured, certainly started to slow. International growth in contact lenses remain strong and that's because you have this penetration differential, where in Asia, penetration of contact lenses is as low as 3%, but obviously, in the western world it's typically averaging about 15% and versus penetration in markets like Japan, which are over 20% into the mid-20s. Penetration internationally for this market remains a prominent opportunity to deliver growth.

So let's have a look at ocular health. As I said, we define ocular health as the dry eye artificial tear space that doesn't include Rx pharma. We also define it as contact lens care, which is how we provide hygienic solutions and maintain the performance of contact lenses that are reusable. We have vitamins, allergy and red eye. And this dark blue position is Alcon's position within those categories. We have a #1 position in the dry eye market, it's fairly fragmented but Alcon has the leading brand with SYSTANE, and we have a #1 position in contact lens care. But the most important takeaway from this chart is all of the light blue space, that total environment of ocular health represents $6 billion of opportunity, so as we brought the OTC business back into Alcon at the beginning of 2018, this represents great white space for us from an innovation standpoint. We haven't been innovating in these territories within the business. So it's a great white space for us going forward.

So if we look at our portfolio, we have $1.8 billion of business in contact lenses and we have $1.2 billion of sales in ocular health. Our contact lens portfolio consists of our core brands of Dailies Total1, which I will come on to, DAILIES AquaComfort Plus, which is a great entry lens for the category, AirOptix is a brand that we have with in our reusable segment, plus AirOptix Colors, and our colors range is also complemented by FreshLook, which is very much a growing brand in Asia and Latin America. Our ocular health portfolio consists of our SYSTANE family of dry eye products, as I said SYSTANE is the leading brand in the category, as well as CLEAR CARE and OPTI-FREE. CLEAR CARE is our solution with -- that has peroxide. And then OPTI-FREE is our solution of multipurpose cleaning solutions. And they have a leading position within the ocular health space. So another way to look at the portfolio and also focused on some of the product attributes, which are unique for Alcon. Dailies is our disposable portfolio and with Dailies Total1 it's the first and only water gradient lens in the category, it's the priority technology for Alcon. It is the most breathable contact lens in the daily disposable space, in fact, of any contact lens. It's a SiHy or silicone hydrogel material, and it has an 80% of water content at the surface of both the eye and also the eyelid, so you'll be able to see more information in Dailies Total1 in the booth outside. With our AirOptix portfolio, again, very strong product, which we continue to renovate in. So we have SmartShield technology which provides protection against lipid deposits. And that means that AirOptix is as comfortable to wear on day 1 as it is on day 30. We also have recently added HydraGlyde, which is a moisture matrix, which provides comfort through to the end of the day that's a very recent upgrade by rolling out on sphere, toric and multifocal. As I said, we have a leading position with our SYSTANE brand, but we are also launching SYSTANE COMPLETE, which is the most complete artificial tear solution on the market, recently launched in North America, about to be launched in a Italy, as well as other parts of the world throughout 2019. More on SYSTANE shortly. And then we have our OPTI-FREE and our CLEAR CARE range. So that presents a pretty comprehensive portfolio of relatively strong brands within the spaces within which we play. So what are the fundamentals that provide, I think, Vision Care with a really strong sustainable growth platform? Firstly, we have strong brands in the fastest-growing categories. So with DT1, which is one of the fastest-growing daily SiHy products in the category with also as focused on presbyopia with multifocal lenses and that dry eye solutions, those are essentially some of the fastest-growing segments of the category. So we are strong where the categories growing the strongest. We have a preferred manufacturer status according to our voice of the customer, we do know that our relationships with eye care professionals is a position of strength, not only because we invest in their education, with things like the Alcon Experience Academy, which you can see outside, but we also have one of the largest sales forces globally, providing that direct to ECP access. With the integration of OTC along with our CLC portfolio, we've now got one of the strongest portfolios from a retail standpoint. We are going to come on, talk about self-diagnosis. David referenced this earlier. But with our OTC portfolio in combination with our CLC portfolio, we now have really strong at-shelf influence to win a point-of-sale. We also have the strongest pipeline, we probably had in our history in contact lenses. It is, I think, 6 years since we launched Dailies Total1 as a new platform in 2012, and we have -- you're going to hear about one contact lens platform, which we are launching in 2019, but we also have several new contact lens platforms in our innovation pipeline.

More importantly, we've also invested in the next-generation manufacturing platform that will give us the flexibility to not only produce those platforms at significantly lower cost, but also our time taken to get to end of curve, in terms of manufacturing, we'll also ramp up significantly as with our ability to follow-up a launch of the sphere product with multifocal and toric varieties, which is something that has held us back. So our new manufacturing platform is giving us a real permission to accelerate innovation, and Franck is going to cover those in a little bit more detail later on.

Just switching gear to focus on those near-term growth drivers, what are the key things that we're investing in that will sustain that growth in line with category? I want to talk about our continued investment in Dailies Total1, and I want to talk about SYSTANE COMPLETE, 2 really important growth drivers for us. If we look at the growth rate of DT1 it's nothing short of spectacular. And how many products sustain a 62% CAGR in their first 6 years of launch. So it does beg the question and one that I asked to the team when I came on board is how high is this sustainable growth? What else can we do to drive that growth? And average is topping out. Now if you think about that, there are some critical reasons why the growth of DT1 is set to continue. First of all, if you look at new fits into the category, the vast majority are moving into reusable lenses. That means there's tremendous growth opportunity, because we also know after they've experienced reusable lenses, they will switch to the preferred choice of the disposables. So that growth opportunity from a reusable, disposable standpoint remains. Secondly, if they do go into a daily lens, the majority actually go into an inferior technology. DT1 is a SiHy product. And the majority of new contact lens wearers into Dailies actually moving to an older technology, which is either a HEMA lens or PVA lenses, as we call them. So we know that, that technology trade that we'll continue. The third reason is presbyopia. We're going to share with you very shortly the work that we're doing to drive multifocal lenses as a preferred choices to sell for presbyopia, significant whitespace. And the last, but not insignificant reason why the growth of DT1 is set to continue in the near term is the fact that we don't have a toric lens, and that's 1/4 of the category. And that's something we intend to address in our innovation pipeline in the next 18 months.

So I believe that Dailies Total1 is set to continue a significant growth rate and play a leading role in the category as well as for Alcon.

So let's have a look at the presbyopia market. I know it's bad news for all of us, but ultimately, as we age as you can see here, our reflective needs increase. But unfortunately, at the same time, presbyopia sets in as well as dry eye. So the 2 combined to create almost a perfect storm. And that ultimately, drives this significant drop out rate of contact lenses. Now the first manufacturer that can sell for that wins the day, because we know that 60% of consumers who drop out of contact lenses actually don't want to wear readers, they just don't know that another solution exists. Now we believe, we have a right to win in multifocal lenses, and we have a right to win with DT1 multifocal for several reasons. Firstly, the performance of DT1 as a comfortable lens to systematic patients of dry eye, we know is incredibly strong. And secondly, we have the multifocal technology, which has the center near out of distance precision profile that we know provides unbeatable near and far-sight correction. So the performance in terms of our technology is very, very strong. The second factor that we've discovered is really important is the need to invest in patient awareness. As Mike said earlier, many people do not even know that a presbyopia contact lens solution actually exists. So we've recently been doubling down on our direct-to-consumer investment in this space, getting significant wins and significant growth, so we know that investment pays off.

The last thing, but it's not insignificant, as you have to invest to win the fit. So multifocal lenses are notoriously difficult or more difficult to fit. With DT1 and the fitting guides that we have installed and the investment we'll be making with our eye care professionals, delivers a clinically proven 80% first-time fit success rate, which is ahead of category average, and a 95% second time fit success rate. So investing in eye care professionals is providing us that additional power to drive that fit through the consumer, and win in multifocals.

So let's have a look at how it's doing. If you look at our U.S. sales over the last 3 years, we've got a multiplier of 5.5x in terms of growth. More importantly, if you look at the center chart, both in sales units and sales value, multifocal has actually become the fastest growing specialty of our premium lens. So it's driving results. Let's have a look at the TV commercial, you can take a look at yourself.

(presentation)

It hands to all over, I'm afraid. I mean how many of us have taken the mobile phone out, put the light on, held it on the menu, held lens, it's coming our way. I actually did some sales ride-alongs about 3 or 4 weeks ago, and I, myself had to ask 25 ECPs that we visited, whether or not it was having an impact. And actually didn't need to ask the question, the response is pretty unanimous, not only is the investment drawing consumers in to their practices, but they are asking for Total1. So brand recognition is paying off, and also investment in that consumer awareness is definitely paying dividend. So we're off to a really good start with our pilot launch market in terms of investment in North America.

So let's switch tack and look at dry eye. Why is dry eye such a huge opportunity? I don't know if you notice, but of the millions suffering from each of the disease states, dry eyes was the biggest, 352 million people. We believe that, that is set to continue to grow. The category is growing at about 5%, 6% annually. And dry eye is increasing because of climate change, lifestyle change, use of digital technology, it's on the rise. So it's a very healthy category to be in. What's really interesting though is 55% of consumers remain undiagnosed. So that means if we can invest in consumer awareness, education and training of what dry eye symptoms are, and what dry eye relief solutions exists, that will enable us to continue to accelerate growth of the category. So that's an opportunity in of itself.

If you then take those that are diagnosed, about 41% of ECP diagnosed, now they could be diagnosed with an artificial OTC tear as a solution, but they could also be diagnosed with a pharma product. Fundamentally, though 59% of patients are self-diagnosed. Now is that self-diagnosis segment then goes on to the right-hand side, and ultimately, chooses products that are unsuitable for dry eye. So without the size of that sales force in this middle section, we've got a great opportunity to influence the ECP diagnosis. And with OTC scale and our presence in -- on the shelf with the best brand in the category, and that #1 doc recommended status that should allow us to provide more intuitive solutions at shelf and win with those that are self-diagnosing, by making sure that they do receive the right product. So plenty of opportunity for us to continue to grow above the dry eye category and the size of the SYSTANE brand within that.

And it's paying off. As I said earlier, SYSTANE is the 1 doc-recommended brand for dry eye. We have a very comprehensive portfolio. But with the introduction of SYSTANE COMPLETE, we have the first artificial tear that solves for both lipid and aqueous tear film deficiency. It's a 2-in-1 product providing the ultimate solution. If you get chance, have a look at the booth, and hear from Venus Williams who is a tremendous advocate and voice of that brand in North America. She is a lifetime dry eye sufferer, and SYSTANE has made the huge difference throughout her career from a very early stage. She talks from the heart about how debilitating dry eye can be and what a great solution that SYSTANE can provide. And as you can see on the bottom left, we started to drive significant growth of SYSTANE in North America. We launched in April, and you can see the growth trajectory is fairly significant. We believe that the artificial dry eye market will grow to at least $3.5 billion over the next 2 to 3 years. And our dry eye portfolio has the runway to become a $1 billion business within the 5-year period of our strategic plan.

So shifting tack finally to talk about those long-term drivers. And very much like Michael did on Surgical, I want to break those down into how we intend to accelerate innovation, how we can grow by expanding our markets in our adjacencies and also, the critical nature of us investing in developing new business models.

