

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For Quarterly Period Ended July 31, 2019

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.)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.10 par value	COO	The New York Stock Exchange

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 has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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.

On August 23, 2019, 49,573,612 shares of Common Stock, \$.10 par value, were outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements
THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Income
Periods Ended July 31,
(In millions, except for earnings per share)
(Unaudited)

	Three Months		Nine Months	
	2019	2018	2019	2018
Net sales (Note 2)	\$ 679.4	\$ 660.0	\$ 1,961.8	\$ 1,881.3
Cost of sales	228.7	233.2	660.0	679.1
Gross profit	450.7	426.8	1,301.8	1,202.2
Selling, general and administrative expense	249.8	251.0	746.6	724.7
Research and development expense	21.5	22.5	63.4	62.2
Amortization of intangibles	37.2	37.7	110.7	110.5
Impairment of intangibles	—	—	—	24.4
Gain on sale of an intangible (Note 5)	—	—	(19.0)	—
Operating income	142.2	115.6	400.1	280.4
Interest expense	16.7	22.8	53.3	59.9
Other (income) expense, net	(1.5)	2.4	(2.1)	1.3
Income before income taxes	127.0	90.4	348.9	219.2
Provision (benefit) for income taxes (Note 7)	6.9	(10.4)	3.2	180.0
Net income	\$ 120.1	\$ 100.8	\$ 345.7	\$ 39.2
Earnings per share - basic (Note 8)	\$ 2.43	\$ 2.05	\$ 7.00	\$ 0.80
Earnings per share - diluted (Note 8)	\$ 2.40	\$ 2.03	\$ 6.91	\$ 0.79
Number of shares used to compute earnings per share:				
Basic	49.5	49.1	49.4	49.0
Diluted	50.1	49.7	50.0	49.6

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
Periods Ended July 31,
(In millions)
(Unaudited)

	Three Months		Nine Months	
	2019	2018	2019	2018
Net income	\$ 120.1	\$ 100.8	\$ 345.7	\$ 39.2
Other comprehensive loss:				
Foreign currency translation adjustment, net of tax	(65.2)	(69.6)	(51.1)	(10.3)
Comprehensive income	\$ 54.9	\$ 31.2	\$ 294.6	\$ 28.9

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets
(In millions)
(Unaudited)

	July 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112.7	\$ 77.7
Trade accounts receivable, net of allowance for doubtful accounts of \$17.1 at July 31, 2019 and \$19.0 at October 31, 2018	404.7	374.7
Inventories (Note 4)	502.1	468.8
Prepaid expense and other current assets	131.3	169.7
Total current assets	1,150.8	1,090.9
Property, plant and equipment, at cost	2,086.9	1,930.3
Less: accumulated depreciation and amortization	1,021.5	954.3
	1,065.4	976.0
Goodwill (Note 5)	2,391.4	2,392.1
Other intangibles, net (Note 5)	1,438.6	1,521.3
Deferred tax assets	63.1	58.4
Other assets	63.5	74.1
	\$ 6,172.8	\$ 6,112.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 6)	\$ 390.0	\$ 37.1
Accounts payable	141.5	146.4
Employee compensation and benefits	89.5	94.0
Other current liabilities	268.4	259.0
Total current liabilities	889.4	536.5
Long-term debt (Note 6)	1,422.6	1,985.7
Deferred tax liabilities	31.5	31.0
Long-term tax payable	124.8	141.5
Accrued pension liability and other	89.0	110.3
Total liabilities	2,557.3	2,805.0
Contingencies (see Note 13)		
Stockholders' equity:		
Preferred stock, 10 cents par value, shares authorized: 1.0; zero shares issued or outstanding	—	—
Common stock, 10 cents par value, shares authorized: 120.0; issued 53.2 at July 31, 2019 and 52.8 at October 31, 2018	5.3	5.3
Additional paid-in capital	1,607.6	1,572.1
Accumulated other comprehensive loss	(481.8)	(430.7)
Retained earnings	2,905.4	2,576.0
Treasury stock at cost: 3.6 shares at July 31, 2019 and 3.6 shares at October 31, 2018	(421.2)	(415.1)
Noncontrolling interests	0.2	0.2
Stockholders' equity (Note 10)	3,615.5	3,307.8
	\$ 6,172.8	\$ 6,112.8

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Stockholders' Equity

(In millions)	Common Shares		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance at November 1, 2017	48.8	\$ 4.9	3.6	\$ 0.3	\$ 1,526.7	\$ (375.3)	\$ 2,434.2	\$ (415.1)	\$ 0.1	\$ 3,175.8
Net loss	—	—	—	—	—	—	(122.5)	—	—	(122.5)
Other comprehensive income, net of tax	—	—	—	—	—	102.3	—	—	—	102.3
Issuance of common stock for stock plans, net	0.2	0.1	—	—	(10.6)	—	—	—	—	(10.5)
Dividends on common stock	—	—	—	—	—	—	(1.4)	—	—	(1.4)
Share-based compensation expense	—	—	—	—	12.7	—	—	—	—	12.7
Balance at January 31, 2018	49.0	\$ 5.0	3.6	\$ 0.3	\$ 1,528.8	\$ (273.0)	\$ 2,310.3	\$ (415.1)	\$ 0.1	\$ 3,156.4
Net income	—	—	—	—	—	—	60.9	—	—	60.9
Other comprehensive loss, net of tax	—	—	—	—	—	(43.0)	—	—	—	(43.0)
Issuance of common stock for stock plans, net	0.1	—	—	—	0.1	—	—	—	—	0.1
Share-based compensation expense	—	—	—	—	13.6	—	—	—	—	13.6
Balance at April 30, 2018	49.1	\$ 5.0	3.6	\$ 0.3	\$ 1,542.5	\$ (316.0)	\$ 2,371.2	\$ (415.1)	\$ 0.1	\$ 3,188.0
Net income	—	—	—	—	—	—	100.8	—	—	100.8
Other comprehensive loss, net of tax	—	—	—	—	—	(69.6)	—	—	—	(69.6)
Issuance of common stock for stock plans, net	—	—	—	—	0.8	—	—	—	—	0.8
Dividends on common stock	—	—	—	—	—	—	(1.5)	—	—	(1.5)
Share-based compensation expense	—	—	—	—	8.1	—	—	—	—	8.1
Balance at July 31, 2018	49.1	\$ 5.0	3.6	\$ 0.3	\$ 1,551.4	\$ (385.6)	\$ 2,470.5	\$ (415.1)	\$ 0.1	\$ 3,226.6

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Stockholders' Equity

(In millions)	Common Shares		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance at November 1, 2018	49.2	\$ 5.0	3.6	\$ 0.3	\$ 1,572.1	\$ (430.7)	\$ 2,576.0	\$ (415.1)	\$ 0.2	\$ 3,307.8
Net income	—	—	—	—	—	—	103.2	—	—	103.2
Other comprehensive income, net of tax	—	—	—	—	—	32.7	—	—	—	32.7
Issuance of common stock for stock plans, net	0.1	—	—	—	(9.0)	—	—	—	—	(9.0)
Treasury stock repurchase	—	—	—	—	—	—	—	(6.1)	—	(6.1)
Dividends on common stock	—	—	—	—	—	—	(1.5)	—	—	(1.5)
Share-based compensation expense	—	—	—	—	11.7	—	—	—	—	11.7
ASU 2016-16 adoption (1)	—	—	—	—	—	—	(13.3)	—	—	(13.3)
Balance at January 31, 2019	49.3	\$ 5.0	3.6	\$ 0.3	\$ 1,574.8	\$ (398.0)	\$ 2,664.4	\$ (421.2)	\$ 0.2	\$ 3,425.5
Net income	—	—	—	—	—	—	122.4	—	—	122.4
Other comprehensive loss, net of tax	—	—	—	—	—	(18.6)	—	—	—	(18.6)
Issuance of common stock for stock plans, net	0.2	—	—	—	4.5	—	—	—	—	4.5
Share-based compensation expense	—	—	—	—	8.4	—	—	—	—	8.4
Balance at April 30, 2019	49.5	\$ 5.0	3.6	\$ 0.3	\$ 1,587.7	\$ (416.6)	\$ 2,786.8	\$ (421.2)	\$ 0.2	\$ 3,542.2
Net income	—	—	—	—	—	—	120.1	—	—	120.1
Other comprehensive loss, net of tax	—	—	—	—	—	(65.2)	—	—	—	(65.2)
Issuance of common stock for stock plans, net	0.1	—	—	—	12.2	—	—	—	—	12.2
Dividends on common stock	—	—	—	—	—	—	(1.5)	—	—	(1.5)
Share-based compensation expense	—	—	—	—	7.7	—	—	—	—	7.7
Balance at July 31, 2019	49.6	\$ 5.0	3.6	\$ 0.3	\$ 1,607.6	\$ (481.8)	\$ 2,905.4	\$ (421.2)	\$ 0.2	\$ 3,615.5

See accompanying notes to consolidated financial statements.

⁽¹⁾ We adopted ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* in the first quarter of fiscal 2019. Refer to "Note 1. General" for further information.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows
Nine Months Ended July 31,
(In millions)
(Unaudited)

	2019	2018
Cash flows from operating activities:		
Net income	\$ 345.7	\$ 39.2
Depreciation and amortization	210.2	204.6
Gain on sale of an intangible (Note 5)	(19.0)	—
Impairment of intangibles	—	24.4
Increase in operating capital	(22.1)	(141.1)
Other non-cash items	(1.5)	305.2
Net cash provided by operating activities	513.3	432.3
Cash flows from investing activities:		
Purchases of property, plant and equipment	(207.3)	(150.2)
Acquisitions of businesses and assets, net of cash acquired, and other	(59.1)	(1,320.8)
Net cash used in investing activities	(266.4)	(1,471.0)
Cash flows from financing activities:		
Proceeds from long-term debt	576.8	2,073.1
Repayments of long-term debt	(1,140.8)	(971.1)
Net proceeds from short-term debt	351.8	21.0
Net proceeds (payments) related to share-based compensation awards	7.7	(9.8)
Dividends on common stock	(1.5)	(1.5)
Repurchase of common stock	(6.1)	—
Debt acquisition costs	(0.2)	(3.9)
Payment of contingent consideration	—	(0.1)
Net cash (used in) provided by financing activities	(212.3)	1,107.7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.6)	(2.2)
Net increase in cash, cash equivalents and restricted cash	33.0	66.8
Cash, cash equivalents and restricted cash at beginning of period	80.2	88.8
Cash, cash equivalents and restricted cash at end of period	\$ 113.2	\$ 155.6
Reconciliation of cash flow information:		
Cash and cash equivalents	\$ 112.7	\$ 155.6
Restricted cash included in other current assets	0.5	—
Total cash, cash equivalents, and restricted cash	\$ 113.2	\$ 155.6

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 1. General

The accompanying unaudited interim consolidated condensed financial statements and related notes should be read in conjunction with the audited Consolidated Financial Statements of the Cooper Companies, Inc. and its subsidiaries (the Company) and related notes as contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2018. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair statement of the results for the periods presented. Readers should not assume that the results reported here either indicate or guarantee future performance. The terms "the Company", "we", "us", and "our" are used to refer collectively to the Cooper Companies, Inc. and its subsidiaries.

Accounting Pronouncements Recently Adopted

In July 2019, the FASB issued ASU 2019-07, *Codification Updates to SEC Sections*. The ASU clarifies or improves the disclosure and presentation requirements of a variety of codification topics by aligning them with the SEC's regulations, thereby eliminating redundancies and making the codification easier to apply. The Company adopted this guidance during third quarter of fiscal 2019, and it did not have a material impact on the Company's reported consolidated financial results.

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU requires an entity to disaggregate the service cost component from the other components of net benefit cost. The service cost component is now presented in the same income statement line as other compensation costs arising from services rendered by the pertinent employees during the period and the other components of net benefit costs are presented separately as other income/expense below operating income. The Company adopted this guidance on November 1, 2018, and it did not have a material impact on the Company's reported consolidated financial results.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires entities to recognize the income tax consequences on an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU changes the timing of the recognition of the income tax consequences of non-inventory transfers which under previous guidance deferred the income tax consequences until the asset was sold to an outside party or otherwise recognized. The guidance for the amendments of ASU 2016-16 requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. The Company adopted ASU 2016-16 in the first quarter of fiscal 2019 on a modified retrospective basis. The Company recorded the cumulative effect of the change as a decrease to retained earnings of approximately \$13.3 million. The cumulative effect adjustment represents the recognition of unrecognized income tax effects from intra-entity transfers of assets other than inventory that occurred prior to the date of adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU requires revenue recognition to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or alternatively, the modified retrospective transition method whereby the company recognizes the cumulative effect of initially applying the guidance as an opening balance sheet adjustment to equity in the period of initial application. This alternative approach must be supplemented by additional disclosures.

