

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 January 31, 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
incorporation or organization)

94-2657368
(I.R.S. Employer
Identification No.)

Edgar Filing: COOPER COMPANIES INC - Form 10-Q/A

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**

**43,909,619 Shares
Outstanding at February 28, 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 March 11, 2005 for the quarter ended January 31, 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 January 31, 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 (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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

INDEX

	<u>Page No.</u>
PART I. FINANCIAL INFORMATION	
<u>The Restatement</u>	4
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Condensed Statements of Income - Three Months Ended January 31, 2005 (Restated) and 2004</u>	7
<u>Consolidated Condensed Balance Sheets - January 31, 2005 (Restated) and October 31, 2004</u>	8
<u>Consolidated Condensed Statements of Cash Flows - Three Months Ended January 31, 2005 (Restated) and 2004</u>	9
<u>Consolidated Condensed Statements of Comprehensive Income - Three Months Ended January 31, 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>	23
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risks</u>	32
Item 4. <u>Controls and Procedures</u>	32
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	34
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	34
Item 6. <u>Exhibits and Reports on Form 8-K</u>	35
<u>Signature</u>	36
<u>Index of Exhibits</u>	37

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 the three-month period ended January 31, 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 months ended January 31, 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 \$700,000 for the three months ended January 31, 2005.

Other Adjustments

The Company corrected several items, which were immaterial individually and in the aggregate, which adversely impacted net income in the amount of \$223,000 for the three months ended January 31, 2005.

The aggregate impact of the fiscal year 2005 restatement on our financial statements for the three months ended January 31, 2005, is to decrease our previously reported three-month net income by \$800,000.

Restatement and Adjustment Impact on Consolidated Condensed Statement of Income

(In millions, except per share amounts)	Three Months Ended January 31, 2005		
	As Previously Reported	Net Change	Restated
Net sales	\$ 147.9	\$ (0.3)	\$ 147.6
Cost of sales	55.6	(0.2)	55.4
Gross profit	92.3	(0.1)	92.2
Selling, general and administrative expense	60.2	0.3	60.5
Amortization of intangibles	0.9	0.7	1.6
Operating income	27.7	(1.1)	26.6
Interest expense	3.7	(0.1)	3.6
Income before taxes	23.4	(1.0)	22.4
Provision for income taxes	4.9	(0.3)	4.6
Net income (decrease) increase	18.5	(0.8)	17.7
Earnings per share			
Basic	\$ 0.53	\$ (0.03)	\$ 0.50
Diluted	\$ 0.48	\$ (0.02)	\$ 0.46

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

	January 31, 2005		
	As Previously Reported	Net Change	Restated
ASSETS			
Trade receivables, net	\$ 145.3	\$ (0.3)	\$ 145.0
Inventories	196.9	0.1	197.0
Total current assets	439.0	(0.2)	438.8
Property, plant and equipment, net	319.7	(2.2)	317.5
Goodwill, net	1,296.3	(79.6)	1,216.7
Other intangible assets, net	60.6	99.4	160.0
Deferred tax asset	16.9	(16.9)	
Total assets	2,145.5	0.5	2,146.0
LIABILITIES AND STOCKHOLDERS EQUITY			
Current portion of long-term debt	21.8	(0.3)	21.5
Employee compensation and benefits	32.6	(3.3)	29.3
Accrued acquisition costs	58.1	(1.4)	56.7
Accrued income taxes	9.3	(0.1)	9.2
Other current liabilities	51.8	(0.4)	51.4
Total current liabilities	202.1	(5.5)	196.6
Long-term debt	723.0	(2.0)	721.0
Deferred tax liability	6.0	5.7	11.7
Accrued pension liability and other	9.9	3.1	13.0
Total liabilities	940.9	1.3	942.2
Retained earnings	212.5	(0.8)	211.7
Total stockholders' equity	1,204.5	(0.8)	1,203.7
Total liabilities and stockholders' equity	\$ 2,145.5	\$ 0.5	\$ 2,146.0

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

	Three Months Ended January 31, 2005		
	As Previously Reported	Net Change	Restated
Cash flows from operating activities, net of effects from acquisitions:			
Net income	\$ 18.5	\$ (0.8)	\$ 17.7
Depreciation and amortization	7.6	0.6	8.2
Increase in operating capital	7.6	(5.3)	2.3
Other non-cash items	3.0	4.6	7.6
Net cash provided by operating activities	36.7	(0.9)	35.8
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(616.6)	0.9	(615.7)
Net cash used by investing activities	\$ (626.4)	\$ 0.9	\$ (625.5)

Table of Contents

Item 1. Financial Statements

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Income

(In thousands, except for earnings per share)

(Unaudited)

Three Months Ended January 31,	2005	
	Restated (Note 2)	2004
Net sales	\$ 147,550	\$ 109,734
Cost of sales	55,432	39,778
Gross profit	92,118	69,956
Selling, general and administrative expense	60,395	43,237
Research and development expense	2,830	1,525
Restructuring costs	666	
Amortization of intangibles	1,610	345
Operating income	26,617	24,849
Interest expense	3,648	1,491
Other (expense) income, net	(614)	480
Income before income taxes	22,355	23,838
Provision for income taxes	4,646	5,483
Net income	17,709	18,355
Add interest charge applicable to convertible debt, net of tax	524	523
Income for calculating earnings per share	\$ 18,233	\$ 18,878
Earnings per share:		
Basic	\$ 0.50	\$ 0.57
Diluted	\$ 0.46	\$ 0.52
Number of shares used to compute earnings per share:		
Basic	35,209	32,167
Diluted	39,479	36,133

See accompanying notes.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands)

(Unaudited)

	January 31, 2005	October 31, 2004
	Restated (Note 2)	
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,494	\$ 39,368
Trade receivables, net	144,968	99,269
Marketable securities		1,829
Inventories	197,024	107,607
Deferred tax asset	30,861	20,296
Prepaid and other current assets	37,416	36,129
	<u> </u>	<u> </u>
Total current assets	438,763	304,498
	<u> </u>	<u> </u>
Property, plant and equipment, net	317,489	151,065
Goodwill, net	1,216,688	310,600
Other intangible assets, net	159,974	31,768
Deferred tax asset		10,315
Other assets	12,990	3,315
	<u> </u>	<u> </u>
	\$ 2,145,904	\$ 811,561
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 21,439	\$ 20,871
Accounts payable	28,529	21,684
Employee compensation and benefits	29,273	17,456
Accrued acquisition costs	56,684	11,843
Accrued income taxes	9,224	15,171
Other current liabilities	51,438	24,564
	<u> </u>	<u> </u>
Total current liabilities	196,587	111,589
Long-term debt	720,991	144,865
Deferred tax liability	11,673	6,026
Accrued pension liability and other	12,948	4,920
	<u> </u>	<u> </u>
Total liabilities	942,199	267,400
	<u> </u>	<u> </u>
Stockholders' equity:		
Common stock, 10 cents par value	4,440	3,334

Edgar Filing: COOPER COMPANIES INC - Form 10-Q/A

Additional paid-in capital	962,985	327,811
Accumulated other comprehensive income and other	32,141	26,971
Retained earnings	211,747	195,021
Treasury stock at cost	(7,608)	(8,976)
	<u> </u>	<u> </u>
Total stockholders' equity	1,203,705	