So as I said earlier, we are launching HydraGlyde, which is the Moisture Matrix technology to our reusable lens product, AirOptix, that's coming to market right now. In 2019, starting in 2019 and progressively through 2020, we'll be expanding and introducing our first new platform, which is PRECISION1. It's our entry into the daily disposable mass SiHy segment, which I'll cover up in a bit more detail on the next slide. We're also going to be introducing Dailies Total1 for astigmatism in the next 18 months to complete that premium offering. We're then looking at taking over water gradient proprietary technology and innovating in the reusable lens category. And we have other innovation platforms to follow. And you'll also hear from Franck, the works that we're doing with Verily in terms of presbyopia correction. We've got a number of novel designs in the pipeline. That will help us to continue to drive the ride to win in the presbyopia market. So let's take a look at PRECISION1. And as I said, we're launching PRECISION1 progressively in 2019, that will complete our 3 different products within the Dailies disposable portfolio. We already have the value entrant lens position with Dailies Aqua Comfort Plus, and we also have a pretty strong position in the premium segment with Dailies Total1, as a Daily SiHy product. PRECISION1 will fit the middle segment of the category of that mainstream segment. And our estimate in the next 5 years is that it will actually overtake DT1 in terms of growth contribution for Alcon, because it's operating in that mainstream segment. We aim to provide premium type performance with a mass SiHy product. PRECISION1, it will be engineered to provide the best comfort and vision acuity of any lens within its class. So even hearing more about PRECISION1 as we go into 2019, something we're really excited about.

So in terms of expansion to markets and adjacencies. We believe there is also great whitespace for us. The multifocal penetration in the U.S. is 5%, us at least 6%. it's now a 10x opportunity for us to drive continued growth through our multifocal solutions. 1% contact lens penetration improvement is worth $300 billion. Again, driving expansion of our portfolio and filling the metrics in developing and emerging markets is really crucial. Alcon is actually the fastest-growing contact lens manufacturer right now in Asia in 2018. We intend to maintain and continue that. A lot of that has been driven by DT1, so it's also been driven by our premium solutions.

There is plenty of scope for us to fill the SYSTANE portfolio. As I said, I think we sell SYSTANE in 75 markets. And SYSTANE COMPLETE has only been launched effectively in 2. So that's great opportunity for us to continue to expand the portfolio from the dry eye perspective.

We also only have 1 portfolio, 1 product portfolio present in markets like China, and Korea and Brazil. Key growth markets, very sizable markets for dry eye. We have 4 products in our portfolio. So again, opportunities to accelerate regulatory approval and fill the metrics from the dry eye standpoint. So plenty of scope to continue to expand through those markets adjacencies.

And we're very active in the BD&L space, in mining and searching for solutions around the territories, the day we talked about light myopia control, also dry eye diagnostics and treatments. We believe that through BD&L activities in the next 5 years, we've got the opportunity to continue to grow and expand the presence of Alcon across the portfolio. So plenty of growth opportunity in markets and adjacencies.

And finally, new business models. I talked about the fact that we're not immune from disruption. And that the path to purchase is being disrupted, and it's also changing. We know these insights that you see before we hear the feedback from the ECPs on the left about the experience that they have and the concerns about growth of Internet business, the concerns about digital disruption and concerns in areas like digital reflection. We believe that there are pained -- pain points for the ECP and the path to purchase that digital technology can solve. And so I think from a consumer standpoint, our research also indicates what they need, which is an easier way of interacting with us. They already have to make an appointment for a doctor and a dentist. It seems as painful arranging for an eye care appointment. It's painful, if you can't order directly an annual subscription, it's painful that if you have to continue to go back into the practice for further examination. So easy order, easy ship, easy subscribe, easy pay. We've interviewed 8,000 consumers and 3,000 ECPs in the last 12 months to deliver a whole array of insights around how we can innovate in the digital path to purchase, and provide that seamless omni-channel consumer experience. So we're going to be sharing more information with you next year in terms of what we intend to do in this space. And you can see a lot of activity to come from Alcon regarding new business models.

So finally, those key takeaways. Vision Care has got really strong fundamentals. We're growing in areas of the categories that are growing the fastest. And we're also able to continue that near-term growth with a very strong portfolio of products, particularly DT1, particularly presbyopia, and also supported largely by the SYSTANE COMPLETE launch in dry eye. So plenty of opportunity for us to continue that near-term growth momentum.

We have a fantastic innovation pipeline. And we do have the opportunity to continue expand in new markets and new spaces. And as I said, we do see our ability to invest in new business models as a continued growth opportunity for the business. So all those things combined I think leave me convinced that Alcon has everything it needs from within to do exactly what I said, which is grow at pace with category in the next 2 years. But then accelerate to grow ahead of the category and within Vision Care. So thank you for listening. I really appreciate it, and appreciate your time today. And I would like to introduce Michael and David on to the stage. And we'll take your questions. Thank you.

QUESTIONS AND ANSWERS

Samir Shah - *Novartis AG - Global Head of IR*

25 minutes, here 30 minutes. We're just going to give them a chance to get seated. Again, please wait for the microphone, so we can make sure we've captured your questions.

Unidentified Analyst

This is Michael, Morgan Stanley. I have 3 questions in relation to Vision Care. When it comes to ocular health, can you talk about your ability to internally create vitamin, allergy in? And with eye products and also the importance of patent protection in this category? Secondly, when it comes to omni-channel changes in contact lenses, can you provide your view on how you see these channel shifts? And how you think profitability will be impacted by the changes in those channels? And then finally, on SYSTANE, can you comment on the degree of patent protection on that product? Is that important? Or is it not important?

Andrew Pawson

Yes, good questions, thank you. So we'll take the -- we'll go reverse order. We don't have any immediate patent first, on SYSTANE. We believe that we're pretty well protected across the portfolio for the foreseeable future. Obviously, we do have a number of patents across the portfolio of dry eye, but nothing at risk in the near term at all. From a channel shift perspective, currently, we believe that the actual dynamic is relatively limited globally. But we see the potential, not just a threat, but we see the potential opportunity. You're very familiar with companies like Hubbell who entered the U.S. market and also now entering some of the European markets. I fundamentally believe that it's not just about price. So we don't see that Internet players just been a price-driven thing. I think also it's driven by convenience and the consumer experience. If you look at categories like double shade clubbing in the shading category, fundamentally, at the heart of the consumer preference for an alternative business model is something usually more than price. It's usually convenience and all of the easy things, which I mentioned. My belief and our belief as a company is that if we can innovate in that space, but still maintain the eye care professional at the center of the experience that should give us a pretty strong and sustainable business model. We believe that the consumer will still cover value in the products that we provide. We believe in innovation, and we believe in premium choice. And this is a category that's a long way away from commoditization, if you look at the shift to premium lenses, if you look at the shift to Dailies. And we know from our research, from our innovation pipeline just how much consumers are willing to pay for products that genuinely have a preference. I'm not seeing the disruption from a business model standpoint, as necessarily something that will be category diluted, I see it as opportunity. And I also think the consumer will value innovation in the customer journey end to end. Can I ask you to repeat the first part of your question?

Unidentified Analyst

Yes, sure, the first part of the question was in those white spaces that you showed on the charts, can you create these internally? Or do you need to do something else?

Andrew Pawson

Yes. So as we reintegrated the OTC business back into Alcon, we've been very focused on dry eye and very focused on the launch of SYSTANE and getting SYSTANE back in growth momentum. We've achieved just that. Actually, we look like we'll deliver something like 5% growth as we forecast the performance across the year. That's where our current trajectory is. So we believe we've managed to do just that. And I think the launch of SYSTANE completely has been our priority. My team right now are currently landscaping the other category adjacencies of allergies and vitamins and red eye to look at what opportunities we have to innovate. As I said, it creates whitespace for us. But we're very much in the early days of developing our plans.

David J. Endicott - *Novartis AG - CEO of Alcon*

But capabilities-wise, we have that capability to be able to do that if we choose to.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes.

Karen King

Other questions? Over here.

Elisabeth Decou Bedell Clive - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Lisa Clive from Bernstein. A few questions maybe for Michael. During your presentation, you mentioned the surgical market in Europe is very fragmented, as you see, around 50 competitors. Now starting in May 2020, there's about to be a pretty significant tightening of the regulatory requirements for medical devices as the EU MDR comes in. So A, is your current R&D spend adequate to address the increased clinical data and aftermarket surveillance requirements? And B, do you think the increased regulatory burden could help drive consolidation in that market either through M&A or just outright exits by smaller competitors? Second question on China. Given that it's clearly a very important growth market for you, could you just comment on your manufacturing base, actually both for China and for the U.S.? Just curious as to how the tariffs could impact your Surgical business in particular. And then thirdly, just on laser eye surgery. Does your platform do LASEK or only LASIK? And if the latter, is that an opportunity? And could you comment on the growth differences between those subsegments?

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes. So I was in Europe when the med tech form has gone through the reform where it was being discussed, so I have a pretty intimate knowledge of what's actually happening within the regulatory landscape here. The fact of the matter is, is that we've always taken a disciplined approach to our scientific pursuits and the clinical trials that are required to go forward with the technology into the marketplace. So when you think about what we need to do, it's not actually go back and redo clinical studies so our products are positioned under this regulation. For us, it's more about touching up the files and making sure that they are today standards because some of these products have been in the marketplace for a very long time. Our competition, on the other hand, they've leveraged Alcon files to get their products approved in the region. So there are probably some of the smaller competitors that are going to have to go back and revisit their clinical approaches and their clinical diagnostics to -- in order to remain in the marketplace. Is it a huge tailwind for us? We're not counting on it, right? This is a very difficult market to see regulation coming in where you're regulating companies inside of Europe. So I'm not counting on it, although it would be kind of an upside to what we're thinking about. The second question maybe I'll share with my counterparts around the China manufacturing or the need to manufacture to get into China. We saw a little bit easing on this conversation between the U.S. and China this weekend, right? So what was a looming threat and is always a looming threat is a concern to us. We have global manufacturing for the surgical products. We have a rather large facility for IOLs that's in Cork, Ireland. Our -- you saw a German manufacturing for our WaveLight units. You see our vitreoretinal instrumentation is built in Switzerland. And then a lot of our capital equipment is built in the United States in Lake Forest, California. So we -- on the surgical side, really, it's Ireland and the U.S. I let one of you guys talk to the Vision Care.

Andrew Pawson

Yes. We have a pretty broad platform of geographical locations for manufacturing standpoint. We manufacture in Singapore in Asia and Germany. And also the U.S., we've got a pretty good broad footprint. I think what Michael said, we're continuing to landscape to all kind of political and geographical issues and sensitivities and regulatory changes. And I don't think we see anything significantly as a threat, and so I think we're pretty well covered.

David J. Endicott - *Novartis AG - CEO of Alcon*

And the third piece.

Elisabeth Decou Bedell Clive - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Oh, just on LASEK.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes, yes. So I mean -- I think you're cutting that pretty finally. So there's -- the one that everybody is talking about is SMILE, which is a ZEISS technology where you're cutting a lenticule. They're literally cutting out a piece of tissue, and you're pulling it out. That has -- is interesting. We have taken the position that LASIK is the most effective laser procedure in the world. It is not skill-dependent. So you don't have to have great surgical skills to -- you do the planning off of a planning station. You deliver the energy through a robot. We think that, that is directionally right. It's a very interesting thing. We have seen that business go flat where it was introduced, and it's not growing as aggressively. We do see in Asia, especially in China, where that business is really taking off. So we think that there's a place for it. We think that our technology though is designed for reliable, repeatable outcomes. For physicians in the long term, we think that's what wins the category.

Karen King

Other questions? Over here.