We adopted ASU 2014-09 on November 1, 2018, using the modified retrospective transition method. We did not recognize any cumulative effect of initially applying the new revenue standard as an adjustment to our opening balance of retained earnings due to its immaterial impact. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. There was no material impact of ASU 2014-09 to our financial statements during the three and nine months ended July 31, 2019. We do not expect the adoption of the new revenue standard to have a material impact to our net income on an ongoing basis.

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Notes to Consolidated Condensed Financial Statements
(Unaudited)

The Company applies the provisions of Accounting Standards Codification (ASC) 606-10 or ASU 2014-09, *Revenue from Contracts with Customers*, and all related appropriate guidance. The Company recognizes revenue under the core principle to depict the transfer of control to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. For a complete discussion of accounting for net product revenue, see Note 2. Revenue Recognition.

Accounting Pronouncements Issued Not Yet Adopted

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606*. This guidance amended Topic 808 and Topic 606 to clarify that transactions in a collaborative arrangement should be accounted for under Topic 606 when the counterparty is a customer for a distinct good or service (i.e., unit of account). The amendments preclude an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. We are currently evaluating the impact of ASU 2018-18 which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2020.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This guidance requires companies to apply the internal-use software guidance in ASC 350-40 to implementation costs incurred in a hosting arrangement that is a service contract to determine whether to capitalize certain implementation costs or expense them as incurred. We are currently evaluating the impact of ASU 2018-15 which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use (ROU) asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases Topic 842 Target improvements*, which provides an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which further clarifies the determination of fair value of the underlying asset by lessors that are not manufacturers or dealers and modifies transition disclosure requirements for changes in accounting principles and other technical updates. This standard is effective for the Company in our fiscal year and interim periods beginning on November 1, 2019.

We anticipate this standard to have a material impact on our Consolidated Balance Sheets and related disclosures due to the recognition of ROU assets and lease liabilities for operating leases. However, we do not expect the adoption to have a material impact on our Consolidated Statements of Income. We are continuing to assess and evaluate the potential impacts of the standard as well as the election of transition method and certain practical expedients available within ASU 2019-01. We are in the process of documenting and analyzing our lease contracts, assessing business processes and controls, implementing a system solution and completing our analysis of information necessary to determine the impact to the consolidated financial statements.

Note 2. Revenue Recognition

Product Revenue, Net

The Company sells its products principally to a limited number of distributors, group purchasing organizations, eye care or health care professionals including independent practices, corporate retailers, hospitals and clinics or authorized resellers (collectively, its Customers). These Customers subsequently resell the Company's products to eye care or health care

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

providers and patients. In addition to product supply and distribution agreements with Customers, the Company enters into arrangements with health care providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products. The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be contracts with a customer. In situations where sales are to a distributor, the Company has concluded that its contracts are with the distributor. As part of its consideration of the contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations.

Revenues from product sales are recognized when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon shipment or delivery to the Customer. When the Company performs shipping and handling activities after the transfer of control to the Customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues. The Company does not have any revenue recognized on payment expected to be received more than one year after the transfer of control of the products. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that the Company would have recognized is one year or less. See Note 14. Business Segment Information, for disaggregation of revenue.

Reserves for Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established and which result from discounts, returns, chargebacks, rebates and other allowances that are offered within contracts between the Company and its Customers, health care providers, payors and other indirect customers relating to the Company's sales of its products. These reserves are based on the amounts earned or to be claimed on the related sales and are classified primarily in current liabilities. Variable consideration is estimated based on the most likely amount or expected value approach, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. Once the Company elects one of the methods to estimate variable consideration for a particular type of performance obligation, the Company applies that method consistently.

Where appropriate, these estimates take into consideration a range of possible outcomes which are probability-weighted for relevant factors such as the Company's historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates, which would affect net product revenue and earnings in the period such variances become known.

Trade Discounts and Allowances

The Company generally provides Customers with discounts, which include incentive fees that are stated in the Company's contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized. In addition, the Company receives sales order management, data and distribution services from certain Customers. To the extent the services received are distinct from the Company's sale of products to the Customer and have readily determinable fair value, these payments are classified in selling, general and administrative expenses in the Consolidated Statements of Income of the Company.

Product Returns

Consistent with industry practice, the Company generally offers Customers a limited right of return for a product that has been purchased from the Company. The Company estimates the amount of its product sales that may be returned by its Customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized. There is inherent judgment in estimating future refunds as they are susceptible to factors outside of our influence. However, we have significant experience in estimating the amount of refunds, based primarily on historical data. Our refund liability for product returns was \$9.9 million at July 31, 2019 which is included in Accrued Liabilities on our Condensed Consolidated Balance Sheets and represents the expected value of the aggregate refunds that will be due to our customers.

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Rebates and Chargebacks

Rebates are estimated based on contractual terms, historical experience, customer mix, trend analysis and projected market conditions in the various markets served.

Chargebacks for fees and discounts to providers represent the estimated obligations resulting from contractual commitments to sell products to qualified healthcare providers at prices lower than the list wholesale prices charged to the Company's direct customers. For certain office and surgical products in CooperSurgical, customers charge the Company for the difference between what they pay for the product and the ultimate selling price to the qualified healthcare providers. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue. Chargeback amounts are generally determined at the time of resale to the qualified healthcare provider by Customers. CooperSurgical rebates are predominately related to the Medicaid rebate provision that is estimated based upon contractual terms, historical experience, and trend analysis.

Contract balances

The timing of billing and revenue recognition primarily occurs simultaneously. The Company does not have material contract assets or liabilities.

Note 3. Acquisitions

The following is a summary of the allocation of the total purchase consideration for business and asset acquisitions that the Company completed during fiscal 2019 and 2018:

<u>(In millions)</u>	<u>July 31, 2019</u>	<u>October 31, 2018</u>
Technology	\$ 12.3	\$ —
Customer relationships	7.5	23.5
Trademarks	10.2	100.0
Composite intangible asset	—	1,061.9
Other	0.1	4.2
Total identifiable intangible assets	\$ 30.1	\$ 1,189.6
Goodwill	35.8	70.6
Net tangible assets	1.3	59.6
Total purchase price	\$ 67.2	\$ 1,319.8

All the acquisitions were funded by cash generated from operations or facility borrowings.

For business acquisitions, we recorded the tangible and intangible assets acquired and liabilities assumed at their fair values as of the applicable date of acquisition. For assets acquisitions, we recorded the tangible and intangible assets acquired and liabilities assumed at their estimated and relative fair values as of the applicable date of acquisition.

We believe these acquisitions strengthen CooperSurgical's and CooperVision's businesses through the addition of new or complementary products and services.

Fiscal Year 2019

On December 31, 2018, CooperSurgical completed the acquisition of Incisive Surgical Inc., a privately-held U.S. medical device company that develops mechanical surgical solutions for skin closure. The purchase price allocation is preliminary and we are in the process of finalizing information primarily related to taxes and the corresponding impact on goodwill.

On December 28, 2018, CooperVision completed the acquisition of Blanchard Contact Lenses. Blanchard is a privately-held scleral lens company, which expands CooperVision's specialty and scleral lens portfolio. The purchase price allocation is preliminary and we are in the process of finalizing information primarily related to property plant and equipment, taxes and the corresponding impact on goodwill.

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The pro forma results of operations of these acquisitions have not been presented because the effects of the business combinations described above, individually and in the aggregate, were not material to our reported consolidated financial results.

Fiscal Year 2018

PARAGARD

On November 1, 2017, CooperSurgical acquired the assets of the PARAGARD Intrauterine Device (IUD) business (PARAGARD) from Teva Pharmaceuticals Industries Limited for \$1.1 billion. This asset acquisition broadened and strengthened CooperSurgical's product portfolio. PARAGARD® is the only hormone-free, long lasting, reversible contraceptive approved by the United States Food and Drug Administration (FDA) available in the United States.

The following table summarizes the relative fair values of net assets acquired and liabilities assumed using the cost accumulation and allocation model:

(In millions)	Relative Fair Value
Composite intangible asset ⁽¹⁾	\$ 1,061.9
Assembled workforce intangible asset ⁽²⁾	1.2
Property, plant and equipment	2.0
Inventory ⁽³⁾	47.3
Other assets	9.4
Total assets acquired	\$ 1,121.8
Less: liabilities assumed	16.4
Total Purchase Price	\$ 1,105.4

The Company proportionally allocated the acquisition costs to the net assets acquired. The acquisition-related costs included advisory, legal, valuation and other professional fees.

⁽¹⁾ Composite Intangible asset consists of technology, trade name, New Drug Application (NDA) approval and physician relationships, which have been valued as a single composite intangible asset as they are inextricably linked. The composite asset was identified as the primary asset acquired, was valued using the Multi-Period Excess Earnings Method and will be amortized over 15 years.

⁽²⁾ An assembled workforce was recognized as a separate acquired intangible asset, given the purchase of assets and will be amortized over 5 years.

⁽³⁾ Inventory relative fair value includes step up of \$45.4 million.

Other Acquisitions

On April 3, 2018, CooperSurgical completed the acquisition of The LifeGlobal Group (LifeGlobal). LifeGlobal was a privately held company that specializes primarily in in-vitro fertilization (IVF) media. LifeGlobal's product categories include media products as well as IVF laboratory air filtration products and dishware. We have completed the purchase price allocation for this acquisition.

On January 4, 2018, CooperVision acquired Blueeyes Ltd, a long-standing distribution partner, with a leading position in the distribution of contact lenses to the Optical and Pharmacy sector in Israel. We have completed the purchase price allocation for this acquisition.

On December 1, 2017, CooperVision acquired Paragon Vision Sciences, a leading provider of orthokeratology (ortho-k) specialty contact lenses and oxygen permeable rigid contact lens materials. Ortho-k contact lenses are overnight lenses which enable corneal topography correction for myopia (nearsightedness) patients. We have completed the purchase price allocation for this acquisition.

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Note 4. Inventories

<u>(In millions)</u>	<u>July 31, 2019</u>	<u>October 31, 2018</u>
Raw materials	\$ 127.1	\$ 112.5
Work-in-process	13.4	12.6
Finished goods	361.6	343.7
	<u>\$ 502.1</u>	<u>\$ 468.8</u>

Inventories are stated at the lower of cost and net realizable value. Cost is computed using standard cost that approximates actual cost, on a first-in, first-out basis.

Note 5. Intangible Assets

Goodwill

<u>(In millions)</u>	<u>CooperVision</u>	<u>CooperSurgical</u>	<u>Total</u>
Balance at October 31, 2017	\$ 1,735.7	\$ 619.1	\$ 2,354.8
Net additions during the year ended October 31, 2018	36.8	34.4	71.2
Translation	(29.6)	(4.3)	(33.9)
Balance at October 31, 2018	1,742.9	649.2	2,392.1
Net additions during the nine months ended July 31, 2019	13.8	22.0	35.8
Translation	(33.0)	(3.5)	(36.5)
Balance at July 31, 2019	<u>\$ 1,723.7</u>	<u>\$ 667.7</u>	<u>\$ 2,391.4</u>

Effective April 30, 2019, there was a change in the reporting units as a result of realignment in the internal reporting structure of the business around markets and customers at CooperSurgical. As such, Cooper Surgical has evolved into two reporting units, namely, Office/Surgical and Fertility, which reflects management oversight of operations. The change in reporting units did not result in a change in operating segments. We allocated CooperSurgical's goodwill based on relative fair values utilizing the discounted cash flow method and guideline public company method as our allocation base, and the allocated fair values exceeded the carrying values for each of the three reporting units as of April 30, 2019.

We evaluate goodwill for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with related accounting standards. We performed our annual impairment assessment in our third quarter of fiscal 2019 and 2018, and our analysis indicated that we had no impairment of goodwill in our reporting units.

