

COOPER COMPANIES INC
Form 10-Q/A
February 08, 2006
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarterly Period Ended April 30, 2005

.. **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

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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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

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

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
Class**

**44,119,890 Shares
Outstanding at May 31, 2005**

Table of Contents

EXPLANATORY NOTE

On January 17, 2006, The Cooper Companies, Inc. (Cooper or the Company) filed with the Securities and Exchange Commission (SEC) our Annual Report on Form 10-K for the fiscal year ended October 31, 2005 (the 2005 Form 10-K) which restated, in Note 14 to the Consolidated Financial Statements, our previously filed fiscal year 2005 financial statements for the first three quarters of fiscal 2005. This Amendment No. 1 on Form 10-Q/A to our Quarterly Report on Form 10-Q previously filed with the SEC on June 9, 2005 for the quarter ended April 30, 2005 (the original Form 10-Q) amends and restates the original Form 10-Q to (i) summarize the impact and effect of the restatement on the quarter ended April 30, 2005, (ii) amend Items 1 and 2 of Part I to reflect the restatement, (iii) amend Item 3 of Part II to incorporate certain information in Item 2 as amended, (iii) amend Item 4 to reflect our reassessment of our internal control over financial reporting as a result of the material weakness in our internal control disclosed in Item 9A of the 2005 Form 10-K and discussed below under *The Restatement* and to update the discussion of remediation of material weaknesses disclosed in the original Form 10-Q, and (iv) amend Item 6 of Part II to include as exhibits, pursuant to the rules of the SEC, currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer which are attached as Exhibits 31.1, 31.2, 32.1 and 32.2 to this amendment.

This amendment amends only those items of the original Form 10-Q set forth above. In order to preserve the nature and character of the disclosures set forth in such items as originally filed, no attempt has been made in this amendment (i) to reflect events occurring after the filing of the original Form 10-Q or to otherwise modify or update such disclosures except as required to reflect the effects of the restatement, or (ii) to make revisions to the Notes to the Consolidated Condensed Financial Statements except for those which are required by or result from the effects of the restatement and, in the case of the pro forma calculation of stock-based compensation in Note 1, to reflect the restatement and provide consistency with the presentation in the 2005 Form 10-K. Thus, no other information contained in the original Form 10-Q has been updated or amended. Among other things, forward looking statements made in the original Form 10-Q have not been revised to reflect events that occurred or facts that became known to us after the filing of the original Form 10-Q (other than the restatement), and such forward looking statements should be read in their historical context. For additional information regarding the restatement, see Note 2 to the Consolidated Financial Statements included in Part I Item 1 of this amendment.

Table of Contents

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

INDEX

	<u>Page No.</u>
PART I. FINANCIAL INFORMATION	
<u>The Restatement</u>	4
Item 1. Financial Statements	
<u>Consolidated Condensed Statements of Income Three and Six Months Ended April 30, 2005 (Restated) and 2004</u>	7
<u>Consolidated Condensed Balance Sheets April 30, 2005 (Restated) and October 31, 2004</u>	8
<u>Consolidated Condensed Statements of Cash Flows Six Months Ended April 30, 2005 (Restated) and 2004</u>	9
<u>Consolidated Condensed Statements of Comprehensive Income Three and Six Months Ended April 30, 2005 (Restated) and 2004</u>	10
<u>Notes to Consolidated Condensed Financial Statements</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	36
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	39
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	40
Item 6. <u>Exhibits</u>	41
<u>Signature</u>	42
<u>Index of Exhibits</u>	43

Table of Contents

PART I. FINANCIAL INFORMATION

The Restatement

Overview

On January 17, 2006, we filed our Form 10-K for the fiscal year ended October 31, 2005, which included restated financial statements for the first three quarters of our fiscal year ended October 31, 2005. In this Form 10-Q/A, we are restating our previously filed financial statements for each of the three- and six-month periods ended April 30, 2005, to reflect adjustments required with respect to the allocation of the purchase price for the acquisition of Ocular Sciences, Inc. (Ocular) and other adjustments.

Discussion

The restatement adjustment for fiscal year 2005 and the effects of those adjustments on the three and six months ended April 30, 2005, are described within each subsection below:

Allocation of the Purchase Price of Ocular

The Company determined that it made an error in its initial allocation of purchase price to customer relationships and manufacturing technology acquired in the purchase of Ocular. The Company originally ascribed \$30 million to intangible assets other than goodwill, but subsequently determined that it should have allocated \$130 million to intangible assets other than goodwill, specifically \$70 million to customer relationships and \$60 million to manufacturing technology. This correction resulted in the recognition of additional amortization expense which impacted operating income in the amount of \$2.2 million and \$2.9 million for the three and six months ended April 30, 2005.

Other Adjustments

The Company corrected several items, which were immaterial individually and in the aggregate, which increased net income in the amount of \$10,000 for the three months ended April 30, 2005 and adversely impacted net income in the amount of \$213,000 for the six months ended April 30, 2005.

The aggregate impact of the fiscal year 2005 restatement on our financial statements for the three and six months ended April 30, 2005, is to decrease our previously reported three-month net income by \$1.7 million and decrease our six-month net income by \$2.5 million.