Unidentified Analyst

(inaudible) from Berenberg. You mentioned quite a lot about some of the sales and marketing investments in Vision Care. And I think, Michael, you also touched upon some of the R&D investments you are making in surgical. So is it possible to share with us, is there any material difference in profitability between the 2 divisions? And is there any one particular division that is more important to retain your overriding group level goals? Also, a follow-up question please for Michael. Interesting, you talk a little bit about digital technologies in the cloud-based connections. Seems like a sensible idea. A lot of -- or several of your competitors that have a stronger position in diagnostics and visualization use these tools heavily, particularly in analytics for some of those diagnoses where I think Alcon is a little weaker. So the question I have for you is, with your absence from diagnostics to any material extent, does that limit some of the advantages of these approaches?

David J. Endicott - *Novartis AG - CEO of Alcon*

Let me take the first one. On the financials, I would -- there's quite a little bit of detail on the 20-F, at least some segment differences. I'd refer you there, first of all. But I would just say that the businesses are largely similar in profitability, and so we don't really have a preference per se. We're really looking for growth opportunities and things that we think contribute well. So that's the main idea there, and I think we'll continue to invest in both of them to the extent that we have good ideas that will drive the revenue. On the other one?

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes. Andy and I did have a side bet on who would get the $5 billion before somebody gets to $4 billion. But now I've got both of the businesses, so I'm betting on both of us. But the reality is, is that when we look at the business and the segment and tier -- what was the second question that was around...

David J. Endicott - *Novartis AG - CEO of Alcon*

Diagnostics.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Diagnostics. Yes, so we're actually at a very good place. Because what we've done is we've said, "Look, we're agnostic to what you own in your clinic. We're going to take any of the data sources that are out there, whether it be a Haag-Streit piece of diagnostic equipment, Topcon or ZEISS. And we're going to use the data set, and we're going to push that to an independent bridge where we'll be able to use everybody's data. It actually puts us in a very good global position to get into this space. So we're agnostic to what the diagnostic is. And then we can put all of that information into a patient file and a planning file that then can be used to aggregate and make a decision around the lens. So we find ourselves in a rather unique position of having the flexibility to work with all the customers around the world. The second piece of that is we're leveraging the backbone of what Philips has been doing for decades, and so I don't have to worry about security within all of these different country segments around the world. We understand data privacy and the importance of data privacy, especially here in Western Europe. We already have that backbone in place because Philips has figured all that stuff out. And so our R&D is really around how do we make this simple for the user, how do we bring it to them where they want to do their planning and then how do we make sure it's in the operating room when they need to do it, the actual procedure.

Karen King

Any other questions up here?

Unidentified Analyst

[Carla Vancin] from [Zontov]. My question is related to the contact lenses. You talked a lot about the premium lenses. What is your competitive situation in the standard lenses? How are you positioned there?

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, good question. Andy, you want to -- you mentioned that.

Andrew Pawson

You said standard?

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, AIR OPTIX business and [DSCP].

Andrew Pawson

Okay. Right. So there's no doubt that our (inaudible) tier platforms, [DSCP] and AIR OPTIX, are within the category for some time. That's why we're looking to rejuvenate the portfolio fairly aggressively. The first portfolio innovation we're bringing to market is in that mass SiHy segment. So we expect to be set up to compete directly with clariti, MyDay and MOIST in that mainstream segment. I think it's a great opportunity for us from a first new platform standpoint. And then we intend to innovate in the reusable lens format, and we've got further innovations in the category front. We'll allude to some of those later on this afternoon. So I think from a contact lens perspective, we got a pretty comprehensive portfolio of innovations and starts to roll out in 2019 and will continue to roll out through 2020 into mid-2021. And then as I said, in addition to that, we've got the toric opportunity with DT1, which we intend to introduce. So by the time we do all of that, I think we'll have an incredibly strong portfolio in all facets of both mainstream and disposable and reusable lenses.

Karen King

Do we have any questions at the back here?

Jo Walton - *Crédit Suisse AG, Research Division - MD*

Jo Walton, Crédit Suisse. Going back to the dry eye market, huge with untapped potential. There might be the old prescription dry eye product up for sale with Takeda buying Shire. Takeda had said they're not interested in maintaining that business. Would you be -- would you have some interest? Or might you be interested in expanding your SYSTANE brand by -- and you're taking other ingredients like in the older stasis-type ingredient and making your own product going forward under your fantastic trusted brand?

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes. Well, I think in the near term, we have a lot of opportunity to extend the existing nonprescription business quite a lot. So I think in terms of near-term innovation, near-term intent, we see that as a more viable natural overlap to where we are. We're already at the retail shelf. We're already in the office, where we've got leverage to a lot of that piece of it. And there's a big opportunity there, I think as you saw with Andy. On some of the bigger pharmaceutical side, again, I think we probably don't today have that capability nor are we kind of that interested in it. Because, again, we have probably half of dozen opportunities that are a little bit more accessible to us and probably more immediate.

Karen King

Any other questions? Yes, I guess one at the back here.

Michael Richard Leacock - *MainFirst Bank AG, Research Division - Director*

Michael Leacock from MainFirst. Two questions on your surgical portfolio. So my first one would be on monofocals. My belief since the presence of IOL blank manufacturer, there has been kind of a price pressure in this market, and I wonder whether you believe that continues. And I would also like to know what percentage of sales is used to generate from monofocals as part of the total IOL portfolio. And the second question is actually related to the SMILE procedure. It was just approved in the U.S., which is I believe your own market, and it has some clinical advantages like dry eye and stuff like that. And I wonder how you want to differentiate your market share given that's it's very successful in the U.S. and Europe and in Asia, and also what kind of licensing fees are you generating in the U.S. and how important that is in your reflector piece of business?

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

So on the monofocal business, right, the monofocal business is generally paid by governments around the world, and all of the governments and health care are feeling pressure. So there is natural pressure against our monofocal pricing, and we expect that to continue, right? It's unlikely that we'll stop seeing those pressure just because of the demand in a number of patients who need cataract surgery. If you look at our slides, about 70% of the value is created through monofocals, and that kind of crosses over our business and the business globally and into our competitors. So it's a big portion of the business. It is a part of the business where we just reintroduced the brand-new monofocal lens here in Europe over the last year, which is a Clareon material through an automated delivery system. So we're going to go in and protect our business by simplifying the procedure for our doctors and give them a better-performing instrument in the operating rooms. So that's really where I would start. And then the second part of that question was the difference between and how is SMILE doing in the U.S., right? You have to imagine that anybody who owns a laser is probably going to stay on that platform that they have today. And the U.S. predominantly falls into either Johnson & Johnson laser or an Alcon laser. It is going to be a very slow and hard climb to get somebody to come out of pocket for a big capital piece of equipment. So we see this as -- it is a threat. There is an opportunity. It's of our rule that some other competitor has to wage. We haven't yet to see the scientific data that suggests that dry eye is lower using a SMILE procedure. So you have to do the science, and you have to prove it for doctors to move over. The U.S. is a bit skeptical or a little bit more skeptical about this procedure than some of the other markets.

Karen King

Over here, please, yes.

Yi-Dan Wang - *Deutsche Bank AG, Research Division - Research Analyst*

Yi-Dan Wang from Deutsche Bank. Two questions from Mike and 2 for Andy. So the questions for Mike. I mean, it's impressive to see how far you're ahead versus your competition. So can you comment on how sustainable that is? And based on the patent for fall, for example, can you see which of your competitors are closer to your yields than others? And then in terms of your market shares, it looks like your consumable market share is quite a bit higher than equipment. Why is that? I had thought both should be quite similar. And then the question for Andy. Can you comment on the phase of your DTC platform? And where are you on that versus the competitors? And then brand loyalty, is it a market where you shift share by focusing on first-time users or does the market share shift for existing players as well?

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Sure. So I guess, the way I would answer the question is this is one of the most resilient businesses that I've ever seen. The equipment that we install, the relationship, the outcomes that physicians get with this technology makes it a very sticky business. So the reason we've been able to sustain through some of our ups and downs and our share positions and the way that we have a relationship is just the comprehensive nature of what we deliver. We've got competitive threats, but they normally can't come at us in one category. Though, they'll come at us with a piece of equipment or a diagnostic, or they'll come at us with an IOL. But they don't have a comprehensive solution for the customer, and therefore, the customer seems to always migrate back to Alcon because of the breadth of the portfolio and the strength of the portfolio. On the second question, the consumables and why do we have greater share in consumables than we do on equipment is because we win the biggest accounts in the world. They want to get the best outcomes for their patient. They put through the most number of procedures. They are expecting reliable service. They demand a standard. And Alcon is able to meet that standard. And because of that, we pick up greater share in terms of the units that we actually sell. We also sell all the premium equipment, and we -- that premium category is really important in terms of driving economics. And because we're winning in the premium space the majority of the time, our value share is higher as well.

Andrew Pawson

From a Vision Care standpoint, so what we've been doing on the new business models, and I think that's what you're referring to as the DTC platform, we spent a lot of time this year researching with eye care professionals and consumers about those pain points and doing active work in customer journey mapping, and not just only in North America, but also -- and I think our top 5 markets will complete that research at the end of Q4. We're hoping that will give us tremendous insight into how we can build that seamless omni-channel path to purchase. We've got a number of new business models that we're currently out from beta testing in different parts of the world. I don't want to reveal much more than that because I think it we'd be, and given the competition, a bit of a head start. But needless to say, I think they're going to be based on a principal that they overcome those consumer pain points, they overcome those ECP pain points. And they still place the eye exam at the center of the consumer experience. That is something that we truly believe in. And the second part of your question, brand loyalty. Consumers are very brand loyal. And if you actually -- even down to our CLC business, OPTI-FREE and CLEAR CARE, having tremendous amount of brand loyalty. I was asked in New York whether or not CLC solution was from advertising. And indeed, we're still able to command a significant price premium in the category versus private label even in markets like contact lens care, which have been in slight decline because of the growth of reusable lenses and on contact lenses -- or disposable, sorry. And on contact lenses, there is a growing importance of winning the first phase. No doubt, brand loyalty, particularly when you get into a product that performs like a DT1, we know can be fairly extreme. So it's becoming crucial to get the first fit right. And that's why we've invested a lot in ECP training around multifocal. And the focus of PRECISION will be exactly on that. We want PRECISION to be the go-to-lens for DOF simulation to that new-to-contact-lens consumer.

Karen King

Okay. So time for just one last question. Yes, over here.

Unidentified Analyst

Just on that Surgical Packs business. My understanding is in the general hospital setting, that kind of business is very competitive, very low margin business. Is that the same for Alcon's business?

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Actually, when we put the consumables packs together, we do it in a way that it concludes the dedicated consumable to the equipment, right? And we also are pulling together a bunch of proprietary pieces that go into these kits, which makes it a much more profitable business for us than maybe what you might see out of another contract manufacturer that puts the other kits for a surgery. Very few people understand the speciality needs of the procedure like we do and the customers have unbelievably high standards as they go into the eye. So it's tough for somebody to compete in all the [kitting] that we do.

Unidentified Company Representative

Okay. So we -- you will have more time for questions. I know we had some left. The management will be available during lunch. Also, we've got a Q&A at the end of the day. So we've got a little over of hour. We're going to break for about 15 minutes, let management take a break. And then, please visit the booth, take this opportunity because after lunch, the booths are going to be closed. Then, we'll serve lunch. You can either continue to see the booths, eat out there, you can bring it back in here. And as I said, management will be walking around just to chat with everybody. So thank you.

Okay, so we're going to move into the afternoon session. Hopefully, everybody got in there, last chance to see the booths. This afternoon session, we've got a couple of different speakers, we're going to be doing the innovation presentation, which is about innovation, about our pipeline. And we have Franck Leveiller, who is going to be presenting. And then following him, we're going to be going into David Murry, who is going to be our Chief Financial Officer and talk about the financials. So with that, I'll turn it over to Franck.