We performed a qualitative assessment to test each reporting unit's goodwill for impairment. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events and factors affecting each reporting unit. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying amount, the fair value of a reporting unit will be compared with its carrying amount and an impairment charge will be recognized for the amount that the carrying value exceeds the fair value of the reporting unit. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are CooperVision, Office/Surgical and Fertility reflecting the current way we manage our business. Goodwill impairment analysis and measurement is a process that requires significant judgment. If our common stock price trades below book value per share, there are changes in market conditions or a future downturn in our business, or a future goodwill impairment test indicates an impairment of our goodwill, we may have to recognize a non-cash impairment of goodwill that could be material and could adversely affect our results of operations in the period recognized and also adversely affect our total assets and stockholders' equity.

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Other Intangible Assets

<u>(In millions)</u>	July 31, 2019		October 31, 2018		Weighted Average Amortization Period (In years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Intangible assets with definite lives:					
Trademarks	\$ 148.3	\$ 24.6	\$ 138.1	\$ 16.9	14
Composite intangible asset	1,061.9	123.9	1,061.9	70.8	15
Technology	398.8	213.0	387.2	190.7	11
Customer relationships	356.1	187.0	350.0	168.6	13
License and distribution rights and other ⁽¹⁾	27.8	14.7	74.9	52.7	11
	1,992.9	\$ 563.2	2,012.1	\$ 499.7	14
Less: accumulated amortization and translation	563.2		499.7		
Intangible assets with definite lives, net	1,429.7		1,512.4		
Intangible assets with indefinite lives, net ⁽²⁾	8.9		8.9		
Total other intangible assets, net	\$ 1,438.6		\$ 1,521.3		

⁽¹⁾ In the second quarter of fiscal 2019, CooperSurgical sold an exclusive distribution right to distribute Filshie Clip System in the U.S. for \$21.0 million and recognized a gain of \$19.0 million. In the third quarter of fiscal 2019, CooperVision removed \$37.3 million of fully amortized non-compete agreements.

⁽²⁾ Intangible assets with indefinite lives include trademark and technology intangible assets.

Balances include foreign currency translation adjustments.

As of July 31, 2019, the estimation of amortization expenses for intangible assets with definite lives is as follows:

<u>Fiscal years:</u>	<u>(In millions)</u>
Remainder of 2019	\$ 35.1
2020	135.6
2021	134.3
2022	132.4
2023	130.2
Thereafter	862.1
Total remaining amortization for intangible assets with definite lives	\$ 1,429.7

The Company assesses definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of a definite-lived intangible asset (asset group) may not be recoverable. When events or changes in circumstances indicate that the carrying amount of a definite-lived intangible asset may not be recoverable, the Company evaluates whether the definite-lived intangible asset is impaired by comparing its carrying value to its undiscounted future cash flows. The Company assesses indefinite-lived intangible assets annually in the third quarter of the fiscal year, or whenever events or circumstances indicate that the carrying amount of an indefinite-lived intangible asset (asset group) may not be recoverable. The Company evaluates whether the indefinite-lived intangible asset is impaired by comparing its carrying value to its fair value.

If the carrying value of a definite-lived or indefinite-lived intangible asset is not recoverable, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair value. The inputs used in the fair value analysis fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair

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value. The Company did not recognize any material definite-lived or indefinite-lived intangible asset impairment charges during the three and nine months ended July 31, 2019.

Note 6. Debt

<u>(In millions)</u>	<u>July 31, 2019</u>	<u>October 31, 2018</u>
Overdraft and other credit facilities	\$ 65.0	\$ 37.1
Term loans	325.0	—
Short-term Debt	<u>\$ 390.0</u>	<u>\$ 37.1</u>
Revolving credit	\$ —	\$ 439.0
Term loans	1,425.0	1,550.0
Other	0.2	0.2
Less: unamortized debt issuance cost	(2.6)	(3.5)
Long-term Debt	<u>\$ 1,422.6</u>	<u>\$ 1,985.7</u>
Total Debt	<u><u>\$ 1,812.6</u></u>	<u><u>\$ 2,022.8</u></u>

\$400 million Term Loan on November 1, 2018

On November 1, 2018, the Company entered into a 364-day, \$400.0 million, senior unsecured term loan agreement by and among the Company, the lenders party thereto and PNC Bank, National Association, as administrative agent which matures on October 31, 2019 (the 2018 Term Loan Agreement). The Company used the funds to partially repay outstanding borrowings under the 2016 Revolving Credit Facility. At July 31, 2019, we had \$325.0 million outstanding under the 2018 Term Loan Agreement.

Amounts outstanding under the 2018 Term Loan Agreement will bear interest, at the Company's option, at either the base rate, or the adjusted LIBO rate (each as defined in the 2018 Term Loan Agreement), plus, in each case, an applicable rate of 0.00% in respect of base rate loans and 0.60% in respect of adjusted LIBO rate loans. The weighted average interest rate for the three months and nine months ended July 31, 2019 were 3.02% and 3.04%, respectively.

The 2018 Term Loan Agreement contains customary restrictive covenants, as well as financial covenants that require the Company to maintain a certain Total Leverage Ratio and Interest Coverage Ratio (each as defined in the 2018 Term Loan Agreement) consistent with the 2016 Credit Agreement discussed below.

\$1.425 billion Term Loan on November 1, 2017

On November 1, 2017, in connection with the PARAGARD acquisition, we entered into a five-year, \$1.425 billion, senior unsecured term loan agreement (the 2017 Term Loan Agreement) by and among the Company, the lenders party thereto and DNB Bank ASA, New York Branch, as administrative agent which matures on November 1, 2022. The Company used part of the facility to fund the PARAGARD acquisition and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement.

Amounts outstanding under the 2017 Term Loan Agreement will bear interest, at our option, at either the base rate, or the adjusted LIBO rate (each as defined in the 2017 Term Loan Agreement), plus, in each case, an applicable rate of, between 0.00% and 0.75% in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted LIBO rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio as defined in the 2017 Term Loan Agreement.

The 2017 Term Loan Agreement contains customary restrictive covenants, as well as financial covenants that require the Company to maintain a certain Total Leverage Ratio and Interest Coverage Ratio (each as defined in the 2017 Term Loan Agreement) consistent with the 2016 Credit Agreement discussed below. At July 31, 2019, we had \$1.425 billion outstanding under the 2017 Term Loan Agreement. The interest rate on the 2017 term loan was 3.36% at July 31, 2019.

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Revolving Credit and Term Loan Agreement on March 1, 2016

On March 1, 2016, we entered into a Revolving Credit and Term Loan Agreement (the 2016 Credit Agreement), among the Company, CooperVision International Holding Company, LP, the lenders party thereto and KeyBank National Association, as administrative agent. The 2016 Credit Agreement provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion (the 2016 Revolving Credit Facility) and a term loan facility in an aggregate principal amount of \$830.0 million (the 2016 Term Loan Facility), each of which, unless terminated earlier, mature on March 1, 2021. In addition, we have the ability from time to time to request an increase to the size of the 2016 Revolving Credit Facility or establish one or more new term loans under the 2016 Term Loan Facility in an aggregate amount up to \$750.0 million, subject to the discretionary participation of the lenders.

Amounts outstanding under the 2016 Credit Agreement will bear interest, at our option, at either the base rate, or the adjusted LIBO rate or adjusted foreign currency rate (each as defined in the 2016 Credit Agreement), plus, in each case, an applicable rate of between 0.00% and 0.75% in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted LIBO rate or adjusted foreign currency rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio, as defined in the 2016 Credit Agreement.

We pay an annual commitment fee that ranges from 0.125% to 0.25% of the unused portion of the 2016 Revolving Credit Facility depending on certain financial ratios. In addition to the annual commitment fee described above, we are also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the 2016 Credit Agreement.

At July 31, 2019, we had no outstanding balance under the 2016 Term Loan Facility and \$998.8 million available under the 2016 Revolving Credit Facility.

The 2016 Credit Agreement contains customary restrictive covenants, as well as financial covenants that require us to maintain a certain Total Leverage Ratio and Interest Coverage Ratio (each as defined in the 2016 Credit Agreement):

- Interest Coverage Ratio, as defined, to be at least 3.00 to 1.00 at all times.
- Total Leverage Ratio, as defined, to be no higher than 3.75 to 1.00.

At July 31, 2019, we were in compliance with the Interest Coverage Ratio at 12.24 to 1.00 and the Total Leverage Ratio at 1.83 to 1.00 for 2018 Term Loan Agreement, the 2017 Term Loan Agreement, and the 2016 Credit Agreement.

Refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2018 for more details.

Note 7. Income Taxes

Recent Tax Legislation

The 2017 Act was enacted into law on December 22, 2017 and significantly changed existing U.S. tax law. The 2017 Act adopted a territorial tax system, imposed a mandatory one-time transition tax on earnings of foreign subsidiaries that were previously indefinitely reinvested, and reduces the U.S. federal statutory tax rate from 35% to 21%. For third quarter of fiscal 2019, the Company has utilized the enacted U.S. federal statutory tax rate of 21%.

The 2017 Act includes several provisions that are effective for our fiscal 2019: (i) tax on global intangible low-taxed income (GILTI) of foreign subsidiaries, (ii) tax on certain payments between a U.S. corporation and its foreign subsidiaries referred to as the base erosion and anti-abuse tax (BEAT), (iii) limitation on the tax deduction for interest payments, and (iv) expanded limitation on the tax deduction for compensation paid to certain executives.

The 2017 Act was effective in the first quarter of fiscal 2018. During the first quarter of fiscal 2019, we recorded tax benefit of \$4.4 million in our financial statements to finalize the tax effects of the 2017 Act pursuant to SAB 118. The Company is no longer asserting that earnings from our foreign subsidiaries are indefinitely reinvested.

The 2017 Act imposes a new tax on foreign earnings and profits in excess of a deemed return on tangible assets of foreign subsidiaries referred to as GILTI which is effective in fiscal 2019. In accordance with FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, the Company made an accounting policy election to recognize the tax expense related to GILTI in the year the tax is incurred.

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Effective Tax Rate

The Company's effective tax rates were an expense of 5.4% and a benefit of 11.5% for the third quarter of fiscal 2019 and fiscal 2018, respectively, and an expense of 0.9% and 82.1% for the first nine months of fiscal 2019 and 2018, respectively. The increase in our effective tax rate for the third quarter of fiscal 2019 compared to fiscal 2018 was primarily due to the inclusion of earnings from our foreign subsidiaries pursuant to the GILTI provisions that became effective in fiscal 2019. The decrease in our effective tax rate for the first nine months of fiscal 2019 compared to fiscal 2018 was primarily due to the provisional charge of \$196.7 million relating to the 2017 Act that was recorded in fiscal 2018. Our effective tax rate for the first nine months of fiscal 2019 was lower than the U.S. statutory rate because of discrete tax benefits and a favorable mix of income from our foreign jurisdictions with lower tax rates. Total discrete tax benefits for the first nine months of fiscal 2019 were \$26.7 million primarily relating to settlement of tax audits, revisions to the provisional tax charges relating to the 2017 Act, and excess tax benefits from share-based compensation. Our effective tax rate for the first nine months of fiscal 2018 was higher than the U.S. statutory rate because of the discrete tax expense relating to the 2017 Act, which was partially offset by a favorable mix of income from our foreign jurisdictions with lower tax rates and an excess tax benefit from share-based compensation.

We recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. As of July 31, 2019, and October 31, 2018, Cooper had unrecognized tax benefits of \$50.7 million and \$68.9 million, respectively. The decrease is primarily related to settling prior year tax audits, partially offset by additions to current period transfer pricing reserves. It is our policy to recognize interest and penalties directly related to income taxes as additional income tax expense. It is reasonably possible that \$8.1 million of unrecognized tax benefits could be settled during the next twelve months.

The Company is subject to U.S. Federal income tax examinations for fiscal 2015 through 2018 and the Internal Revenue Service is currently auditing our U.S. Consolidated Corporation Income Tax Returns for fiscal 2015 and 2016. The Company remains subject to income tax examinations in other significant tax jurisdictions including the United Kingdom, Japan, France and Australia for the tax years 2015 through 2018.