Restatement and Adjustment Impact on Consolidated Condensed Statement of Income

(In millions, except per share amounts)	Three Months Ended April 30, 2005			Six Months Ended April 30, 2005		
	As Previously Reported	Net Change	Restated	As Previously Reported	Net Change	Restated
Net sales	\$ 215.8	\$ (0.3)	\$ 215.5	\$ 363.7	\$ (0.7)	\$ 363.0
Cost of sales	85.0	(0.2)	84.8	140.5	(0.3)	140.2
Gross profit	130.8	(0.1)	130.7	223.2	(0.4)	222.8
Selling, general and administrative expense	79.3	0.2	79.5	139.4	0.5	139.9
Restructuring costs	1.9	(0.2)	1.7	2.7	(0.3)	2.4
Amortization of intangibles	1.2	2.2	3.4	2.1	2.9	5.0
Operating income	43.0	(2.3)	40.7	70.8	(3.5)	67.3
Interest expense	8.1	(0.1)	8.0	11.8	(0.1)	11.7
Income before taxes	37.4	(2.2)	35.2	60.9	(3.4)	57.5
(Benefit) provision for income taxes	7.8	(0.4)	7.4	12.7	(0.7)	12.0
Net income (decrease) increase	29.5	(1.7)	27.8	48.0	(2.5)	45.5
Earnings per share						
Basic	\$ 0.67	\$ (0.04)	\$ 0.63	\$ 1.21	\$ (0.07)	\$ 1.14
Diluted	\$ 0.62	\$ (0.03)	\$ 0.59	\$ 1.11	\$ (0.05)	\$ 1.06

Table of Contents**Restatement and Adjustment Impact on Consolidated Condensed Balance Sheet****(In millions)**

	April 30, 2005		
	As Previously Reported	Net Change	Restated
ASSETS			
Inventories	\$ 190.5	\$ 0.3	\$ 190.8
Deferred tax assets	25.6	0.1	25.7
Total current assets	434.4	0.4	434.8
Property, plant and equipment, net	344.5	(2.0)	342.5
Goodwill, net	1,290.7	(80.8)	1,209.9
Other intangible assets, net	60.3	97.4	157.7
Deferred tax asset	16.2	(16.2)	
Total assets	2,161.3	(1.2)	2,160.1
LIABILITIES AND STOCKHOLDERS EQUITY			
Current portion of long-term debt	30.2	(0.3)	29.9
Accounts payable	36.8	0.1	36.9
Employee compensation and benefits	33.1	(3.5)	29.6
Accrued acquisition costs	50.9	(1.8)	49.1
Accrued income taxes	12.7	(0.2)	12.5
Other current liabilities	56.7	(0.5)	56.2
Total current liabilities	220.4	(6.2)	214.2
Long-term debt	689.4	(1.9)	687.5
Deferred tax liability	6.4	6.0	12.4
Accrued pension liability and other	6.2	3.2	9.4
Total liabilities	922.3	1.1	923.4
Accumulated other comprehensive income	31.6	0.1	31.7
Retained earnings	242.1	(2.5)	239.6
Total stockholders equity	1,239.0	(2.3)	1,236.7
Total liabilities and stockholders equity	\$ 2,161.3	\$ (1.2)	\$ 2,160.1

Table of Contents**Restatement and Adjustment Impact on Consolidated Condensed Cash Flows****(In millions)**

	Six Months Ended April 30, 2005		
	As Previously Reported	Net Change	Restated
Cash flows from operating activities, net of effects from acquisitions:			
Net income	\$ 48.0	\$ (2.5)	\$ 45.5
Depreciation and amortization	18.4	2.7	21.1
Increase in operating capital	5.8	(7.4)	(1.6)
Other non-cash items	7.9	5.8	13.7
Net cash provided by operating activities	80.1	(1.4)	78.7
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(624.4)	1.4	(623.0)
Net cash used by investing activities	\$ (661.4)	\$ 1.4	\$ (660.0)

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Income

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2005 Restated (Note 2)	2004	2005 Restated (Note 2)	2004
Net sales	\$ 215,494	\$ 120,552	\$ 363,044	\$ 230,286
Cost of sales	84,785	42,167	140,217	81,945
Gross profit	130,709	78,385	222,827	148,341
Selling, general and administrative expense	79,474	48,877	139,869	92,114
Research and development expense	5,356	1,222	8,186	2,747
Restructuring costs	1,741		2,407	
Amortization of intangibles	3,391	463	5,001	808
Operating income	40,747	27,823	67,364	52,672
Interest expense	8,015	1,488	11,663	2,979
Other income, net	2,469	1,182	1,855	1,662
Income before income taxes	35,201	27,517	57,556	51,355
Provision for income taxes	7,374	5,818	12,020	11,301
Net income	27,827	21,699	45,536	40,054
Add interest charge applicable to convertible debt, net of tax	524	524	1,048	1,047
Income for calculating diluted earnings per share	\$ 28,351	\$ 22,223	\$ 46,584	\$ 41,101
Earnings per share:				
Basic	\$ 0.63	\$ 0.67	\$ 1.14	\$ 1.24
Diluted	\$ 0.59	\$ 0.61	\$ 1.06	\$ 1.13
Number of shares used to compute earnings per share:				
Basic	43,980	32,554	39,801	32,359

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Diluted	48,104	36,521	44,001	36,332
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See accompanying notes.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands)

(Unaudited)

	April 30, 2005 Restated (Note 2)	October 31, 2004
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,119	\$ 39,368
Trade receivables, net	155,168	99,269
Marketable securities		1,829