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

All right. Good afternoon everyone, and thank you Karen for that introduction. I had a great lunch. Actually, I could convince one of you to try our Dailies Total1 multifocal lens and that person never had a discussions with his IT professional about the fact that multifocal lenses exist and can help correct presbyopia, and make you spectacular independent. So actually you heard this morning, we are a product company. And one of the key drivers that will drive the growth in the coming years, longer term in a sustainable manner, is innovation. So really, as investors and analysts, you may be wondering is Alcon really equipped to deliver upon its promise, on its innovation agenda, and will it be a sustainable portfolio that will be delivered like that? So the answer is, definitely, yes. And if there is one thing to remember from my talk, it is that, we will be the global leader in eye care innovation. So talking about innovation, I will say a few words about myself, have been spending the last 25 years in research and development. I've been in various leadership positions. And actually, I've spent the first 16 years in big pharma companies, so I know the pharma business. And then I decided to spend the last 9 years in medical device industry, in particular, focusing on ophthalmology.

So as such I've been developing lots of products, and what is important for me, when we talk about innovation, it's not about having only an idea or a concept and that's it. It's about really taking this idea through all the steps of development being resilient and getting to the finish line, i.e., launching the product and getting more feedback about this product and improving it time after time. So this is what excites me as being the head of R&D at Alcon. And you will see that we will have a lot of opportunities to innovate in the coming years. During my presentation, I will cover 3 key points. The first one is that we have world-class capabilities. The second point is that we have -- we are spending significant amount of our money in R&D, and we are devoting most of this investment in internal projects that are implemented innovation to enhance the current products and also novel technologies. And the third point is that we're complementing this internal portfolio with some external activities through partnerships, acquisitions and other types of investments, such that we can have at the end, a very diversified portfolio, which manages risk and which is really enriched to yield a very robust overall portfolio for the company. So let's get rolling now.

So we aspire to live the world in eye care innovation. And as you can see on this slide, we have all the ingredients to do so at Alcon, from our heritage and legacy of industry first, our unprecedented commitment to innovation, our pipeline, both internal and external that will fuel the growth and that has been really rejuvenated during the last 2,3 years.

But I would like to insist on 2 points, in particular. Number one, due to the fact that we are a global leader, we have a very dedicated R&D team comprised of slightly over 1,200 employees, who wake up every day in order to focus on delivering innovation in eye care. We are able to attract, retain and leverage really top talent because if you want to be working in something meaningful in R&D, in ophthalmology, Alcon is definitely the best place.

Moreover, we entertain a very close relationship with eye care professionals. And I think Mike insisted upon that, this morning, the difference between pharma and medical device R&D. In medical device, you want to have your eye care professionals involved from the initiation of a project, until it launches and even after. We need constant feedback from them. In that sense, we are very faithful to the philosophy that was developed by my predecessor, Mr. William Conner, who was one of the 2 founders of Alcon. Approximately 70 years ago, we used to say we see the needs of the patient through the eye of the physician. And this is what we do. We organize large numbers of advisory boards, with large human factor studies, prelaunch evaluation studies all along the cycle of development of a product in order to get there candid feedback, to get their insights and to make the products better, in order to delight the customers, but also in order to provide the best possible outcomes for the patients.

We also have world-class capabilities. You see some examples here in this slide, and I'm going to take some of them, specifically, I'm going to a little bit more details in the following slides.

The interesting thing coming back to a question that came this morning is that there are definitely synergies between these different capabilities between the 2 franchises Surgical and Vision Care. So one of these key capabilities is, the field of optical design. And we have been investing, for example, in 2 key areas of optical design; correction of astigmatism and correction of presbyopia. Why is that? For 2 reasons. First of all, there are still some unmet needs that need to be addressed. We can do better with time. And secondly, I think Michael and Andy were very clear, the area of Advanced Technology is a key opportunity for growth for us, because it is massively underpenetrated. So what we are trying to do in R&D is to help address the unmet needs and address this issue of penetration of Advanced Technology. Meanwhile, patients are treated with a simple multifocal lens, which treats only distance, but doesn't provide anything else, for example, for intermediate and near vision.

So looking at presbyopia correction, we already have a best-in-class lens on the market, our PanOptix trifocal lens, which provides vision at distance intermediate and near. And this lens is very good in the sense that the distance for near vision and intermediate is about 40 and 60 centimeters, respectively, which is really ideal when you try either to read the book or to read on a computer screen.

Moreover, we just finished a clinical trial in the U.S. with this PanOptix lens in view of the registration in the U.S. And using a validated patient reporting outcome questionnaire, we could demonstrate that 80% of the patients enrolled in this trial were actually spectacle free, spectacle independent. This is a remarkable result.

So PanOptix is really best-in-class in the market. The mechanism of action is a defective mechanism of action. When you look at the lens, you will see closely packed concentric rings that actually splits the incoming beam of light in diverse directions to provide vision at near and at intermediate. By doing so, splitting the light, we inevitably create some small visual disturbances that are called halos and glare. PanOptix has actually very limited levels of halo and glare compared to competitive lenses. But still, due to the mechanism of action, which is the same used by all the multifocal lenses on the market today, we still have some limitations. And I think someone threw a question this morning were saying, "Yes, what can we use to increase the confidence of a surgeon to implant a multifocal lens in the eye of a patient to avoid the dissatisfied patient with visual disturbances?" So right now, my answer would be, you should implant PanOptix, but moving forward, we can do more things in R&D. So that's why we've been developing recently another IOL propagated redesign, which is based on a different mechanism of action, a non-defective mechanism of action. We have designed a specific undulation feature that actually, instead of splitting the light, stretches out the incoming beam of light into multiple discrete focal points, thereby providing an extended range of vision from distance to intermediate without halos and glare. So we believe, we've done some clinical trials and we've confirmed that, we believe this is another tool that will be in the toolbox of the surgeon as another choice for patients. And we believe, given the fact that it is a non-diffractive lens, it will increase the confidence of a surgeon who is not as skilled in implementing multifocal lens like PanOptix to do it for a patient. So we believe this will help, actually increase adoption of multifocal lenses.

Should we stop here? No, of course. We can do better. The only [great] interest myopia correction would be really to restore the natural vision of the patient by providing perfect vision at any distance. So this is really the Holy Grail. So to address the Holy Grail, we decided, we're not going to put all of our eggs in the same basket, we're going to have different shots on goal. And we've made several partnerships. One of them is Verily, where we are trying to develop a (inaudible) contact lens, but also (inaudible) intraocular lens, sorry, using a specific mechanism of action.

Another short-term goal is, through the partnership we're having with PowerVision. PowerVision has developed a fluid sealed lens, that can be implanted in the (inaudible) bag like any other standard intraocular lens. The lens is comprised of 3 parts; 2 edges optics and a central optical lens part. And all 3 components are interconnected, so the fluid can move freely between each free compartment.

When the eye is trying to accommodate (inaudible), what happens is that the ciliary muscle is trying to exert some force, some pressure on the optics. And then, as a result of that, there is a redistribution of the fluid from the optics into the central lens. The central lens becomes thicker and its curvature changes. Thereby, increasing the power to provide accommodation at near. Conversely, when the eye is trying to look at distance, there is a redistribution of the fluid from the central lens to the optics, because the ciliary muscle is now relaxing the force or pressure that it was exerting on the optics. And this is our -- this lens is actually mimicking the power change of the natural lens. So we have many of our short-term goals. And we are looking at very different types of lenses. Beyond accommodating lens, we are looking at adjustable and modular types of lenses. We have a full portfolio of options. And we believe we have the potential to be the first company in the world to launch the first truly accommodating intraocular lens or contact lens in the future. So we are very excited about what we are doing in this important field of optical design. We are also leading in material and [surface] chemistry. And here we've been able already -- in the past if you look at the first 3 columns to implement in some of our free key brands, daily (inaudible) plus, AirOptix, and of course, Dailies Total1 or (inaudible) silicone hydrogel lens. Some very unique and differentiated shaded technologies based on very sophisticated surface treatments, for example, in order to address some specific needs of the patients.

We are now working on PRECISION1. I think Andy gave a preview of PRECISION1. So this is to address the segment in which we are not as yet present, which is the mainstream daily disposable silicone hydrogel segment. And here what we are developing is a lens that will have also specific surface treatment that will allow for stabilizing the tear field thereby providing a very good visual acuity during the wearing period, but also to provide lubricious surface such that we ensure good comfort during the wearing time.

We have been able to develop a manufacturing process for this lens which uses equus extraction, which will allow us to have a good cost profile for this product. And in an addition to that this will be developed on a brand-new automated manufacturing line that I will describe to you. A new platform that is also providing a lot of competitive advantage for us.

We are also working in our DT1, the water-gradient lens provides the best possible comfort. It's really the premium best-performance lens you can find in terms of comfort, which is the #1 complaint, and the reason as to why your patient would drop out of the category. So we are trying to translate the water-gradient of Dailies Total1 to the reusable modality, thereby, providing a NexGen AirOptix type of lens with water (inaudible). And of course, now we will be able to use the platform we have developed for PRECISION1 with this lens because our new platform is universal.

So we are very excited about our portfolio of contact lens. And we even have a third material in the making to launch beyond 2020 a third new contact lens material to address another segment and other leads.

Someone mentioned through a question this morning about EU's medical device regulations. The regulations are changing in Europe, that's for sure. But not only -- we also see a lot of changes, for example, in Asia and China. And this puts a higher hurdle on manufacturer to in fact conduct more robust clinical studies in order to demonstrate the safety and efficacy of the products prior to approval but also through post-market study.

We have all the clinical development capabilities we need. We can develop validated patient-reported outcomes, which are very important to demonstrate the benefits of a product by quantifying the subjective response of patients to a certain experience of a product, and also showing demonstrating the economic value of a product. We can performance fast exploratory studies during the early stages of development when we do this fast iterative design looks when the engineers need a quick finical feedback to be able to envisage what's they are going to do to the next iteration loop to improve the product. And we have a global footprint that gives us an opportunity to interact with health authorities all around the world, and I have a very proactive way of interacting with them, building trust in order to develop protocols to get our clinical trials being approved faster. This is a key technology, a key capability that we need to have, especially if in the future we're going to develop more complex and more disruptive technology.

I mentioned Vision Care, for example, we are producing more than 3 billion lenses every year, we would not be able to do that without automation. Automation has a lot of advantages, it allows us to do -- to manufacture high-quality products both, from a cosmetic, but also an optical perspective, but also to lower the cost and to allow for making the volumes which are gigantic.

I mentioned the new platform at Alcon in Vision Care, each time we use to develop a new product, we had to develop a new platform, this is very resource and time intensive. With our new contact lens platform, we don't need to do that anymore. It's going to be a universal platform. And I already mentioned to you, the next 3 new [bronze] coming from Alcon in contact lens, will be manufactured on this platform. Compared to our current DT1, Dailies Total1 platform, we'll be able also see some dramatic productivity improvements. In terms of output per line meaning, number of lenses that can be produced per line, cost per lens and also capital expenditure, cost of a manufacturing line, and in the daily disposable category, we need a lot of manufacturing lines to make the volumes. So we are very excited and we've been for the last 3 weeks into the validation of this platform in view of the future launch of PRECISION1. And we are very excited about the results we are seeing, with the platform is confirming to the requirements we had during design input phase.