Note 8. Earnings Per Share

Periods Ended July 31, <u>(In millions, except per share amounts)</u>	Three Months		Nine Months	
	2019	2018	2019	2018
Net income	\$ 120.1	\$ 100.8	\$ 345.7	\$ 39.2
<u>Basic:</u>				
Weighted average common shares	49.5	49.1	49.4	49.0
Basic earnings per share	\$ 2.43	\$ 2.05	\$ 7.00	\$ 0.80
<u>Diluted:</u>				
Weighted average common shares	49.5	49.1	49.4	49.0
Effect of potential dilutive shares	0.6	0.6	0.6	0.6
Diluted weighted average common shares	50.1	49.7	50.0	49.6
Diluted earnings per share attributable to Cooper stockholders	\$ 2.40	\$ 2.03	\$ 6.91	\$ 0.79

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The following table sets forth stock options to purchase Cooper's common stock and restricted stock units that were not included in the diluted earnings per share calculation because their effect would have been antidilutive for the periods presented:

Periods Ended July 31, (In thousands, except exercise prices)	Three Months		Nine Months	
	2019	2018	2019	2018
Number of stock option shares excluded	—	257	198	257
Range of exercise prices	n/a	\$226.30-\$230.09	\$ 254.77	\$226.30-\$230.09
Numbers of restricted stock units excluded	18	78	19	78

Note 9. Share-Based Compensation Plans

The Company has several share-based compensation plans that are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2018. The compensation expense and related income tax benefit recognized in our Consolidated Condensed Statements of Income for share-based awards were as follows:

Periods Ended July 31, (In millions)	Three Months		Nine Months	
	2019	2018	2019	2018
Selling, general and administrative expense	\$ 6.8	\$ 6.7	\$ 22.1	\$ 30.3
Cost of sales	1.0	0.9	3.9	2.6
Research and development expense	0.5	0.5	2.4	1.6
Total share-based compensation expense	\$ 8.3	\$ 8.1	\$ 28.4	\$ 34.5
Related income tax benefit	\$ 1.1	\$ 1.5	\$ 4.0	\$ 7.1

Employee Stock Purchase Plan

On March 18, 2019, the Company received stockholder approval for the Employee Stock Purchase Plan ("ESPP"). The first offering period is for U.S. employees and is expected to begin on November 4, 2019. The purpose of the ESPP is to provide eligible employees of the Company with the opportunity to acquire shares of common stock at 85% of the market price on the last business day of each offering period by means of accumulated payroll deductions. Payroll deductions will be limited to maximum of 15% of the employee's eligible compensation, not to exceed \$21.3 thousand in any one calendar year. The ESPP would initially authorize the issuance of 1,000,000 shares of common stock. These shares will be made available from shares of common stock reacquired by the Company as Treasury Stock. At July 31, 2019, there were approximately 3.6 million shares of Treasury Stock.

Note 10. Stockholders' Equity

Analysis of Changes in Accumulated Other Comprehensive (Loss) Income:

(In millions)	Foreign Currency Translation Adjustment	Minimum Pension Liability	Total
Balance at October 31, 2017	\$ (353.7)	\$ (21.6)	\$ (375.3)
Gross change in value during the year ended October 31, 2018	(58.5)	11.0	(47.5)
Tax effect for the period	—	(3.1)	(3.1)
ASU 2018-02 adoption ⁽¹⁾	—	(4.8)	(4.8)
Balance at October 31, 2018	\$ (412.2)	\$ (18.5)	\$ (430.7)
Gross change in value during the nine months ended July 31, 2019	(51.1)	—	(51.1)
Balance at July 31, 2019	\$ (463.3)	\$ (18.5)	\$ (481.8)

⁽¹⁾ Represents reclassification to retained earnings from adoption of ASU 2018-02. Refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2018 for more details.

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Share Repurchases

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and through subsequent amendments, the most recent in March 2017, the total repurchase authorization was increased from \$500.0 million to \$1.0 billion of the Company's common stock. This program has no expiration date and may be discontinued at any time. Purchases under the 2012 Share Repurchase Program are subject to a review of the circumstances in place at the time and may be made from time to time as permitted by securities laws and other legal requirements.

We did not repurchase shares in the third and second quarters of fiscal 2019. During the first quarter of fiscal 2019, we repurchased 24.5 thousand shares of the Company's common stock for \$6.1 million, at an average purchase price of \$248.70 per share. We did not repurchase shares during the fiscal year ended October 31, 2018. At July 31, 2019, \$557.4 million remains authorized for repurchase under the program.

Dividends

We paid a semiannual dividend of approximately \$1.5 million or 3 cents per share on February 8, 2019, to stockholders of record on January 22, 2019. We paid another semiannual dividend of approximately \$1.5 million or 3 cents per share on August 7, 2019, to stockholders of record on July 23, 2019.

Note 11. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. An asset's or liability's level is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are valued and disclosed in one of the following three levels of the valuation hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

At July 31, 2019 and October 31, 2018, the carrying value of cash and cash equivalents, accounts receivable, prepaid expense and other current assets, lines of credit, accounts payable and other current liabilities approximate fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms.

The carrying value of our revolving credit facility and term loans approximates fair value estimated based on current market rates (Level 2). The Company did not have any derivative assets or liabilities that may include interest rate swaps, cross currency swaps or foreign currency forward contracts as of July 31, 2019 and October 31, 2018.

Nonrecurring fair value measurements

The Company uses fair value measures when determining assets and liabilities acquired in an acquisition as described in Note 3. Acquisitions which are considered a Level 3 measurement. The Company also used fair value measures to allocate goodwill upon the split of our reporting units as discussed in Note 5. Intangible Assets which was considered a Level 3 measurement.

Note 12. Employee Benefits

Cooper's Retirement Income Plan (the Plan), a defined benefit plan, covers substantially all full-time United States employees. Our contributions are designed to fund normal cost on a current basis and to fund the estimated prior service cost of benefit improvements. The unit credit actuarial cost method is used to determine the annual cost. Cooper pays the entire cost of the Plan and funds such costs as they accrue. Virtually all of the assets of the Plan are comprised of equities and participation in equity and fixed income funds.

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Our results of operations for the three and nine months ended July 31, 2019 and 2018, reflect the following components of net periodic defined benefit costs:

Periods Ended July 31, (In millions)	Three Months		Nine Months	
	2019	2018	2019	2018
Service cost	\$ 2.2	\$ 2.7	\$ 7.6	\$ 8.1
Interest cost	2.1	1.3	4.6	3.8
Expected return on plan assets	(2.8)	(2.3)	(7.4)	(6.9)
Recognized net actuarial loss	(0.2)	0.4	0.6	1.2
Net periodic pension cost	\$ 1.3	\$ 2.1	\$ 5.4	\$ 6.2

We contributed \$5.0 million to the Plan in the first nine months of fiscal 2019 and 2018. The expected rate of return on Plan assets for determining net periodic benefit plan cost is 8%.

Retirement Income Plan Soft Freeze

On June 18, 2019 the Board of Directors of the Company approved a soft freeze of the Plan effective August 1, 2019. The Plan was closed to employees hired on or after August 1, 2019, including former participants or employees rehired on or after August 1, 2019 and employees hired in connection with a stock or asset acquisition, merger or other similar transaction on or after August 1, 2019. Existing employees already covered by the Plan, continue to accrue their benefits. There is no material impact on the Company's results of operations, financial position and cash flows for the three and nine months ended July 31, 2019.

Note 13. Contingencies

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. In August 2017, CooperVision entered into a settlement agreement with the plaintiffs, without any admission of liability, to settle all claims against CooperVision. In July 2018, the Court approved the plaintiffs' motion for preliminary approval of the settlement, and the Company paid the \$3.0 million settlement amount into an escrow account. The settlement remains subject to final Court approval at a future hearing to be set by the Court.

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company does not believe that the ultimate resolution of these proceedings or claims pending against it could have a material adverse effect on its financial condition or results of operations. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, *Contingencies*. Legal fees are expensed as incurred.

Note 14. Business Segment Information

Cooper uses operating income, as presented in our financial reports, as the primary measure of segment profitability. We do not allocate costs from corporate functions to segment operating income. Items below operating income are not considered when measuring the profitability of a segment. We use the same accounting policies to generate segment results as we do for our consolidated results.

Total identifiable assets are those used in continuing operations except cash and cash equivalents, which we include as corporate assets.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Segment information:

Periods Ended July 31, (In millions)	Three Months		Nine Months	
	2019	2018	2019	2018
CooperVision net sales by category:				
Toric lens	\$ 163.1	\$ 153.6	\$ 464.4	\$ 442.2
Multifocal lens	52.4	52.7	151.1	148.8
Single-use sphere lens	146.3	137.6	413.6	378.3
Non single-use sphere and other	147.3	145.2	434.2	432.1
Total CooperVision net sales	<u>509.1</u>	<u>489.1</u>	<u>1,463.3</u>	<u>1,401.4</u>
CooperSurgical net sales by category:				
Office and surgical products	106.3	104.4	307.7	290.4
Fertility	64.0	66.5	190.8	189.5
CooperSurgical net sales	<u>170.3</u>	<u>170.9</u>	<u>498.5</u>	<u>479.9</u>
Total net sales	<u>\$ 679.4</u>	<u>\$ 660.0</u>	<u>\$ 1,961.8</u>	<u>\$ 1,881.3</u>
Operating income (loss):				
CooperVision	\$ 134.2	\$ 125.4	\$ 375.9	\$ 361.1
CooperSurgical	20.6	1.6	59.0	(37.5)
Corporate	(12.6)	(11.4)	(34.8)	(43.2)
Total operating income	<u>142.2</u>	<u>115.6</u>	<u>400.1</u>	<u>280.4</u>
Interest expense	16.7	22.8	53.3	59.9
Other (income) expense, net	(1.5)	2.4	(2.1)	1.3
Income before income taxes	<u>\$ 127.0</u>	<u>\$ 90.4</u>	<u>\$ 348.9</u>	<u>\$ 219.2</u>

(In millions) [to update]	July 31, 2019	October 31, 2018
Total identifiable assets:		
CooperVision	\$ 3,801.3	\$ 3,746.0
CooperSurgical	2,184.4	2,201.7
Corporate	187.1	165.1
Total	<u>\$ 6,172.8</u>	<u>\$ 6,112.8</u>

Geographic information:

Periods Ended July 31, (In millions)	Three Months		Nine Months	
	2019	2018	2019	2018
Net sales to unaffiliated customers by country of domicile:				
United States	\$ 306.2	\$ 302.1	\$ 891.1	\$ 856.8
Europe	222.7	224.0	642.0	637.8
Rest of world	150.5	133.9	428.7	386.7
Total	<u>\$ 679.4</u>	<u>\$ 660.0</u>	<u>\$ 1,961.8</u>	<u>\$ 1,881.3</u>

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
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(Unaudited)

<u>(In millions)</u>	<u>July 31, 2019</u>	<u>October 31, 2018</u>
Net property, plant and equipment by country of domicile:		
United States	\$ 589.7	\$ 516.7
Europe	339.7	340.7
Rest of world	136.0	118.6
Total	<u>\$ 1,065.4</u>	<u>\$ 976.0</u>

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Note numbers refer to "Notes to Consolidated Condensed Financial Statements" in Item 1. Unaudited Financial Statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact, including all statements regarding acquisitions including the acquired companies' financial position, market position, product development and business strategy, expected cost synergies, expected timing and benefits of the transaction, difficulties in integrating entities or operations, as well as estimates of our and the acquired entities' future expenses, sales and earnings per share are forward-looking. In addition, all statements regarding anticipated growth in our revenue, anticipated effects of any product recalls, anticipated market conditions, planned product launches and expected results of operations and integration of any acquisition are forward-looking. To identify these statements, look for words like "believes," "outlook," "probable," "expects," "may," "will," "should," "could," "seeks," "intends," "plans," "estimates" or "anticipates" and similar words or phrases. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Among the factors that could cause our actual results and future actions to differ materially from those described in forward-looking statements are:

- Adverse changes in global political and economic conditions, and related uncertainty caused by the United Kingdom's election to withdraw from the European Union and its potential impact on, among other things, the movement of goods and materials in our supply chain, additional regulatory approvals and requirements, and increased tariffs and duties.
- Adverse changes in the global or regional general business, political and economic conditions, including the impact of continuing uncertainty and instability of certain countries, such as China, that could adversely affect our global markets, and the potential adverse economic impact and related uncertainty caused by these items, including but not limited to, escalating global trade barriers including additional tariffs.
- Foreign currency exchange rate and interest rate fluctuations including the risk of fluctuations in the value of foreign currencies or interest rates that would decrease our revenues and earnings.
- Changes in tax laws or their interpretation and changes in statutory tax rates, including but not limited to, the U.S., the United Kingdom and other countries may affect our taxation of earnings recognized in foreign jurisdictions and/or negatively impact our effective tax rate.
- Our existing indebtedness and associated interest expense, most of which is variable and impacted by rate increases, which could adversely affect our financial health or limit our ability to borrow additional funds.
- Acquisition-related adverse effects including the failure to successfully obtain the anticipated revenues, margins and earnings benefits of acquisitions, integration delays or costs and the requirement to record significant adjustments to the preliminary fair value of assets acquired and liabilities assumed within the measurement period, required regulatory approvals for an acquisition not being obtained or being delayed or subject to conditions that are not anticipated, adverse impacts of changes to accounting controls and reporting procedures, contingent liabilities or indemnification obligations, increased leverage and lack of access to available financing (including financing for the acquisition or refinancing of debt owed by us on a timely basis and on reasonable terms).
- Compliance costs and potential liability in connection with U.S. and foreign laws and health care regulations pertaining to privacy and security of third-party information, such as HIPAA in the U.S. and the General Data Protection Regulation requirements in Europe, including but not limited to those resulting from data security breaches.
- A major disruption in the operations of our manufacturing, accounting and financial reporting, research and development, distribution facilities or raw material supply chain due to integration of acquisitions, natural disasters or other causes.

