COOPER COMPANIES INC Form 10-Q September 04, 2009 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For Quarterly Period Ended July 31, 2009
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to

Commission File Number 1-8597

The Cooper Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of

94-2657368 (I.R.S. Employer

 $incorporation\ or\ organization)$

Identification No.)

6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA 94588

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code (925) 460-3600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes "No"

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer x

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes "No x

Indicate the number of shares outstanding of each of issuer s classes of common stock, as of the latest practicable date.

Common Stock, \$.10 par value

45,180,542 Shares Outstanding at August 31, 2009

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

INDEX

PART I.	FINANCIAL INFORMATION	Page No.
Item 1.	<u>Financial Statements</u>	
	Consolidated Statements of Income Three and Nine Months Ended July 31, 2009 and 2008	3
	Consolidated Balance Sheets July 31, 2009 and October 31, 2008	4
	Consolidated Condensed Statements of Cash Flows Nine Months Ended July 31, 2009 and 2008	5
	Consolidated Statements of Comprehensive Income (Loss) Three and Nine Months Ended July 31, 2009 and 2008	6
	Notes to Consolidated Condensed Financial Statements	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3.	Ouantitative and Oualitative Disclosure About Market Risk	55
Item 4.	Controls and Procedures	55
PART		
II.	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	56
Item 1A.	Risk Factors	58
Item 6.	<u>Exhibits</u>	59
<u>Signature</u>		60
Index of Ex	chibits	61

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(In thousands, except for earnings per share)

(Unaudited)

	Three Mor July			ths Ended y 31,
	2009	2008	2009	2008
Net sales	\$ 285,230	\$ 278,513	\$ 796,966	\$ 780,533
Cost of sales	138,835	123,416	359,380	332,547
Gross profit	146,395	155,097	437,586	447,986
Selling, general and administrative expense	100,038	110,639	288,735	328,048
Research and development expense	7,737	9,030	25,032	26,278
Restructuring costs	462	173	3,416	1,521
Amortization of intangibles	4,233	4,211	12,490	12,678
Operating income	33,925	31,044	107,913	79,461
Interest expense	11,085	15,266	33,372	38,441
Other (expense) income, net	(155)	1,738	8,249	1,929
Income before income taxes	22,685	17,516	82,790	42,949
Provision for (benefit from) income taxes	777	(363)	12,360	6,952
Net income	\$ 21,908	\$ 17,879	\$ 70,430	\$ 35,997
Basic earnings per share	\$ 0.48	\$ 0.40	\$ 1.56	\$ 0.80
Diluted earnings per share	\$ 0.48	\$ 0.39	\$ 1.55	\$ 0.79
Number of shares used to compute earnings per share: Basic	45,180	44,993	45,164	44,974
Diluted	45,694	46,934	45,368	47,477

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)

(Unaudited)

	July 31, 2009	October 31 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,790	0 \$ 1,944
Trade accounts receivable, net of allowance for doubtful accounts of \$4,767 at July 31, 2009 and \$4,541 at		
October 31, 2008	170,27	,
Inventories	276,84	
Deferred tax assets	20,94	
Prepaid expense and other current assets	46,15	55,139
Total current assets	518,01	5 526,032
Property, plant and equipment, at cost	874,444	4 822,354
Less: accumulated depreciation and amortization	266,102	2 219,700
	608,342	2 602,654
Goodwill	1,260,79	3 1,251,699
Other intangibles, net	119,80	
Deferred tax assets	28,85	
Other assets	45,62	
	\$ 2,581,433	5 \$ 2,587,610
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt	\$ 38,44	8 \$ 43,013
Accounts payable	44,87	2 63,630
Employee compensation and benefits	30,450	
Accrued acquisition costs	4,13	
Accrued income taxes	11,71	3 4,378
Other current liabilities	82,51	7 103,14
Total current liabilities	212,133	3 255,40
Long-term debt	800,52	5 861,78
Deferred tax liabilities	13,06	,
Accrued pension liability and other	41,330	
Total liabilities	1,067,058	8 1,170,54
Commitments and contingencies (see Note 12)		

Commitments and contingencies (see Note 12)

Stockholders equity:

Preferred stock, 10 cents par value, shares: authorized 1,000; zero shares issued or outstanding