Well, the future of cataract surgery relies on seamless data exchange and cloud-based decision support, that's for sure. And we are very excited about our new digital health platform. We started with cataract, but we are going to roll it out later on to over disease areas, such as retinal and refractive. So what are we doing, basically? What we are doing is that, we will be connecting all the instruments in the clinic, usually diagnostic equipment that is used preoperatively and postoperatively, we are going to connect to a global cloud server. We will do the same with our operating room equipment. And as Michael mentioned this morning, we will leverage the Philips digital health platform, which is cyber safe and which is compliant and which is already available for that.

Once we have done that, we will be able to gather all the data from millions of procedures, from all the surgeons in the world, and we will be able to optimize the formulas and algorithms we are using today to plan the surgery.

Planning of the surgery, meaning, for example, predicting what type of power of a lens should I implant in this specific patient. And if I need a toric lens for correcting astigmatism, what exact cylinder should I apply for this patient.

So by combining that, we will be able to improve our predictability, optimizing these algorithms. And we are already working on augmenting the predictability power, by using also artificial intelligence and neural network algorithms. So this is now welcome in the 21st century. We are really trying now to go beyond what we were doing, trying to provide better outcomes, but also trying to simplify the complexity of the eye surgery by helping avoiding manual entry of data and also adding efficiency with the workflow of all what has to up happen between the clinic [to viewer]. The majority of our investment supports both novel innovation and portfolio investment. We plan within the next 5 years to invest $2.5 billion in internal R&D at Alcon. Portfolio advancement is very important, these are incremental improvements we perform on commercialized products. I'll give you an example, in the retina world, vitrectomy is one of the most common procedure. It's consistent removing the vitreous, prior to working on the retina. And the vitreous is somehow a jell like matrix that is linked to the retina. If you try to pull and aspirate the vitreous, you will have the risk of exerting some traction on the retina. So what you need to do is, while you are aspirating the vitreous, you need to cut it, such that, you don't exert any traction on the retina.

Several years ago, we started with a cutter that had a speed of 5,000 cuts per minute. Then, we increased to 7,500 cuts per minute. Now, we are at 10 kilo cuts per minute. And we are already preparing the launch within the coming years of a 20,000 cuts per minute new instruments. And at the same time, we are improving the tip of instrument to allow the surgeon to work closer to the retina for complete removal of the vitreous without endangering or damaging the retina.

This is what portfolio advancement is about. And this is what makes Alcon products the best through this continuous improvement.

Novel innovation, I have already showed you some examples with novel optics, digital health solution, new presbyopia solutions. I think we said already this morning also that, there's a lot of creativity within Alcon R&D, for sure. Our folks are very creative. But there's also a lot of creativity that exists outside Alcon in the world. Some doctors have some ideas and they would like to put them into action, build a prototype and so on.

We try to develop a culture at Alcon R&D, which avoids the not invented yet syndrome. In other words, we are very open to external ideas and opportunities. And in that sense, we believe, we see all the opportunities that occur in ophthalmology in the world. We screen and assess, together with the commercial franchises, approximately 400 technologies every year. And we assess them thoroughly through a very thorough process, which allows us then to make very sound decision regarding executing an agreement, making an equity investment or even performing a merger and acquisition action.

So we are complementing our portfolio. We are having several partnerships, we made more than 20 deals since 2016, which is a good track record. And we believe, moving forward, we will leverage even more our BD&L muscle with discipline, but we will try to invest, probably, more on the side of white spaces or disruptive -- potentially disruptive technology. White space is an area, where there is an unmet need, there is a technology that addresses it that is good enough and there is a market for it.

This slide is aimed at representing or giving an illustration of the density of a portfolio. So here we have only represented some selected launches. So in the middle column, this is what a sample of what we will be launching during the window 2018, 2020. Most due towards, 2020. So for example, in the surgical franchise, we will roll out the launch of PanOptix' trifocal lens. In particular, in the U.S., we finished the clinical studies and we are working on the submission. And in Vision Care, we will carry on the rollout of SYSTANE COMPLETE. But at the same time, we will also -- we intend to launch our non-diffractive presbyopia correcting IOL, the one I described before as well as PRECISION1 or new daily disposable content lens platform. Moving forward, beyond 2020, we intend in the surgical area to launch 4 new major IOL platform. And as I said, we have the potential to launch the first fully accommodating intraocular lens. We are working also already on the next generation cataract and vitreal retinal platforms. They will be the next generation of (inaudible) constellation and Centurion, and they will take less space because OR is more crowded, the cost of goods will be lower. And of course, we will make the user interface very accretive to minimize the amount of training needed to get operational with those technologies. And we will carry on developing integrated technologies and using digital health platform in order to connect further, the clinic and the operating room, and making everything seamless and easy for the surgeon. In Vision Care, we will launch 2 new contact lens platform. So in the industry to launch a new material, a new contact lens in average, totally new material takes approximately 5 years. We're going to launch 3 new such material in a very short timeframe.

We, of course, will carry on also launching some expansions of SYSTANE.

So key takeaways. We definitely aspire to be the world leader in eye care innovation. For that, we are leveraging world-class capabilities. I think I showed you some key examples during my presentation. We have an internal portfolio, already robust, but we are deserve -- sorry, excuse me, diversifying it and also managing risk by complementing it with external innovation through partnerships. So overall, we believe, we have a robust pipeline that will develop, in particular, the growth that we want longer term in a sustainable manner. Thank you, very much. And now, I will leave the ground to Mr. David Murray, who is our Chief Finance Officer. David, up to you.

David Murray - *Alcon, Inc. - CFO*

So good afternoon, everybody, and thanks for being here today and showing your interest in Alcon. Franck, I heard you presentation now many, many times over and every time I hear it, I get still more inspired by the technology and innovation that we're bringing to market. So kudos to you and your team. Like Andy, it's good for me to be back in the homeland. There's just one difference and that is, I hail from north of the border, which I think is the better part of the island, but I'll leave that up to you to decide.

So for those of you who I have not met yet, my name is David Murray, I'm the CFO of Alcon. I've been with Novartis for 19 years. And in that 19 years, I've been across 3 separate divisions. I started in pharmaceuticals, then went to vaccines and diagnostics and then I joined Alcon in the summer of 2015. Prior to Novartis, I was with General Motors for 10 years. And I think in my 30 plus years of finance professional experience, I've seen the good, I've seen the bad and I've seen the really ugly, which will, I think stand me in good stead for the challenges and opportunities that come Alcon's -- will come Alcon's way. And interestingly, this will be my third stent in Switzerland. So I spent 5 years in Zurich with GM. I spent 6 years in Basel with Novartis. And now I'm searching for a home in the Geneva area. What I'm going to cover with you today is 3 things. One, where are we on the turnaround? Secondly, how do we translate all of the strategic imperatives and initiatives that you heard from my colleagues earlier today into the all-important financials? And then thirdly, what is our capital allocation strategy?

So with all of that being said, for me, Alcon is really about a topline growth story, more modest in the near term, more accelerated in the mid to long term, which will be reliant on the infrastructure that we largely have in place that will allow us to really leverage the P&L and allow us to go to this low to mid [20] margin that we are driving towards. So without further ado, let's rock 'n' roll and get into the slides themselves sorry, go back one.

Okay. So the financial framework that we have is the classical financial framework of the 4 key pillars; of sales growth, operational excellence, the free cash flow, and then the capital allocation. And on the sales growth itself, it's really anchored around the market fundamentals. You've heard repeatedly today that we truly do believe that there is a tailwind that is following us here and there was some really solid fundamentals that lie behind that. In the near term we're really focusing in on these 4 key areas, 2 in surgical, 2 in vision care, and we'll talk about that a little bit later. And then beyond that, with all of this new innovation that we have coming to market, then the belief that we can actually accelerate that curve in the mid to latter part of the plan. On the operational excellence it's about leveraging through sales growth. But it's doing that by way of this disciplined cost management and increased productivity. So you've heard Mike repeatedly talk about this in the past, which is, how can we get more money to the frontline. And that's exactly what we're doing and I'll share with you later in the presentation some of the thoughts and ideas that we have around that.

On the free cash flow generation, our forecast is that we expect to drive the cash 2.5x to 3x, where it is today. And then on the capital allocation, primary focus, of course, is on shareholder value creation and we have a well-defined capital allocation plan that will allow us to do that, and we'll talk about the dividend payments when we get on to the capital allocation slide.

So as we think about the portfolio itself, we think that we've got a well-diversified portfolio that is capable of actually mitigating the risks, but also capitalizing on the opportunities, whether this be on a geographic or on a category segment basis. And so if you look at the left-hand side here, you can see that Surgical at $3.7 billion of sales, that represent about 55% of the portfolio. And we've got Vision Care at $3.1 billion, at around 45%. But importantly, within this you can see the 5 segments, and this will be a continuous themes that you hear us talking about, as we go forward. The 3 segments under Surgical and the 2 segments under Vision Care. And then on the right-hand side you can see geographically how we're made up. So with International, representing $4 billion of sales, about 60%. And on the U.S. a very important market for us, at $2.8 billion or 40% of sales.

So turning to the sales and looking at it in a little bit more granularity. Of course, we are very proud that now we've recorded 8 successive quarters of sales growth. The most recent of which have been in this mid-, single-digit range. And on the right-hand side of the slide there you can see what are the important points that've actually led us to do this. So each and every one of them have been profound in their own right. They have all been critically important to actually driving the sales growth that we're aspiring to. But what I will do, is I'll take you back to Q4 of '16 with that 1% sales growth, that dizzy 1% that we were able to -- actually, Mike was able to go to our Town Hall in Q1 of '17 and say, we finally turned a corner here. And he received rapturous applause from the audience. And this has been a really important turning point for us because it was the turning point that product the belief back into the organization. It was the turning point that brought the morale back into the 20,000 associates that we have around the world, and we've gone from strength to strength with that. And as you heard earlier, we are at an all-time low on attrition rates within the company. The people are energized, they are excited and they're really ready to go as we think about Alcon as a separate standalone company.

If we look at the margins, again, you've heard some of this already today. But in 2018, you've seen this as part of the Novartis communications, but we're reporting our margins right now in this mid-to high teen range and you've seen what the results have been for Qs 1 through 3. And then if we go back to 2017 with the 16% margin, again, a very conscious decision that we made. We realize that we had to invest more money into the business and we actually invested over $400 million of incremental dollars back into the business to help turn that top line around.

And I think the evidence from the previous slide is proof of the pudding. And on the right-hand side here, you can see where did that money go? So I'll draw your attention to maybe 2 of them here. So we allocated more investment and resources to the front line. You saw already the DTC video clip from Andy, as being a very, very powerful mechanism to help us drive DT1. And then also, on the investing in the pipeline, you've heard Franck talk about the significant dollars that we're giving him on a disciplined basis. Franck I like that you included that word in there. So we're very rigorous in terms of how we actually allocate those R&D dollars. But not only that, we're also -- have been very active on the BD and M&A front. We signed over 20 deals in the last 24 months. And that is also an important part of our portfolio of development. So if we do a little deep dive into 2018 itself. On the top line, you can see through September, we're reporting growth of 6%, which is actually a spread across Surgical, which is growing at 8%, driven by the AT-IOLs and the growth in the consumables. And Vision Care, which is growing at 3% with a DT1 and the SYSTANE COMPLETE launch. And then on the core gross margin, a number of you had spoken to me at lunch about what our expectations are around the core gross margin. And I think, here we're seeing some of the fruits of this already, gross margin up 125 basis points, September year-to-date versus prior year. And our core op margin up just over 150 basis points versus prior year.