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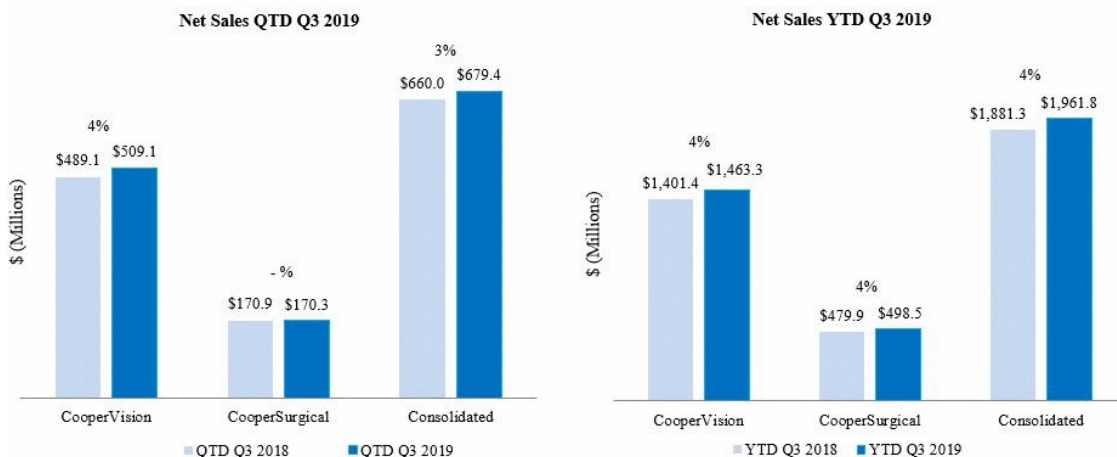
- A major disruption in the operations of our manufacturing, accounting and financial reporting, research and development or distribution facilities due to technological problems, including any related to our information systems maintenance, enhancements or new system deployments, integrations or upgrades.
- Market consolidation of large customers globally through mergers or acquisitions resulting in a larger proportion or concentration of our business being derived from fewer customers.
- Disruptions in supplies of raw materials, particularly components used to manufacture our silicone hydrogel lenses.
- New U.S. and foreign government laws and regulations, and changes in existing laws, regulations and enforcement guidance, which affect areas of our operations including, but not limited to, those affecting the health care industry, including the contact lens industry specifically and the medical device or pharmaceutical industries generally.
- Legal costs, insurance expenses, settlement costs and the risk of an adverse decision, prohibitive injunction or settlement related to product liability, patent infringement or other litigation.
- Limitations on sales following product introductions due to poor market acceptance.
- New competitors, product innovations or technologies, including but not limited to, technological advances by competitors, new products and patents attained by competitors, and competitors' expansion through acquisitions.
- Reduced sales, loss of customers and costs and expenses related to product recalls and warning letters.
- Failure to receive, or delays in receiving, regulatory approvals for products.
- Failure of our customers and end users to obtain adequate coverage and reimbursement from third-party payors for our products and services.
- The requirement to provide for a significant liability or to write off, or accelerate depreciation on, a significant asset, including goodwill, other intangible assets and idle manufacturing facilities and equipment.
- The success of our research and development activities and other start-up projects.
- Dilution to earnings per share from acquisitions or issuing stock.
- Impact and costs incurred from changes in accounting standards and policies.
- Environmental risks, including increasing environmental legislation and the broader impacts of climate change.
- Other events described in our Securities and Exchange Commission filings, including the "Business" and "Risk Factors" sections in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, as such Risk Factors may be updated in quarterly filings.

We caution investors that forward-looking statements reflect our analysis only on their stated date. We disclaim any intent to update them except as required by law.

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Results of Operations

In this section, we discuss the results of our operations for the third quarter of fiscal 2019 ended July 31, 2019 and the nine months then ended and compare them with the same periods of fiscal 2018. We discuss our cash flows and current financial condition under “Capital Resources and Liquidity.” Within the tables presented, percentages are calculated based on the underlying whole-dollar amounts and, therefore, may not recalculate exactly from the rounded numbers used for disclosure purposes.



Third Quarter Highlights

- Gross profit \$450.7 million, up 6% from \$426.8 million in the prior year period
- Operating income \$142.2 million, up 23% from \$115.6 million in the prior year period
- Diluted earnings per share of \$2.40, up 18% from \$2.03 per share in the prior year period
- Cash provided by operations \$ 196.7 million, compared to \$235.3 million in the prior year period.

Nine Months Highlights

- Gross profit \$1,301.8 million, up 8% from \$1,202.2 million in the prior year period
- Operating income \$400.1 million, up 43% from \$280.4 million in the prior year period
- Diluted earnings per share of \$6.91, up from \$0.79 per share in the prior year period
- Cash provided by operations \$513.3 million, compared to \$432.3 million in the prior year period.

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Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and general health care markets. However, events affecting the economy as a whole, including but not limited to the uncertainty and instability of global markets driven by foreign currency volatility, changes in tax legislation, debt concerns, the uncertainty caused by the United Kingdom's upcoming withdrawal from the European Union, global trade barriers including additional tariffs and the trend of consolidations within the health care industry, impact our current performance and continue to represent a risk to our future performance.

CooperVision - We compete in the worldwide contact lens market with our spherical, toric and multifocal contact lenses offered in a variety of materials including using silicone hydrogel Aquaform® technology and phosphorylcholine technology (PC) Technology™. We believe that there will be lower contact lens wearer dropout rates as technology improves and enhances the wearing experience through a combination of improved designs and materials and the growth of preferred modalities such as single-use and monthly wearing options. Recent acquisitions also expanded CooperVision's access to myopia management and specialty eye care markets with new products, such as orthokeratology (ortho-k) and scleral lenses. CooperVision is focused on greater worldwide market penetration using recently introduced products, and we continue to expand our presence in existing and emerging markets, including through acquisitions.

CooperVision acquired the following entity during the nine months ended July 31, 2019:

- Blanchard Contact Lenses on December 28, 2018 - a privately-held scleral lens company, which expands CooperVision's specialty and scleral lens portfolio.

CooperVision acquired the following entities during the nine months ended July 31, 2018:

- Blueyes on January 4, 2018 - a long-standing distribution partner, which had a leading position in the distribution of contact lenses to the optical and pharmacy sector in Israel
- Paragon Vision Sciences on December 1, 2017 - a leading provider of orthokeratology (ortho-k) specialty contact lenses and oxygen permeable rigid contact lens materials.

Our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving our desired future levels of sales growth and profitability. CooperVision manufactures and markets a wide variety of silicone hydrogel contact lenses. Our single-use silicone hydrogel product franchises, clariti® and MyDay®, remain a focus as we expect increasing demand for these products, as well as future single-use products as the global contact lens market continues to shift to this modality. Outside of single-use, the Biofinity® and Avaira Vitality® product families comprise our focus in the FRP, or frequent replacement product, market which encompasses the 2-week and monthly modalities. Included in this segment are unique products such as Biofinity Energys®, which helps individuals with digital eye fatigue.

CooperSurgical - Our CooperSurgical business competes in the general health care market with a focus on advancing the health of women, babies and families through a diversified portfolio of products and services focusing on women's health, fertility, diagnostics and contraception. CooperSurgical has established its market presence and distribution system by developing products and acquiring companies, products and services that complement its business model.

CooperSurgical acquired the following entity during the nine months ended July 31, 2019:

- Incisive Surgical Inc. on December 31, 2018 - a privately-held U.S. medical device company that develops mechanical surgical solutions for skin closure.

CooperSurgical acquired the following entities and assets during the nine months ended July 31, 2018:

- LifeGlobal Group on April 3, 2018 - a privately held company that specializes primarily in IVF media. LifeGlobal's product categories include media products, IVF laboratory air filtration products and dishware
- PARAGARD on November 1, 2017 - CooperSurgical acquired the assets of the PARAGARD IUD business from Teva Pharmaceuticals Industries Limited for \$1.1 billion. PARAGARD broadened and strengthened CooperSurgical's women's health product portfolio and it is the only non-hormonal, long lasting, reversible contraceptive option approved by the FDA and available in the United States. IUDs represent a large and growing segment of the Long Acting Reversible Contraceptive market.

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We intend to continue investing in CooperSurgical's business with the goal of expanding our integrated solutions model within the areas of women's health, fertility, diagnostics and contraception.

Capital Resources - At July 31, 2019, we had \$112.7 million in unrestricted cash, primarily held outside the United States, and \$998.8 million available under our 2016 Revolving Credit Facility (as defined below). Term loans of \$1,750.0 million remained outstanding at July 31, 2019.

On November 1, 2018, the Company entered into a 364-day, \$400.0 million, senior unsecured term loan agreement by and among the Company, the lenders party thereto and PNC Bank, National Association, as administrative agent which matures on October 31, 2019 (the 2018 Term Loan Agreement). The Company used the funds to partially repay outstanding borrowings under the 2016 Revolving Credit Facility. At July 31, 2019, we had \$325.0 million outstanding under the 2018 Term Loan Agreement.

On November 1, 2017, we entered into a \$1.425 billion syndicated Term Loan Agreement (the 2017 Term Loan Agreement) which matures on November 1, 2022, to fund the acquisition of PARAGARD, to partially repay outstanding amounts under the 2016 Revolving Credit Facility, and for general corporate purposes. At July 31, 2019, we had \$1.425 billion outstanding under the 2017 Term Loan Agreement.

On March 1, 2016, we entered into a syndicated revolving Credit and Term Loan Agreement (the 2016 Credit Agreement). This agreement, maturing on March 1, 2021, provides for a multi-currency revolving credit facility in an aggregate principal amount of \$1.0 billion (the 2016 Revolving Credit Facility) and a term loan facility in the aggregate principal amount of \$830.0 million (the 2016 Term Loan Facility). At July 31, 2019, we had no outstanding balance under the 2016 Term Loan Facility. See Note 6. Debt of the Consolidated Financial Statements for additional information.

The Company believes that current cash, cash equivalents and future cash flow from operating activities will be sufficient to meet the Company's anticipated cash needs, including working capital needs, capital expenditures and contractual obligations for at least 12 months from the issuance date of the financial statements included in this quarterly report. To the extent additional funds are necessary to meet our liquidity needs such as that for acquisitions, share repurchases, cash dividends or other activities as we execute our business strategy, we anticipate that additional funds will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all.