Common stock, 10 cents par value, shares: authorized 70,000; issued 45,524 at July 31, 2009 and 45,482 at		
October 31, 2008	4,552	4,548
Additional paid-in capital	1,051,076	1,040,945
Accumulated other comprehensive loss	(5,947)	(25,240)
Retained earnings	469,961	402,242
Treasury stock at cost: 343 and 353 shares at July 31, 2009 and October 31, 2008, respectively	(5,265)	(5,419)
Stockholders equity	1,514,377	1,417,076
	\$ 2,581,435	\$ 2,587,616

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended July 31,			
		2009	- /	2008
Cash flows from operating activities:				
Net income	\$	70,430	\$	35,997
Depreciation and amortization		67,993		62,391
Increase in operating capital		(16,127)		(65,810)
Other non-cash items		22,356		22,943
Net cash provided by operating activities		144,652		55,521
Cash flows from investing activities:				
Purchases of property, plant and equipment		(73,942)	(102,282)
Acquisitions of businesses, net of cash acquired, and other		(4,056)		(3,711)
Net cash used in investing activities		(77,998)	(105,993)
Cash flows from financing activities:		(6.147)		(0.624)
Net repayments of short-term debt Repayments and repurchase of long-term debt		(6,147) (642,157)	,	(9,624)
Proceeds from long-term debt		584,525		667,120)
Dividends on common stock		(1,355)		725,620 (2,699)
Excess tax benefit from share-based compensation arrangements		135		1,758
Issuance of common stock for employee stock plans		(31)		2,693
issuance of common stock for employee stock plans		(31)		2,093
Net cash (used in) provided by financing activities		(65,030)		50,628
Effect of exchange rate changes on cash and cash equivalents		222		56
Net increase in cash and cash equivalents		1.846		212
Cash and cash equivalents - beginning of period		1,944		3,226
Cash and cash equivalents - end of period	\$	3,790	\$	3,438

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

(Unaudited)

	Three Months			
	Ended		Nine Months Ended	
	July 31 ,		July 31,	
	2009	2008	2009	2008
Net income	\$ 21,908	\$ 17,879	\$ 70,430	\$ 35,997
Other comprehensive income (loss):				
Foreign currency translation adjustment	52,448	(2,034)	22,660	(16,423)
Change in value of derivative instruments, net of tax	10,452	14,581	(3,367)	(1,204)
Other comprehensive income (loss)	62,900	12,547	19,293	(17,627)
Comprehensive income	\$ 84,808	\$ 30,426	\$ 89,723	\$ 18,370

See accompanying notes.

6

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1. General

The Cooper Companies, Inc. (Cooper, we or the Company) develops, manufactures and markets healthcare products through its two business units:

CooperVision (CVI) develops, manufactures and markets a broad range of contact lenses for the worldwide vision care market. Its leading products are disposable and planned replacement lenses.

CooperSurgical (CSI) develops, manufactures and markets medical devices, diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians.

The unaudited consolidated financial statements presented in this report contain all adjustments necessary to present fairly Cooper s consolidated financial position at July 31, 2009 and October 31, 2008, the consolidated results of its operations for the three and nine months ended July 31, 2009 and 2008 and its consolidated condensed cash flows for the nine months ended July 31, 2009 and 2008. Most of these adjustments are normal and recurring. However, certain adjustments associated with acquisitions and the related financial arrangements are of a nonrecurring nature. Readers should not assume that the results reported here either indicate or guarantee future performance.

During interim periods, we follow the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. Please refer to this when reviewing this Quarterly Report on Form 10-Q.

Management estimates and judgments are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We believe that the critical accounting policies listed below address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these baladirector or shareholder of Franklin Resources, Inc. and, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing which he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Date: 9-11-03	/s/Charles B. Johnson	
Charles B. Johnson	 	

POWER OF ATTORNEY

RUPERT H. JOHNSON hereby appoints BARBARA J. GREEN his true and lawful attorney-in-fact and agent to execute and file with the Securities and Exchange Commission any Schedule 13G or 13D, any amendments thereto or

any related documentation which may be required to be filed in his individual capacity as a result of his position as an officer, director or shareholder of Franklin Resources, Inc. and, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing which he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Date: Sept 4, 2003		/s/Rupert H. Johnson, Jr.
		Rupert H. Johnson

11

CUSIP NO. 02744M108 13G PAGE 13 OF 13

Exhibit C

Franklin Advisers, Inc.

Franklin Templeton Investments Corp.
Fiduciary Trust Company International
Templeton Asset Management Ltd.
Fiduciary International, Inc.

Item 3 Classification: 3(e)
Item 3 Classification: 3(e)
Item 3 Classification: 3(e)

13