So like any good standalone company, we need corporate standalone functions to actually run and drive it. And to date, we've been the recipient of the services of Novartis on tax and treasury, Investor Relations and such like. Now we have to develop our own. And what I can tell you is that we're very advanced in this. We have each of those functional heads now in place. They each have prior public company experience and they are now in the process of setting up and building their own teams such that we can have a seamless transaction with Novartis and be ready to go when we get the green light for that. The point you should be aware of here is if I focus in on 2017, the margin that we quoted for 2017 was 17%, but as we put these corporate standalone functions in place, you can anticipate that there's about 100 basis points worth of cost to actually restate on our own standalone basis.

So that would be the key takeaway from this slide, it's about 100 basis points on cost stand up in corporate functions and we're well advanced in that regard.

So turning to the plan period, itself. Like any great plan, there has to be some great assumptions that lie behind it. And here, we have a number of the assumptions, I won't go into them all in particular detail, but I'll draw your attention to the first one on the slide here, which is, the successful execution of these 4 near-term growth drivers is critically important for us to keep the momentum going. And then the ability to outgrow the market in the latter years with this pipeline launches and then trying to capitalize on these emerging markets where if you recall back to David's presentation saying that we are under-indexed there and there's the opportunity for us to grow a little bit faster. Down at the bottom here, I will say that the plan does not assume any cost or any revenue for any new M&A or BD deals, and we have a number of them in the pipeline. And we feel that we've done a number of shots in goal, which will materialize to the P&L, but I just want to be crystal clear, neither the cost nor the revenue is included within this plan that we share with you today.

So as we think about the 5-year outlook then, we're giving guidance as follows: That on the sales growth as you heard from David, we expect mid-single-digit growth with respect to that, a little bit slower at the front end with a faster acceleration in the back end. We expect the core operating income margin to be in the low to mid-20s. We expect the CapEx to be in the mid-single-digit range. And we expect our core tax to be in the high teens.

So we double-click on the sales. You heard from Michael that AT-IOLs and vitreoret are supremely important for growing the business in the short term. And you heard from Andy that DT1 and dry eye are equally important for him on the Vision Care front. And so as we look at our sales growth over this next 2 years, these 4 categories will drive about 80% of the growth that we expect to see.

And then as we look out beyond that, so this big green bar here. This is the reason to believe which is that we've got the tailwinds of an aging population, we've got the new innovation that we're bringing to market. We've got the increased wealth in the emerging markets. And then we have this scary thought that by 2050, 5 billion people on the planet will have myopia. That's a staggering statistic. And so with each of those, we believe that they provide very strong pillars to actually driving this piece here in the mid- to latter stages of the plan.

On the core operating income margin, it's really a function of 2 elements here. First of all, the sales, of course, they're key to actually giving us the leverage that we're looking for. But then we think that on the gross margin, we will benefit from actually 2 things: One is, we will see the mix of the products actually helping us -- actually 3 things. We will see the general manufacturing efficiencies that we look for every year from Ed McGough, our Head of MTO. And last but by no means least, we're spending a chunk of money right now on putting Andy's Vision Care lines in place. And these typically take about 2 to 3 years to hit the sweet spot, and we're literally right ow validating those first lines that are going in. So we would expect to see big manufacturing efficiencies coming into play very soon as these lines get up and running. So those 3 components are driving the gross margin.

And then down in the SG&A, it's really -- I think 3 things here as well. One is that we're trying to actually bring more money from the back office functions to the front office, to the front line. And how are we doing that? We're doing that just by leaning up our processes and trying to make things a little bit simple. It's easier to do that with Alcon as a medical device company as opposed to being part of a big pharma company, with no disrespect to Novartis.

And secondly, we've got our brand-new ERP system that's coming into play. So right now we're about 65% of the way done. The SAP system is in place in U.S., in Japan, in most of Europe, and we still have Asia, LACAR and our manufacturing facilities to go. So I think that with this single ERP system, that will also help us to actually streamline many of the sometimes complicated processes that we have in place and the workarounds that we have to put in place to get around that.

Of course, all of this drives cash flow, and we expect cash flow to be 2.5 to 3x where it is today. The drivers are, of course, obvious with the sales growth and the margin expansion. But this one, perhaps, is not so obvious; the last one, which is on the stabilization of IT and capital investments. So as I just mentioned, with our ERP system, we expect to be done within a couple of years, and then we'll see the cost actually winding out of our capital requirements.

And then also, with our Vision Care capacity expansion, I think right now these lines are going in with a cadence of about every 4 or 5 months, a new line gets installed. And we'll be largely done with the bolus of capacity that we need to put in place to cope with this migration of customers from the reusable to the daily modality. Importantly, you'll note in the bar over here, I've said that we think there will be about $300 million of separation costs that will be required to disentangle Alcon from Novartis. And this is included in this forecast here.

So looking at our capital allocation strategy then, on the right-hand side on the pie chart, which is illustrative of the areas that we look to actually dedicate our cash. The main focus here, however, is to get an investment-grade credit rating. And so what I will tell you is that in the last weeks, we've been talking with the agencies, and we're sufficiently advanced with them. We expect to hear back from them within the coming weeks as to where our credit rating will be by then. That is a key goal for us.

And then on the left-hand side, you can see what are the priorities. So investing in our organic growth drivers is one. We made it clear that we have to keep this momentum going. We believe that we have got the wherewithal to do this. Investing in R&D. If you believe everything that Franck is telling to you, it's going to be the biggest investment and the best investment we've ever made. During a very rigorous and selective prioritization of our BD&L and M&A. You heard earlier today that, just given who we are in the sector, we get to hear about most things. We clearly can't afford to do everything that comes our way, so we have a very selective and prioritized approach towards that.

And then lastly, by no means least, this will return to shareholders. And what I'm pleased to say is that we expect to pay this regular cash dividend beginning in 2020 relating to our core net income of 2019 and that will be at the initial rate of 10%.

So capital is a really important part of our business, and you already heard me talking about it. And if you look at the pie chart on the left-hand side, you can see that almost 80% of it is related to the capacity expansion that's required for Andy and his Vision Care lines. We've got the maintenance recap that's required for the 18 manufacturing sites that we've got around the world, and then we have the IT spend there to get this ERP system up and running. And what you can see is that down here, we expect actually the capital expenditure to reduce over time as this ERP system and the Vision Care starts to become a little bit more stable.

If we focus in on BD&L and M&A, there's a number of stands to this, but I'll draw your attention to 3 of them. The first one here being that we're actually agnostic to the source of innovation. We really don't mind whether it comes from within or if it comes from an external third party. And then secondly, we're really focusing in on bolt-on acquisitions to both Surgical and Vision Care. And the value that we could tend to expect here is probably somewhere in the -- I'm going to say the [50 to 500] range. So I know that's a big range, but in the 20-plus deals that we've been in the last 2 years, a number of them are relatively small but they give us important advancements in terms of the incremental technology we can add to our business.

And then up here, you can see that we're really focusing in also on next-generation technology. So this is actually important for 3 reasons: One, it allows us to bring the leading-edge technology to our patients out there. Secondly, it allows us to actually endear ourselves and strengthen the relationships further with both the surgeons and the ECPs that we're dealing with by being, what we believe, is one of the leading medical device companies in terms of innovation.

And importantly, what it allows us to do is actually increase price. So there's been a number of questions already today about how do we propose to actually capture price. And the way that we propose to do it is by bringing this new incremental innovation to market, and then by virtue of doing that, actually then taking some price on it.

So looking at the balance sheet. Again, a question did come up on this, this morning. We will be certainly finance the spin-off. We will have a net financial debt of about $3 billion at the time of spin. And we are targeting this investment-grade credit rating from the rating agencies.

So what are the takeaways? The takeaways from a finance standpoint are as follows: One, the sales we expect to be in line with the market growth in the near term, and then accelerating ahead of the market in the mid- to long term. On the core operating margins, we expect the margins to be in line with our medical device peers. And that will be driven by both sales growth and margin improvement and just this strong cost discipline by actually trying to keep this infrastructure that we have today in place to see us through the plan period. We believe that we can do that.

On the cash flow, we're aiming to try and grow this by 2.5 to 3x from where its today. And then on the capital allocation, we have this very clearly defined framework. We expect to pay this regular cash dividend. Of course, it will be subject to the new Alcon Board of Directors that will come on place in the first half of next year, and then our shareholder approval beyond that. And then last, we're trying to target this investment-grade credit rating.

So that's it for me. What I'll leave you with is as follows: That it really is this top line growth that will propel the margin in line with market growth in the near term, accelerating ahead of that in the mid- to long term. The $400-plus million that we put in, in that period, back end of '16 and early '17, will stand us in good stead to actually see us through the plan period. And we've got some really strong tailwinds in terms of the demographics to actually drive the sales that we're looking at and to drop that margin to the bottom line to allow us to go to that low to mid-20s on the margin front.

I hope you can sense from today just the energy, the excitement. But I think most importantly, the confidence that we, as a team, have that we can actually deliver against this plan. I know it's going to be a really exciting journey, and I am personally truly looking forward to it. And I understand that you will not have all of your questions answered today. What I would say is that we will be going on a series of road shows in the middle of February, and then again in the middle of March. And we can use those road shows as an opportunity to get into a little bit more detail as and when they happen.

So then, I'd like to close and pass back to David. But again, I'd like to thank you for your attention and your interest in Alcon and look forward to taking your questions later. Thank you.

David J. Endicott - *Novartis AG - CEO of Alcon*

Thanks. So we're just going to take a few questions. I'm going to just do a quick couple of quick slides on the transaction overview and then, we will switch to Q&A, and we'll bring the whole team up here and give everybody a chance to finish with that.

Just a couple of quick points. The review that was started some time ago concluded in June of this year, concluded with a view that 100% spin-off will be in the best interest to shareholders. We're obviously intending to be headquartered in Geneva, as you've heard. Fort Worth will still continue to be a big location for us, but this really isn't much of a change for us. Most of you know we've been in a Swiss company for about 40 years, and so we've been involved in this part of the world for a whole long time.

I would also say that we're dual listing. So primary listing on the SSX, but New York gives us a lot of opportunity to access capital. There's some large med tech companies in that zone, and we're obviously interested in trying to take advantage of that market as well. We think this completes in the first half, but is obviously subject to shareholder approval for one, but also general market conditions, tax rulings and our Novartis board approving that recommendation to go forward to the shareholders later on in February. So that's the kind of logistics of moving forward.

The reason to dual list, I'll just kind of mention. I think at a high level, it's natural for us to want to be on the Swiss Exchange. It certainly provides continuity for those of you who are Novartis shareholders. And obviously, we hope to be in the SMI. That hasn't been confirmed yet, but we anticipate that we would be.

The obvious reasons for being in New York is the geographic restrictions of some shareholders. I know there's a big U.S. base there, so we're interested in participating in that part of the world as well. So there will be a single registered share trading on both exchanges, so makes it easy. And I think that's kind of the rough sketch of what we're doing going forward.

Importantly, as we kind of go back to the beginning, I want to just kind of conclude where we started which is, in the proposition, I think that what we're trying to portray is that we have a market here that has very favorable underpinnings. We feel good about the markets. But that importantly, hopefully, what you've seen from the team is an expertise, a deep expertise in this space so that we can make good technology decisions, good market decisions, apply capital intelligently and really succeed on that basis.

We've shown you a little bit of our near-term pipeline. We think we knowable ideas in the very near term that are right there for us to look at, carefully measure and drive most of our near-term opportunity. And then we have some very specific and, I think, exciting longer-term opportunities, which speak to where we think this is, which is a robust market and a robust application technology opportunity. So we're working on a lot of that. We obviously see a lot of that.