Selected Statistical Information – Percentage of Net Sales

Periods Ended July 31,	Three Months			Nine Months			
	Percentage of Sales		2019 vs 2018 % Change in Absolute Values	Percentage of Sales		2019 vs 2018 % Change in Absolute Values	
	2019	2018		2019	2018		
Net sales	100%	100%	3 %	100%	100%	4 %	
Cost of sales	34%	35%	(2)%	34%	36%	(3)%	
Gross profit	66%	65%	6 %	66%	64%	8 %	
Selling, general and administrative expense	37%	38%	— %	38%	39%	3 %	
Research and development expense	3%	3%	(5)%	3%	3%	2 %	
Amortization of intangibles	5%	6%	(1)%	6%	6%	— %	
Impairment of intangibles	—%	—%	— %	—%	1%	— %	
Gain on sale of an intangible	—%	—%	— %	1%	—%	— %	
Operating income	21%	18%	23 %	20%	15%	43 %	

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Net Sales Growth by Business Unit

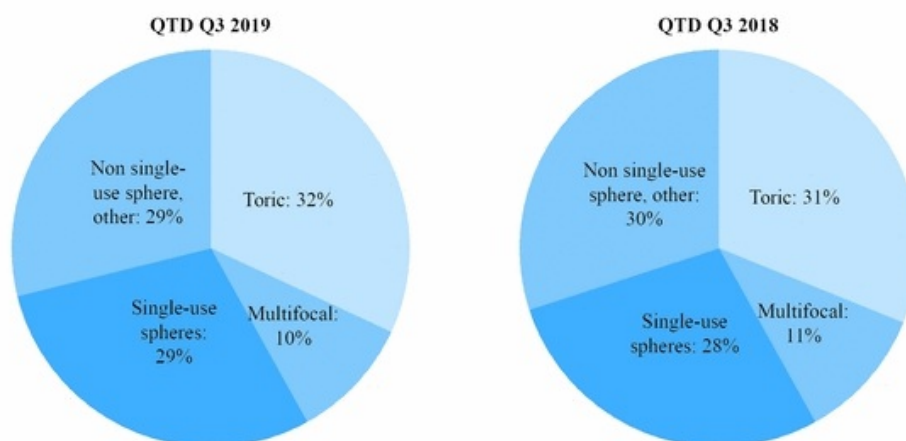
Periods Ended July 31, (\$ in millions)	Three Months				Nine Months			
	2019	2018	Increase (Decrease)	2019 vs 2018 % Change	2019	2018	Increase	2019 vs 2018 % Change
CooperVision	\$ 509.1	\$ 489.1	\$ 20.0	4 %	\$ 1,463.3	\$ 1,401.4	\$ 61.9	4%
CooperSurgical	170.3	170.9	(0.6)	— %	498.5	479.9	18.6	4%
Net sales	\$ 679.4	\$ 660.0	\$ 19.4	3 %	\$ 1,961.8	\$ 1,881.3	\$ 80.5	4%

CooperVision Net Sales

The contact lens market has two major product categories:

- Spherical lenses including lenses that correct near- and farsightedness uncomplicated by more complex visual defects
- Toric and multifocal lenses including lenses that, in addition to correcting near- and farsightedness, address more complex visual defects such as astigmatism and presbyopia by adding optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

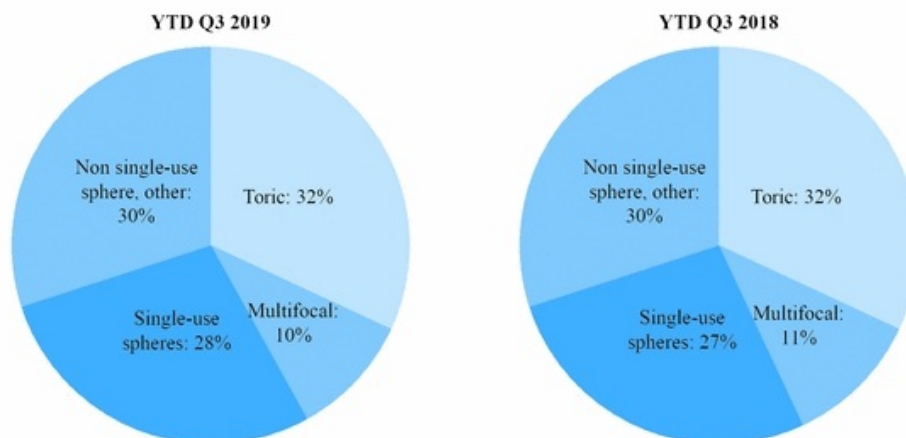
CooperVision Net Sales by Category



Three Months Ended July 31,

(\$ in millions)	2019	2018	2019 vs 2018 % Change
Toric	\$ 163.1	\$ 153.6	6 %
Multifocal	52.4	52.7	(1)%
Single-use spheres	146.3	137.6	6 %
Non single-use sphere, other	147.3	145.2	1 %
	\$ 509.1	\$ 489.1	4 %

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Nine Months Ended July 31,

<u>(\$ in millions)</u>	<u>2019</u>	<u>2018</u>	<u>2019 vs 2018 % Change</u>
Toric	\$ 464.4	\$ 442.2	5%
Multifocal	151.1	148.8	2%
Single-use spheres	413.6	378.3	9%
Non single-use sphere, other	434.2	432.1	—%
	<u>\$ 1,463.3</u>	<u>\$ 1,401.4</u>	4%

In the three and nine months ended July 31, 2019:

- Toric lenses grew primarily through the success of Biofinity, clariti and MyDay
- Multifocal lenses decreased in three months ended and increased in nine months ended, compared to fiscal 2018 due to higher Biofinity and clariti sales, partially offset by decrease in sales of Proclear and negative impact of foreign exchange rates
- Single-use sphere lenses growth was primarily attributed to clariti and MyDay lenses
- Non-single-use spheres increased in three months ended and remained relatively flat in nine months ended, compared to fiscal 2018 due to higher Biofinity sales, partially offset by the negative impact of foreign exchange rates
- "Other" products primarily include lens care which represent approximately 2% of net sales in the three and nine months ended, compared to 2% and 3% in the three and nine months ended July 31, 2018, respectively
- Increased sales of silicone hydrogel products were partially offset by lower sales of older hydrogel products. Total silicone hydrogel products grew 9% and 10% in three and nine months ended, respectively, representing 72% and 71% of net sales in the three and nine months ended July 31, 2019 compared to 69% and 68% in the three and nine months ended July 31, 2018
- Foreign exchange rates negatively impacted sales by approximately \$11.0 million and \$46.6 million in the three and nine months ended, respectively, primarily attributable to the Euro and British Pound
- Sales growth was primarily driven by increases in the volume of lenses sold. Average realized prices by product did not materially influence sales growth.

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CooperVision Net Sales by Geography

CooperVision competes in the worldwide soft contact lens market and services in three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

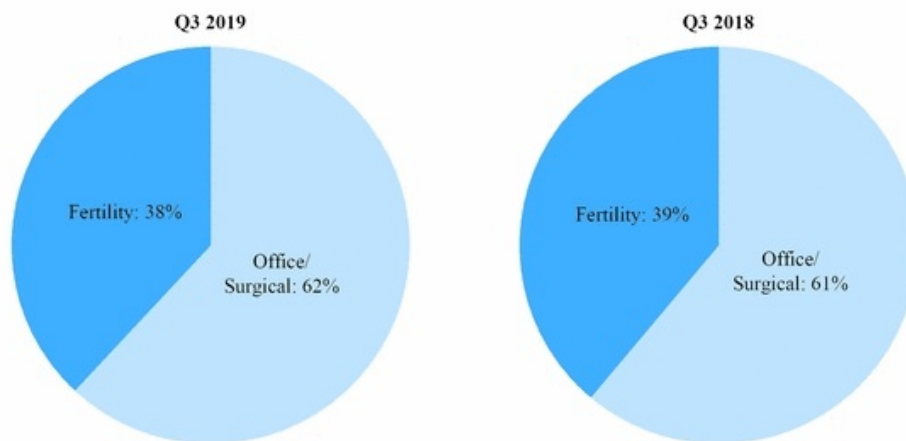
Periods Ended July 31, (\$ in millions)	Three Months			Nine Months		
	2019	2018	2019 vs 2018 % Change	2019	2018	2019 vs 2018 % Change
Americas	\$ 195.0	\$ 184.4	6 %	\$ 564.4	\$ 537.1	5%
EMEA	196.0	199.2	(2)%	561.4	560.4	—%
Asia Pacific	118.1	105.5	12 %	337.5	303.9	11%
	<u>\$ 509.1</u>	<u>\$ 489.1</u>	4 %	<u>\$ 1,463.3</u>	<u>\$ 1,401.4</u>	4%

CooperVision's regional growth in Americas and Asia Pacific was primarily attributable to market gains of silicone hydrogel contact lenses. However, the negative impact of foreign exchange rates resulted in reduction of EMEA growth. Refer to CooperVision Net Sales by Category above for further discussion.

CooperSurgical Net Sales by Category

CooperSurgical supplies the family health care market with a diversified portfolio of products and services. Our office and surgical offerings include products that facilitate surgical and non-surgical procedures that are commonly performed primarily by obstetricians and gynecologists in hospitals, surgical centers, fertility clinics and medical offices. Fertility offerings include highly specialized products and services that target the IVF process, including diagnostics testing with a goal to make fertility treatment safer, more efficient and convenient.

The chart below shows the percentage of net sales of office and surgical products and fertility.

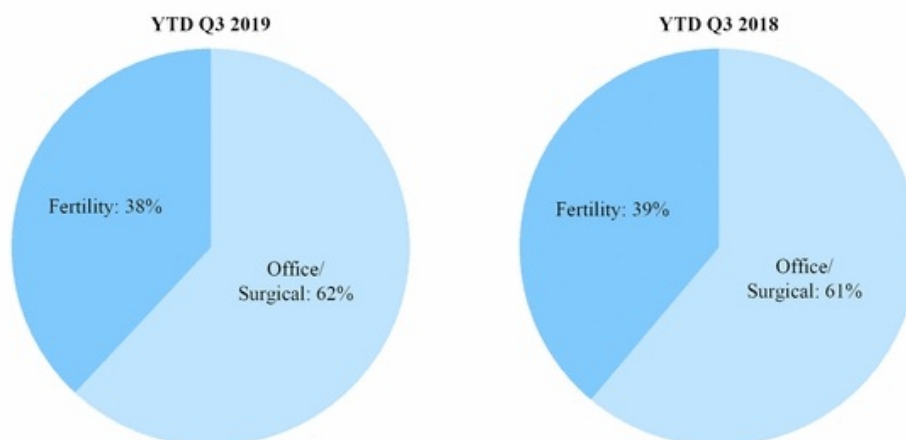


Three Months Ended July 31,

(\$ in millions)	2019	2018	2019 vs 2018 % Change
Office and surgical products	\$ 106.3	\$ 104.4	2 %
Fertility	64.0	66.5	(4)%
	<u>\$ 170.3</u>	<u>\$ 170.9</u>	— %

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Nine Months Ended July 31,

<u>(\$ in millions)</u>	<u>2019</u>	<u>2018</u>	<u>2019 vs 2018 % Change</u>
Office and surgical products	\$ 307.7	\$ 290.4	6%
Fertility	190.8	189.5	1%
	<u>\$ 498.5</u>	<u>\$ 479.9</u>	4%

In the three and nine months ended July 31, 2019:

- Office and surgical products increased compared to prior year periods due to continued growth in PARAGARD and surgical products, primarily Uterine Manipulators, Surgical Retractors and recently acquired products of Incisive Surgical, partially offset by decrease in revenue on Filshie Clip system. On February 1, 2019, the Company agreed to the early termination of an exclusive distribution agreement which had given CooperSurgical the rights to distribute the Filshie Clip System in the United States.
- In the three months ended July 31, 2019, Fertility net sales decreased due to the exit of the carrier screening and non-invasive prenatal testing (NIPT) product lines on June 1, 2018. However, Fertility net sales increased in nine months ended July 31, 2019 compared to fiscal 2018, primarily due to increased sales of IVF consumables, IVF equipment and LifeGlobal products, partially offset by a decrease in diagnostics revenue.
- Unit growth and product mix positively impacted sales growth.

Gross Profit

<u>Gross Profit Percentage of Net Sales</u> <u>Periods Ended July 31,</u>	<u>Three Months</u>		<u>Nine Months</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
CooperVision	65%	66%	65%	66%
CooperSurgical	71%	62%	69%	58%
Consolidated	66%	65%	66%	64%

CooperVision's gross margin decreased in the three and nine months ended July 31, 2019 compared to fiscal 2018 due to:

- the unfavorable impact to revenue from exchange rate fluctuations, primarily attributable to the Euro and British Pound; and product mix;
- \$3.6 million and \$6.5 million of integration and manufacturing related cost;

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- partially offset by an increase in sales of higher margin products including Biofinity.
- three and nine months ended July 31, 2018 included \$1.9 million and \$11.8 million, respectively, of product transition, integration and costs associated with the impact of Hurricane Maria on our Puerto Rico manufacturing facility

CooperSurgical's increase in gross margin in the three and nine months ended July 31, 2019 compared to fiscal 2018 due to:

- an increase in sales of PARAGARD IUD product and inclusion of LifeGlobal products with higher gross margin;
- partially offset by \$2.9 million and \$11.2 million of integration and manufacturing related costs
- three and nine months ended July 31, 2018 included \$12.7 million and \$49.3 million, respectively, of PARAGARD and LifeGlobal acquisitions inventory step-up charges.
- three and nine months ended July 31, 2018 included \$3.6 million and \$11.5 million, respectively, of integration and acquisitions costs.