And then you saw David kind of finish up here, hopefully, with a plan that makes sense. It's pretty straightforward. It's a leverage plan from getting revenue growth, as you've heard, off of an existing cost base. We think that it's appropriate for what we need to do going forward. So we feel like we've got the plan and the people and, hopefully, the products, as you've seen to pull all that together.

We started with some objectives on the day. We hopefully have answered a good bit of them. But to make sure that we get any other questions up, I really do want to kind invite the rest of the management team up, and we'll take another 20 minutes or so of questions from all of you all. Why don't we -- we all coming up.

Just in the case, I think as was nicely said, we are going to be out and available starting at the beginning of the year. So we will be answering questions along the way and invite any interest you may have at those times as well. Let's open it up.

Unidentified Analyst

Couple of quick ones on financials for David, please. One is on your midterm margin targets. It wasn't quite clear to me whether you're completely committed to that irrespective of M&A and BD. Or whether you could potentially actually chuck that if a really great investment opportunity came up. And also on the corporate tax rate, that's going to be a bit higher than the Novartis average tax rate. So is that the tax rate you effectively had within Novartis? Or that the Novartis tax rate is now going down even further that you're exiting? Or is that because you're just losing the kind of Novartis protection?

And then finally a quick one for Franck as well. Did I understand you correctly that on PanOptix, 20% of the patients in the clinical trial actually still needed glasses later on? And what were the reasons? And what would you expect the real-world percentage to be?

David Murray - *Alcon, Inc. - CFO*

Okay. Right. Thank you. So if understood your first question correctly, I think what we're saying is that the low to mid-20 margin aspiration that we have is not contingent on M&A or BD activity. So the M&A and BD activity is likely to then be incremental to that, depending upon the size and the cadence of that. So I'm not sure if that answers your question.

Unidentified Analyst

I was actually more worried about the downside. Because you were also saying that is no cost from M&A or BD factored into that. And I mean, we've had a few -- I'm a pharma analyst, so I've had a few traumatic experiences where midterm margin targets got chucked because a great investment opportunity cropped up. So I just wondered.

David Murray - *Alcon, Inc. - CFO*

Okay. So our expectation is not for that to happen, knowing what we know here today. And then on the tax rate, if you look at the 20-F, we've got in there that the tax rate through September is at 14% for Alcon, and we expect to increase to the high teens by sometime in the foreseeable future. And it's all around the Swiss tax reform. So the Swiss are going to vote on the 19th of May, 2019 as to what to do with the tax reform. But our expectation is that it will go through. And if it does, then our tax rate will actually increase to these high teens.

David J. Endicott - *Novartis AG - CEO of Alcon*

Franck, on PanOptix.

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

Yes, so the number I mentioned was 80% of the patients in this clinical trial declared they never used their spectacles. The over 20%, that doesn't necessarily mean they need spectacles. It could be that they need spectacles partially. There were other questions in this validated questionnaire. Do you often use spectacles, et cetera. So we would have to go into the detail, but 80% were totally spectacle free.

What do I expect in the real world? First of all, the defocus curve that has been measured with this lens are really in keeping with this result. So I would expect that the real-world situation will be comparable. However, I do not have the proof as yet, but we will get confirmation sooner than later.

Karen King

Okay. Other questions? There's one here.

Unidentified Analyst

This is (inaudible), UBS. Can we talk about the margins a little nearer term. You've seen some margin upside. This year, there's obviously an assortment of investments coming through into 2023. Does that mean margins next year and the year after are going to be flat? Could they even decrease from here given the launch costs? My second question is on cash flow, which is obviously not as strong as it could be at the moment. You obviously have the ambition to improve that. Part of the reason is CapEx. Part of the reason appears to be working cap, so increase in renewables and inventory costs as well. Maybe you could comment on that.

David J. Endicott - *Novartis AG - CEO of Alcon*

Let me take the first one. Just in terms of expectations, what we said on the third quarter call was this year would be accretive to '17, which was our trough year. And we believe next year will be accretive yet again. So that's the direction we have at this time for you. On the cash flow and on the...

David Murray - *Alcon, Inc. - CFO*

Yes, the cash is an interesting one because we're fully recognizing that the working capital is at a high level right now. Interestingly, if we would wind the clock back a couple of years, one of the reasons we got ourselves into trouble was we actually too aggressively took a swing at the working capital. And unfortunately, in our business, where we're virtually shipping, at least on the Surgical side, to individual surgeons, when you have a patient on the table that's waiting for their IOL, you can't say it'll be tomorrow.

So what we've looked at is, we think that the sweet spot of our inventory is somewhere between 215, 230 days. But importantly here, what you'll see is that actually the inventory is likely to go up before it comes down by virtue of all these new launches that we're bringing to market. But beyond that, we continue to look at ways to actually lean the working capital a lot whether -- on all 3 dimensions. But that's the answer to your question.

Karen King

Yes, right here.

Veronika Dubajova - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Great. Thank you. Veronika Dubajova from Goldman Sachs. Actually, I have 3 questions. But my first is a follow up to [Ian's], which is as you think about that margin progression to that low to mid-20s is this a pretty steady incremental improvement? Or is this more of a hockey stick where you'd expect the marginal improvement to be pretty small in the short term. And really, the bulk of that improvement from that 17% to, let's call it 20%, 20.5%, comes in the outer years. That's my first question.

My second question is the R&D intensity in the organization has increased a lot in the past couple of years. Is the current level that you're at what you're going to be running with going forward? And maybe, Franck, you can comment on that as well. I'm sure you'd like more money, but just where you are on that.

And then my last question is M&A, and clearly, business development is part of your org strategy. I'm curious how you feel about larger-scale transactions. And does the organization have any capacity for those today? Or is that really something that you'll leave tothe medium to long term?

David J. Endicott - *Novartis AG - CEO of Alcon*

So on the first one, on trajectory. I think what we are primarily interested in right now is continuing to invest for long-term growth. So I think depending upon revenue growth, I think you might see it could be higher -- I doubt that that's what our priority is. We think we have real opportunities in R&D and real opportunities to continue to invest. And I think long term, we're more interested in generating that kind of long-term sustainable growth over the next 24 months, I would say, than anything else.

Relative to the R&D intensity, I suspect it is similar to what we said. I think we said $2.5 billion over 5 years. I do think that that's an appropriate level. We are, from time to time, going to have some opportunities. We may have to kind of go north or south of that. But I think directionally, I feel like that's probably where we want to go. And Franck, you want to add to that?

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

Yes. And I would add one more thing, which is that as we are going to move towards being a stand-alone company, we want to increase our productivity and efficiencies within R&D. And we're going to look very intensely at our processes. Some of them are derived from some centers, and we believe there is an opportunity for leaning them and becoming more agile as it is expected for a medical device company. So we will try to make the most out of every dollar my colleague, David Murray, generously give to us.

David J. Endicott - *Novartis AG - CEO of Alcon*

Just on the last one. I think maybe our appetite for M&A tends to be technology-based. Partly it's the nature of our current positions in the market. So I think it's hard for us to find things that we get really excited about that are big. But at the same time, what we really do get excited about are interesting technologies, where we can use the applied science that we're really good at. And I think Franck gave you some really, I think, important ideas around where we see our skill set and why we think we can apply technology, to a certain degree, better than other folks can. So we're really interested in energy sources and things that are a little bit one-off. And so this notion of $50 million deals may seem small, but it's really the core of kind of what we do, is acquire and apply and then develop that. And that's kind of an exciting idea for us.

Karen King

Other questions? Yes, right there.

Unidentified Analyst

It's [Chris] from Crédit Suisse. Two question. The first one, the pricing. Could you discuss the historic price pressure you've seen across your portfolio? And what's actually baked into your plan going forward? And the second relate to the capital intensity. Could you discuss the relative intensity of the 2 divisions you are running?

David J. Endicott - *Novartis AG - CEO of Alcon*

You guys want to do price pressures.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Sure. Yes. So I think if we just take the Surgical business, right. Much of this business is paid for by the governments around the world. And with the situation of pressures against the economies around the world, there's always going to be some pricing pressure, right. Cataract surgery is the largest procedural base in the world, so we're going to feel some pricing pressure. It's not dramatic though. And it's something that within our control. We can segment our portfolio to enable clinicians to use the best products that meet the needs of their patients in their economy. So we've been very conscious over the last 3 years to segment our portfolio along the lines of the economics within the region, not terrible pricing pressure. We do have the upside possibilities of patient co-pay in our advanced technology lenses and LASIK procedures and things like that. So we're in like a dual economy here that's really quite nice, and it gives us some flexibility as a business. Andy, you want to comment on Vision Care.

Andrew Pawson

Yes, on Vision Care, largely, we have actually seen price accretion over the last few years. A lot of that has been driven from the dynamics that you saw. So the shift to Dailies and the growth of premium lenses, the toric, multifocal and beauty. We have recently done a segmentation study that revealed about 20% of the category in terms of segment is value conscious. There still looks to be a strong appetite in the consumer to buy into value-adding solutions. So on average in Vision Care, we've actually seeing value accretion.

David J. Endicott - *Novartis AG - CEO of Alcon*

On capital intensity between the businesses.

David Murray - *Alcon, Inc. - CFO*

Yes, so the capital intensity is heavily skewed towards Vision Care, without any question. And right now, we're in this bolus of activity to actually build up the capacity that we need for the forthcoming and activity that's coming our way. What's really neat about this is the new technical capacity that we're putting in place is very flexible, unlike what we've done in the past. And therefore, we feel very confident that this will stand us in truly good stead for many, many years to come.

Karen King

Other questions? Yes, over here.

Unidentified Analyst

It's [Ida Well] from Deutsche Bank. I have 2 questions for Franck. The first one is on the R&D output. It seems that you're putting out a lot more than before. So well done there. Just wondering what is driving that. Is it because you have more R&D resources that you've invested? Is that a Alcon-specific change? Or is that just generally, in the market overall, it's more innovative, therefore, relative to your competition? How do you stand there? And then finally, on the risk of your pipeline, how should we think about that? How much risk is there?

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

Okay. So I think it's simply a question of focus. In the previous year, we were not as much focused on delivering as much innovation, especially in the incremental innovation area in Surgical, but also in Vision Care. We were going for big unmet needs, and we have fewer projects, more risky. I think what we've been doing is rejuvenating the portfolio by filling this gap really. And we've been also enhancing some of our platform. We used to launch a generation 1 platform, and not do anything afterwards, and we had again a big gap. So with Andy and Michael, we quickly realized that we have to do something about that. So this explains why we've been initiating many more projects. And within the last 6 years, we've been increasing the number of projects to 110 plus that we have now.

In terms of risk. So I would say R&D is a risky business by definition, right. We solve problems every day, and we like to do that. We have 110-plus projects in the portfolio. 35 plus are already in the very late stage, either under regulatory review or close to launch readiness or very late phase of development. Therefore, those projects have been derisked completely. These passed a long time ago the feasibility stage, so I'm very confident about them.

Now we have a bunch of projects that are still at the stage of feasibility. And by definition, they contain risk. And the aim of the feasibility phase is really to identify what are the risks, and then see if we can address them. And if we can't, then we will not bring them into development. So this is how we manage the risk in our portfolio.

So I think we are in a very balanced situation, because we need some risky project because we need to initiate new ones to fill the pipeline. And at the same time, we have a good bolus of projects that are already fully derisked. So I think we are in a good situation.

David J. Endicott - *Novartis AG - CEO of Alcon*

I might just add that in that context, the IOL portofolio, in particular, I would say, Franck and Michael did a really nice job of creating more than one idea, one -- or more than one avenue on this. From 1 of those -- or 2 of those may not work. But we've got something in there that we think covers almost all the major ideas, and we feel like we're really well positioned for those kinds of ideas for IOLs.

Karen King

Okay, questions? Yes.

Unidentified Analyst

(inaudible) from (inaudible). Two questions. The first one on Franck on R&D. I mean you're guiding for $2.5 billion over 5 years. So compared to what we have seen in the past 2 years, this would mean significant slowdown again, probably more in the far off future. How confident are you that this is actually possible and despite a rising top line, you are not risking again to have a limited innovation power at the end? And the second one on the dividend. You're guiding for around about 10% payout ratio in 2020 then. Why isn't that higher given the massive free cash flow improvement you are expecting for. It still should allow for bolt-on acquisitions and potential investments you need to do internally.

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

So I will take the first question. So I would like to remind you prior to us transferring to Novartis all the pharma business, we were indeed spending approximately $1 billion out of which $0.5 billion was for the pharma part. So when we transferred the pharma portfolio, we were left with $0.5 billion, which is in keeping with what we intend to spend every year for the next 5 years. So I don't think there is, for the medical device area, any decrease. And I think we are actually consistent with the level of investment we've made in the past. I think we are doing a different use of this money. And we have been selecting the right projects that will provide the growth. I think this is the difference.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes. And maybe I'll add to that. One of the other things that has occurred in the last 3 years is that these are joint decisions, right. The commercial organization and the research and development organizations sit with the customer. We explore what the needs are and, together, we build the decisions and then we validate those decisions, right. So this is as opposed to working in isolation on something that might be interesting. This is interesting not only to the R&D organization. This is super interesting to our commercial organization. That synergy is actually why you're seeing this kind of explosion of the number of technologies we're delivering.

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

For both franchises.

Unidentified Analyst

You may want to comment on the inorganic activity, too, something that you're working on.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

Yes, certainly. So I may be -- in my presentation, we talked about the way we thought about innovation. So we said, what are our core competencies? Where do we want to build out our organization and what we're delivering? Simultaneously, we did a broad landscape of areas where we saw opportunity either to enter into a white space or to create a new category. And we went out, and we did a number of deals. Some of them are public, some of them, we're still working through. And it's actually a combination of the organic and inorganic that you're going to see in the coming years.

David J. Endicott - *Novartis AG - CEO of Alcon*

I feel -- let me answer your question directly this way. We feel like we're well positioned with resource internally and externally. And it's an increasing amount, not a decreasing amount. So I would just say, we are very committed to the pipeline as a primary driver of revenue and as a consequence, the primary driver of this plan. So there is no backing off of any of that. In fact, there's quite the opposite. I think we're continuing to invest at a level that is appropriate.

David Murray - *Alcon, Inc. - CFO*

Sorry, could you just ask the cash flow question again?

Unidentified Analyst

Yes. Second point was on the dividend. And you're guiding for 10% payout ratio in 2020 for the year 2019. Why are you so cautious, to a certain degree, with that 10%? Because your assumption is that the free cash flow going to improve significantly, and that should allow still to go for bolt-ons to have potentially a higher payout ratio. So can I expect this -- can you expect this to improve then after 2020, the payout ratio?

David J. Endicott - *Novartis AG - CEO of Alcon*

Well, we can -- you really want me to day that. I mean, I think the question is a good one. I think our view right now, as I said a little bit to the point of if we've got revenue, would we drop it through. I think the issue is we think we've got lots of opportunities inside the business. Our primary idea is to continue to invest in R&D programs. If we had BD&L, that would be a priority mostly because in these first few years, we're really trying to set this company up for long-term growth. So I think to the extent that we can do both, great. We'll look at it. We'll work with the board to decide what that I looks like. But our primary guidance around this is that we intend to kind of invest in the business as a primary use of capital.

Karen King

Other questions? [Michel]?

Unidentified Analyst

[Michel Bada] from Berenberg. Just looking back to when Novartis acquired Alcon, I think the company had around 38% EBITDA margins. I appreciate you're no longer in the pharma business, but your revenues are higher as a company today than they were back then. So the question is, are these sort of 38% EBITDA margin long gone for the organization? Or is there scope to take them further, at least into your midterm plan? And with respect to David, just a relatively boring question, sorry. So could you help us understand? Now this $2.5 billion R&D, is this purely expensed or is there additional capital on the -- on top of that? Could you also potentially share with us what roughly depreciation is for the company and also a nice starting point for intangible on the balance sheet?

David J. Endicott - *Novartis AG - CEO of Alcon*

Let's do the second one. Well, first one's first.

David Murray - *Alcon, Inc. - CFO*

Well, let me start with the capital one then. So the R&D $2.5 billion is actually all expensed. Because if you recall back to one of the slides I showed, there was actually a small segment in there on the capital for R&D. So that will be incremental to the $2.5 billion that you saw there. Sorry, I forgot the second part.

Unidentified Analyst

Depreciation.

David Murray - *Alcon, Inc. - CFO*

So depreciation is running around just north of $200 million a year right now. And with the intangibles, I think in the 20-F, what we've noted is, is that we've got $12 billion of intangibles and about $9 billion of goodwill that will be sitting on the balance sheet.

David J. Endicott - *Novartis AG - CEO of Alcon*

And then back on the pharma business, just in terms of margins. It's nice to be in the pharma business. Operating margins are fantastic. They're very different than the device standards, and I think we don't see pharma margins going to be coming out of this business. But we -- but clearly we have a trajectory that takes us to what we think is industry average, and we don't aspire to be average. I mean, that's kind of the direction of the plan right now. But I think we anticipate that over a long stretch of time, we should be able to do well.

Karen King

Other questions? 7 minutes. Anybody else? At the back.

Unidentified Analyst

A couple of questions. First of all, could you just explain a little bit more what is different with the new manufacturing lines relative to what you were doing before? And how the new manufacturing process really creates more of a competitive advantage? The second question, just on financials. What are you going to be paying on the $3 million of debt, please? The interest rate on the debt?

David J. Endicott - *Novartis AG - CEO of Alcon*

Do you want to do the manufacturing one first?

Franck Leveiller - *Alcon, Inc. - SVP and Global Head R&D*

Yes. So what is different? And I'm not going to give you details on our manufacturing new platform. But what is really new is that we are employing some process steps that are very forgiving to whatever type of chemistry we put on this line. So it's more universal. It is accepting any kind of chemistry very easily.

Secondly we've taken the best of what we've done in previous platforms in the past in terms of automation, and we have plugged that into this new platform. So what's new is the universality character of this platform. Any kind of chemistry and again, moving forward for standard contact lens, we will not need to develop a new platform each time we will launch a new product. And I think the cost profile of the product will be dramatically, significantly improved due to the design of this platform. We designed it to produce more lens per line, and we designed it to be more effective. And we designed it to reduce the cycle time, such that the total cost of lens produced is reduced.

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, we should just caution around this one. That these are lines we're putting in right now, and that these lines take about 3 years to come up to speed. They're obviously more efficient than our current lines. But again, our current lines are well up to speed. So again, there's not an immediate gross margin hit that you're -- if you're trying to think through that modeling. We are working on this over time.

It's a great, long-term platform for us that gives us a lot of flexibility to create new products, and to switch products that we make on it so we don't have to have a dedicated line for each kind of thing. And that's a much more flexible idea that's really the thing. It's development and it's manufacturing flexibility in terms of product.

David Murray - *Alcon, Inc. - CFO*

Okay. And then on the debt question. I won't disclose any details on that at this stage, because we're still working with a number of banks to actually secure the -- what's required. But I will say is that there's actually a lot of interest in getting connectivity with Alcon. And as we think about the net debt of $3 billion with the analogs and comparisons that we've done, we think that's in the kind of zip code of where we would expect for a company of our size.

Karen King

Okay, anything else?

David J. Endicott - *Novartis AG - CEO of Alcon*

One here.

Karen King

Yes, over here.

Unidentified Analyst

Could you just elaborate a little bit more on what effect the shoppers have had on the contact lens business so far?

David J. Endicott - *Novartis AG - CEO of Alcon*

Andy, you want?

Andrew Pawson

Yes, I will take that one. Relatively moderate so far. We've only got kind of our provisional estimates around what are some of that direct-to-consumer business models have evolved in terms of share of category. It's fair to say that no one's really cracked the code in terms of direct-to-consumer access in either delivering of product that is advantaged in the category or necessarily meeting all the facets of the consumer experience or the pain points, likewise the UCP pain points. We'd estimate that in North America something in the region of 10% of sales have evolved to more of a direct-to-consumer business model. But those are very provisional estimates at this stage, actually very difficult to measure. So I mean, it's certainly not massive, but I think what we're interested in doing innovating in that consumer journey. Because ultimately it's -- no one's yet cracked the code.

Unidentified Analyst

A quick question on manufacturing capacity. The -- looking at the new product that you've got in your pipeline, some of them do seem to be -- what will be quite different to what we have seen. So to what extent can we be assured that you will be able to manage the production of those products? And also financially, how would you balance the revenue opportunity that is there versus the return on capital? I guess from our perspective, we're willing to live with a lower return on capital as long as you can deliver the top line growth, and you'll make up for it later.

David J. Endicott - *Novartis AG - CEO of Alcon*

Well, I think on the contact lens division, care business, I think we have a really good understanding of what that profile looks like. I think the new lines we're putting in on this new platform, I think, we thought that through well down the path of a generational changes to platform. So I think that is -- we feel comfortable that we're doing the right things there.

On the -- on some of the technologies in IOLs -- and Mike, you got to speak to this a little bit. We're still learning, and I think there are going to be some changes to those that may be very different. But to be honest, most of -- the number of lenses required in that space is a totally different dimension then Vision Care. We are making billions of lenses literally on Vision Care, and I know that takes a lot of capital and a lot of effort. You need to get that one right for sure. It's different if you're making a million lenses or several million lenses in IOLs, which again, we can automate, we can do better but the capital intensity is different. So maybe a little further on that.

Michael Onuscheck - *Alcon, Inc. - Global Franchise Head of Alcon Surgical*

No, I will agree with that. Look, again, there's a scale opportunity in Vision Care that isn't necessarily the same in Surgical. But the ability to use automation at certain points of the manufacturing process actually improves the outcome of the lenses that we can build. And so we are actively looking at the competencies across the organization, and say, where would we bring in automation and the IOL manufacturing process? To improve yields or improve the quality of the lens or to improve controls in that so that we have less waste. And that's just a rigorous process that we're the organization through right now. And it's an exciting opportunity for the Surgical business. It's one that we'll -- we're trying to understand the financials behind and make sure we're making the right choices for you long term, too, right. So...

Karen King

And we are going to wrap up. We only have a minute left. Thank you for your questions. Great dialogue. David, do you want to...

David J. Endicott - *Novartis AG - CEO of Alcon*

Yes, I just want to say thank you, first of all. The team's been putting this together for a while. This is a really cool time for us. I mean, we started out on this journey some time ago. A number of us have been working with the banks and with the Novartis teams for a couple -- almost a couple of years now. So it's exciting to get to this place where we get to really talking about this business that we all love. I mean, this is a business that we get the lucky job of representing 20,000-plus employees around the world who get up every day and try and help people see better. And that's a pretty neat thing.

So really appreciate your interest in us, and really appreciate your time this afternoon. Thank you very much.

Karen King

Thank you.

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