Selling, General and Administrative Expense (SGA)

Three Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	171.9	34%	\$ 168.9	35%	2 %
CooperSurgical	65.3	38%	70.7	41%	(8)%
Corporate	12.6	—	11.4	—	10 %
	<u>\$ 249.8</u>	37%	<u>\$ 251.0</u>	38%	— %
Nine Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 509.7	35%	\$ 490.9	35%	4 %
CooperSurgical	202.1	41%	190.6	40%	6 %
Corporate	34.8	—	43.2	—	(19)%
	<u>\$ 746.6</u>	38%	<u>\$ 724.7</u>	39%	3 %

CooperVision's SGA increased in the three and nine months ended July 31, 2019 compared to fiscal 2018 due to investments to support our long-term objectives, including increased headcount in SGA and higher distribution expenses to support revenue growth. CooperVision's SGA in the three and nine months ended July 31, 2019 included \$1.2 million and \$3.8 million of integration and third-party consulting costs, respectively. CooperVision's SGA in the prior year periods included \$1.3 million and \$6.7 million of integration and third-party consulting costs, in the three and nine months ended July 31, 2018, respectively.

CooperSurgical's SGA decreased in the three months ended July 31, 2019 compared to fiscal 2018 due to lower advertising and administrative expenses. The increase in CooperSurgical's SGA in the nine months ended July 31, 2019 compared to fiscal 2018 was primarily due to higher PARAGARD advertising and marketing expenses. CooperSurgical's SGA in the three and nine months ended July 31, 2019, included \$3.5 million and \$15.9 million of primarily acquisition and integration expenses of acquired companies, as well as third-party consulting costs. CooperSurgical's SGA in the prior year periods included \$11.0 million and \$25.8 million of primarily acquisition and integration expenses of acquired companies, including legal and professional fees, in the three and nine months ended July 31, 2018, respectively.

The Corporate SGA increase in the three months ended July 31, 2019 compared to fiscal 2018 was primarily due to share-based compensation related expenses and higher professional services costs. The decrease in Corporate SGA in the nine months ended July 31, 2019 compared to fiscal 2018 was primarily due to \$6.2 million of compensation costs related to executives' retirements in fiscal 2018.

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Research and Development Expense (R&D)

Three Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 13.6	3%	\$ 14.6	3%	(7)%
CooperSurgical	7.9	5%	7.9	5%	—%
	<u>\$ 21.5</u>	<u>3%</u>	<u>\$ 22.5</u>	<u>3%</u>	<u>(5)%</u>
Nine Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 40.1	3%	\$ 39.7	3%	1%
CooperSurgical	23.3	5%	22.5	5%	4%
	<u>\$ 63.4</u>	<u>3%</u>	<u>\$ 62.2</u>	<u>3%</u>	<u>2%</u>

In the three months and nine months ended July 31, 2019:

- CooperVision's R&D decreased in the three months ended July 31, 2019 compared to fiscal 2018 due to lower head count and timing of clinical spend. The increase in absolute dollars in the nine months ended July 31, 2019 compared to fiscal 2018 is mainly due to increased costs from clinical studies. As a percentage of sales, R&D expense remained flat. CooperVision's R&D activities are primarily focused on the development of contact lenses, manufacturing technology and process enhancements.
- The increase in CooperSurgical's R&D in the nine months ended July 31, 2019 compared to fiscal 2018 was primarily due to acquisitions, increased investment and activities in developing new products and services and upgrades of existing products. As a percentage of sales, R&D expense remained flat. CooperSurgical's R&D activities include diagnostics, IVF product development, design and upgrade of surgical procedure devices.

Amortization Expense

Three Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 10.7	2%	\$ 11.8	2%	(10)%
CooperSurgical	26.5	16%	25.9	15%	2%
	<u>\$ 37.2</u>	<u>5%</u>	<u>\$ 37.7</u>	<u>6%</u>	<u>(1)%</u>
Nine Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 31.9	2%	\$ 33.2	2%	(4)%
CooperSurgical	78.8	16%	77.3	16%	2%
	<u>\$ 110.7</u>	<u>6%</u>	<u>\$ 110.5</u>	<u>6%</u>	<u>—%</u>

CooperVision amortization expense decreased during three and nine months ended July 31, 2019 compared to fiscal 2018 due to certain intangible assets becoming fully amortized.

CooperSurgical's amortization expense remained relatively flat in the three and nine months ended July 31, 2019.

Impairment of Intangible Assets

In the second quarter of fiscal 2018, CooperSurgical recognized an impairment charge of \$24.4 million on the intangible assets acquired from Recombine Inc. In fiscal 2016, CooperSurgical acquired Recombine Inc., a clinical genetic testing company specializing in carrier screening. In connection with the impairment charge, on June 1, 2018, CooperSurgical announced the exit of the carrier screening and non-invasive prenatal testing (NIPT) product lines. Both product lines were categorized in Fertility.

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Gain on Sale of an Intangible Asset

In the second quarter of fiscal 2019, CooperSurgical sold an exclusive distribution right to distribute Filshie Clip System in the U.S. for \$21.0 million and recognized a gain of \$19.0 million.

Operating Income (Loss)

Three Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 134.2	26%	\$ 125.4	26 %	7 %
CooperSurgical	20.6	12%	1.6	1 %	1,205 %
Corporate	(12.6)	—	(11.4)	—	(10)%
	<u>\$ 142.2</u>	<u>21%</u>	<u>\$ 115.6</u>	<u>18 %</u>	<u>23 %</u>
Nine Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
CooperVision	\$ 375.9	26%	\$ 361.1	26 %	4 %
CooperSurgical	59.0	12%	(37.5)	(8)%	257 %
Corporate	(34.8)	—	(43.2)	—	19 %
	<u>\$ 400.1</u>	<u>20%</u>	<u>\$ 280.4</u>	<u>15 %</u>	<u>43 %</u>

CooperVision operating income remained relatively flat as a percentage of net sales but increased in absolute dollars in the three and nine months ended July 31, 2019 compared to fiscal 2018 primarily due to improved sales of higher margin products, including Biofinity, partially offset by the negative impact of foreign exchange rates.

CooperSurgical operating income increased in the three and nine months ended July 31, 2019 compared to fiscal 2018, due to an increase in sales of higher margin products, gain of \$19.0 million on sale of an intangible asset, as discussed above, and recent acquisitions. CooperSurgical operating income in the three and nine months ended July 31, 2018 included \$12.7 million and \$49.3 million, respectively, of PARAGARD and LifeGlobal acquisitions inventory step-up charges and an intangible asset impairment charge of \$24.4 million.

Corporate operating loss increased in three months ended July 31, 2019 compared to fiscal 2018 due to higher professional services cost. The decrease of Corporate operating loss in the nine months ended July 31, 2019 compared to fiscal 2018 is primarily due to higher compensation costs related to executives' retirements which impacted the prior year periods.

On a consolidated basis, operating income increased due to the factors above.

Interest Expense

Three Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
Interest expense	\$ 16.7	2%	\$ 22.8	3%	(27)%
Nine Months Ended July 31, (\$ in millions)	2019	% Net Sales	2018	% Net Sales	2019 vs 2018 % Change
Interest expense	\$ 53.3	3%	\$ 59.9	3%	(11)%

Interest expense remained relatively flat as a percentage of net sales and decreased in absolute dollar, primarily due to lower average debt balances, partially offset by higher interest rates compared to prior year period.

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Other (Income) Expense, Net

Periods Ended July 31, (\$ in millions)	Three Months		Nine Months	
	2019	2018	2019	2018
Foreign exchange (gain) loss	\$ (1.1)	\$ 2.7	\$ (1.1)	\$ 1.7
Other, net	(0.4)	(0.3)	(1.0)	(0.4)
	<u>\$ (1.5)</u>	<u>\$ 2.4</u>	<u>\$ (2.1)</u>	<u>\$ 1.3</u>

Foreign exchange (gain) loss primarily resulted from the revaluation and settlement of foreign currencies-denominated balances.

Provision for Income Taxes

The Company's effective tax rates were an expense of 5.4% and a benefit of 11.5% for the third quarter of fiscal 2019 and fiscal 2018, respectively, and expense of 0.9% and 82.1% for the first nine months of fiscal 2019 and 2018, respectively. The increase in our effective tax rate for the third quarter of fiscal 2019 compared to fiscal 2018 was primarily due to the inclusion of earnings from our foreign subsidiaries pursuant to the GILTI provisions that became effective in fiscal 2019. The decrease in our effective tax rate for the first nine months of fiscal 2019 compared to fiscal 2018 was primarily due to the provisional charge of \$196.7 million relating to the 2017 Act that was recorded in fiscal 2018. Our effective tax rate for the nine months of fiscal 2019 was lower than the U.S. statutory rate because of discrete tax benefits and a favorable mix of income from our foreign jurisdictions with lower tax rates. Total discrete tax benefits for the first nine months of fiscal 2019 were \$26.7 million primarily relating to settlement of tax audits, revisions to the provisional tax charges relating to the 2017 Act, and excess tax benefits from share-based compensation. Our effective tax rate for the first nine months of fiscal 2018 was higher than the U.S. statutory rate because of the discrete tax expense relating to the 2017 Act, which was partially offset by a favorable mix of income from our foreign jurisdictions with lower tax rates and an excess tax benefit from share-based compensation.

Share-Based Compensation Plans

The Company has several share-based compensation plans that are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018. The compensation expense and related income tax benefit recognized in our Consolidated Condensed Statements of Income for share-based awards were as follows:

Periods Ended July 31, (\$ in millions)	Three Months		Nine Months	
	2019	2018	2019	2018
Selling, general and administrative expense	\$ 6.8	\$ 6.7	\$ 22.1	\$ 30.3
Cost of sales	1.0	0.9	3.9	2.6
Research and development expense	0.5	0.5	2.4	1.6
Total share-based compensation expense	<u>\$ 8.3</u>	<u>\$ 8.1</u>	<u>\$ 28.4</u>	<u>\$ 34.5</u>
Related income tax benefit	<u>\$ 1.1</u>	<u>\$ 1.5</u>	<u>\$ 4.0</u>	<u>\$ 7.1</u>

Employee Stock Purchase Plan

On March 18, 2019, the Company received stockholder approval of the Employee Stock Purchase Plan ("ESPP"). The first offering period is for U.S. employees and is expected to begin on November 4, 2019. The purpose of the ESPP is to provide eligible employees of the Company with the opportunity to acquire shares of common stock at 85% of the market price on the last business day of each offering period by means of accumulated payroll deductions. Payroll deductions will be limited to maximum of 15% of the employee's eligible compensation, not to exceed \$21.3 thousand in any one calendar year. The ESPP would initially authorize the issuance of 1,000,000 shares of common stock. These shares will be made available from shares of common stock reacquired by the Company as Treasury Stock. At July 31, 2019, there were approximately 3.6 million Treasury shares.

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Capital Resources and Liquidity**Third Quarter Highlights**

- Operating cash flow was \$196.7 million compared to \$235.3 million in the third quarter of fiscal 2018
- Expenditures for purchases of property, plant and equipment were \$75.4 million compared to \$52.3 million in the prior year period.

Nine-Month Highlights

- Operating cash flow was \$513.3 million compared to \$432.3 million in the prior year period
- Expenditures for purchases of property, plant and equipment were \$207.3 million compared to \$150.2 million in the prior year period
- Cash payments for acquisitions and others, of \$59.1 million, compared to \$1,320.8 million in the prior year period.

Comparative Statistics

<u>(\$ in millions)</u>	<u>July 31, 2019</u>		<u>October 31, 2018</u>	
Cash and cash equivalents	\$	112.7	\$	77.7
Total assets	\$	6,172.8	\$	6,112.8
Working capital	\$	261.4	\$	554.4
Total debt	\$	1,812.6	\$	2,022.8
Stockholders' equity	\$	3,615.5	\$	3,307.8
Ratio of debt to equity		0.50:1		0.61:1
Debt as a percentage of total capitalization		33%		38%

Working Capital

The decrease in working capital at July 31, 2019 from the end of fiscal 2018 was primarily due to:

- increase in short-term debt \$352.9 million, primarily from the \$400 million 2018 Term Loan Agreement entered into on November 1, 2018, partially offset by;
- increase in cash \$35.0 million
- increase in accounts receivables \$30.0 million from increased revenue
- increase in inventories \$33.3 million.

At July 31, 2019, our inventory months on hand were 6.6 compared to 6.3 at October 31, 2018. The \$33.3 million increase in inventories was primarily due to increase in finished goods and raw materials to support demand and production levels.

Our days sales outstanding (DSO) was 54 days at July 31, 2019, 53 days at October 31, 2018 and 56 days at July 31, 2018. The decrease in DSO from July 31, 2018 to July 31, 2019 was primarily due to increased revenue and timing of collections.

Operating Cash Flow

Cash provided by operating activities increased by \$81.0 million from \$432.3 million in the first nine months of fiscal 2018 to \$513.3 million in fiscal 2019. This increase in cash flow provided by operating activities primarily consists of:

- increase in net income of \$306.5 million from a net income of \$39.2 million in the first nine months of fiscal 2018 to \$345.7 million in the first nine months of fiscal 2019
- increase of \$119.0 million in net cash flow from changes in operating capital, from \$141.1 million outflow in the first nine months of fiscal 2018 to \$22.1 million outflow in fiscal 2019, partially offset by;

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- decrease of \$306.7 million in non-cash items, from \$305.2 million in the first nine months of fiscal 2018 to \$(1.5) million in fiscal 2019
- decrease of \$24.4 million in impairment of intangibles, from \$24.4 million in the first nine months of fiscal 2018 to nil in fiscal 2019. Impairment charge was recognized by CooperSurgical on its exit of the carrier screening and non-invasive prenatal testing (NIPT) product lines in prior year period
- increase of \$19.0 million from gain on sale of an intangible asset by CooperSurgical of the Filshie Clip exclusive distribution right.

The increase in net income of \$306.5 million is primarily due to a \$196.7 million provisional tax expense charge related to the 2017 Act which unfavorably impacted fiscal 2018.

The \$119.0 million increase in the net cash flow from changes in operating capital compared to the prior year period is primarily due to:

- \$70.8 million increase in the net changes in accounts and other receivables from increased revenue
- \$89.5 million increase in the net changes in prepayments and other assets primarily due to a \$42.0 million payment to the U.K. Tax Authorities in prior year period compared to a \$29.0 million refund in the current year
- \$12.4 million increase in the net changes in accounts payable, partially offset by;
- \$16.9 million decrease in the net changes in inventories
- \$36.9 million decrease in the net changes in accrued liabilities.

The \$306.7 million decrease from non-cash items compared to the prior year period is primarily due to:

- decrease of \$238.2 million driven by net changes in long term tax liabilities, deferred taxes and defined benefit pension
- \$50.2 million of step-up charges related to inventory acquired mainly from PARAGARD in the prior year period
- decrease of \$6.8 million driven by net changes in other long-term assets.

Investing Cash Flow

Cash used in investing activities decreased by \$1,204.6 million to \$266.4 million in the first nine months of fiscal 2019 from \$1,471.0 million in fiscal 2018 due to:

- decrease of \$1,261.7 million in payments made for acquisitions in the first nine months of fiscal 2019 compared to the prior year period, largely due to the acquisition of PARAGARD at \$1.1 billion in first quarter of fiscal 2018, partially offset by;
- increase of \$57.1 million in capital expenditures primarily used to invest in the expansion of our manufacturing capacity.

Financing Cash Flow

Cash provided by financing activities decreased by \$1,320.0 million to \$212.3 million cash outflow in the first nine months of fiscal 2019 compared to \$1,107.7 million inflow in first nine months of fiscal 2018, primarily due to:

- \$1,666.0 million decrease of net proceeds from long-term debt primarily due to additional debt taken on to fund the PARAGARD acquisition in prior year period
- \$6.1 million share repurchases were made in the first nine months of fiscal 2019 compared to nil in the fiscal 2018, partially offset by;
- \$330.8 million increase in short-term notes payable, primarily due to \$400 million short term loan taken on November 1, 2018
- \$17.5 million increase in net changes in the net proceeds related to share-based compensation awards.

The 2017 Term Loan Agreement contains customary restrictive covenants, as well as financial covenants that require the Company to maintain a certain Total Leverage Ratio and Interest Coverage Ratio (each as defined in the 2017 Term Loan Agreement) consistent with the 2016 Credit Agreement. As defined, in the 2018 Term Loan Agreement, the 2017 Term Loan Agreement and the 2016 Credit Agreement, we are required to maintain an Interest Coverage Ratio of at least 3.00 to 1.00, and a Total Leverage Ratio of no higher than 3.75 to 1.00.

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At July 31, 2019, we had \$998.8 million available under the 2016 Credit Agreement. We are in compliance with our financial covenants including the Interest Coverage Ratio at 12.24 to 1.00 and the Total Leverage Ratio at 1.83 to 1.00 for the 2018 Term Loan Agreement, the 2017 Term Loan Agreement and the 2016 Credit Agreement.

Share Repurchase

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and through subsequent amendments, the most recent in March 2017, the total repurchase authorization was increased from \$500.0 million to \$1.0 billion of the Company's common stock. The program has no expiration date and may be discontinued at any time. Purchases under the 2012 Share Repurchase Program are subject to a review of the circumstances in place at the time and may be made from time to time as permitted by securities laws and other legal requirements.

We did not repurchase shares in the third and second quarters of fiscal 2019. During the first quarter of fiscal 2019, we repurchased 24.5 thousand shares of the Company's common stock for \$6.1 million, at an average purchase price of \$248.70 per share. We did not repurchase shares during the nine months ended July 31, 2018. At July 31, 2019, \$557.4 million remains authorized for repurchase under the program.

Estimates and Critical Accounting Policies

Information regarding estimates and critical accounting policies is included in Management's Discussion and Analysis on Form 10-K for the fiscal year ended October 31, 2018. There have been no material changes in our policies from those previously discussed in our Form 10-K for the fiscal year October 31, 2018, with the exception of our critical accounting policies related to the adoption of ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606) effective November 1, 2018. See Note 2. Revenue Recognition of the Consolidated Financial Statements for additional information.

Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 1. General of the Consolidated Financial Statements.

Trademarks

Aquaform®, Avaira®, Avaira Vitality®, Biofinity®, MyDay® and Proclear® are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. PC Technology™, FIPS™, and A Quality of Life Company™ are trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. The clariti® mark is a registered trademark of The Cooper Companies, Inc., its affiliates and/or subsidiaries worldwide except in the United States where the use of clariti® is licensed. PARAGARD® is a registered trademark of CooperSurgical, Inc.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Most of our operations outside the United States have their local currency as their functional currency. We are exposed to risks caused by changes in foreign exchange, principally our British pound sterling, euro, Japanese yen, Danish krone, Swedish krona and Australian dollar denominated debt and receivables denominated in currencies other than the United States dollar, and from operations in other foreign currencies. Although we may enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in foreign currency values relative to our debt or receivables obligations, these hedging transactions do not eliminate that risk entirely. We are also exposed to risks associated with changes in interest rates, as the interest rates on our revolving lines of credit and term loans may vary with the federal funds rate and LIBO rate. We may decrease this interest rate risk by hedging a portion of variable rate debt effectively converting it to fixed rate debt for varying periods. The Company did not have any derivative assets or liabilities that may include interest rate swaps, cross currency swaps or foreign currency forward contracts as of July 31, 2019 and October 31, 2018.

On November 1, 2018, the Company entered into a 364-day, \$400.0 million, senior unsecured term loan agreement by and among the Company, the lenders party thereto and PNC Bank, National Association, as administrative agent which matures on October 31, 2019 (the 2018 Term Loan Agreement). The Company used the funds to partially repay outstanding borrowings under the 2016 Revolving Credit Facility. At July 31, 2019, we had \$325.0 million outstanding under the 2018 Term Loan Agreement.

On November 1, 2017, in connection with the PARAGARD acquisition, we entered into a five-year, \$1.425 billion, senior unsecured term loan agreement (the 2017 Term Loan Agreement) by and among the Company, the lenders party thereto and DNB Bank ASA, New York Branch, as administrative agent which matures on November 1, 2022. The Company used part of the facility to fund the PARAGARD acquisition and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement. At July 31, 2019, we had \$1.425 billion outstanding under the 2017 Term Loan Agreement.

On March 1, 2016, we entered into a syndicated Revolving Credit and Term Loan Agreement (the 2016 Credit Agreement) with KeyBank as administrative agent. The agreement provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion (the 2016 Revolving Credit Facility) and a term loan facility in the aggregate principal amount of \$830.0 million (the 2016 Term Loan Facility). The 2016 Credit Agreement replaced our previous credit agreement and funds from the 2016 Term Loan Facility were used to repay the outstanding amounts under the previous credit agreement, to partially repay our other outstanding term loans and for general corporate purposes. At July 31, 2019, we had no outstanding balance under the 2016 Term Loan Facility and \$998.8 million available under the 2016 Revolving Credit Facility.

If interest rates were to increase or decrease by 1% or 100 basis points, quarterly interest expense would increase or decrease by approximately \$4.8 million based on average debt outstanding for the third quarter of fiscal 2019.

See Note 6. Debt of the Consolidated Financial Statements for additional information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation (with the participation of our Chief Executive Officer (our Principal Executive Officer) and Chief Financial Officer (our Principal Financial Officer)), as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the Exchange Act)) are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our third quarter of fiscal 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. In August 2017, CooperVision entered into a settlement agreement with the plaintiffs, without any admission of liability, to settle all claims against CooperVision. In July 2018, the Court approved the plaintiffs' motion for preliminary approval of the settlement, and the Company paid the \$3.0 million settlement amount into an escrow account. The settlement remains subject to final Court approval at a future hearing to be set by the Court.

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company does not believe that the ultimate resolution of these proceedings or claims pending against it could have a material adverse effect on its financial condition or results of operations. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*. Legal fees are expensed as incurred.

Item 1A. Risk Factors

Risk factors describing the major risks to our business can be found under Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018. There have been no material changes in our risk factors from those previously discussed in our Form 10-K for the fiscal year ended October 31, 2018.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

There was no share repurchase activity during the three-month period ended July 31, 2019.

The Share Repurchase Program was approved by the Company's Board of Directors in December 2011 (the 2012 Share Repurchase Program). The program as amended in December 2012, December 2013 and March 2017 provides authorization to repurchase up to a total of \$1.0 billion of the Company's common stock. Purchases under the 2012 Share Repurchase Program may be made from time-to-time on the open market at prevailing market prices or in privately negotiated transactions and are subject to a review of the circumstances in place at the time and will be made from time to time as permitted by securities laws and other legal requirements. This program has no expiration date and may be discontinued at any time.

At July 31, 2019, approximately \$557.4 million remained authorized under the 2012 Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the three and nine months period ended July 31, 2019, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the three and nine months ended July 31, 2019 and 2018, (ii) Consolidated Statements of Comprehensive Income for the three and nine months ended July 31, 2019 and 2018, (iii) Consolidated Condensed Balance Sheets at July 31, 2019 and October 31, 2018, (iv) Consolidated Condensed Statements of Stockholders' Equity for the three and nine months period ended July 31, 2019 and 2018 (v) Consolidated Condensed Statements of Cash Flows for the nine months ended July 31, 2019 and 2018 and (vi) related Notes to Consolidated Condensed Financial Statements.
104.1	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Cooper Companies, Inc.

(Registrant)

Date: August 30, 2019

/s/ Brian G. Andrews

Brian G. Andrews

Senior Vice President, Chief Financial Officer & Treasurer
(Principal Financial Officer)

Date: August 30, 2019

/s/ Agostino Ricupati

Agostino Ricupati

Chief Accounting Officer & Senior Vice President, Finance & Tax
(Principal Accounting Officer)

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Albert G. White III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2019

/s/ Albert G. White III

Albert G. White III
President and Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Brian G. Andrews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2019

/s/ Brian G. Andrews

Brian G. Andrews
Senior Vice President, Chief Financial Officer and
Treasurer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Albert G. White III, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of The Cooper Companies, Inc. (the “Company”) for the quarterly period ended July 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2019

/s/ Albert G. White III

Albert G. White III

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian G. Andrews, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of The Cooper Companies, Inc. (the “Company”) for the quarterly period ended July 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2019

/s/ Brian G. Andrews

Brian G. Andrews

Senior Vice President, Chief Financial Officer and Treasurer