

**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 the quarterly period ended April 30, 2021

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.)

6101 Bollinger Canyon Road, Suite 500,
San Ramon, California 94583
(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

On May 28, 2021, 49,247,946 shares of Common Stock, \$0.10 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 and Comprehensive Income (Loss)
Periods Ended April 30,
(In millions, except for earnings per share)
(Unaudited)

	Three Months		Six Months	
	2021	2020	2021	2020
Net sales	\$ 719.5	\$ 524.9	\$ 1,400.0	\$ 1,171.1
Cost of sales	232.4	201.4	462.2	421.1
Gross profit	487.1	323.5	937.8	750.0
Selling, general and administrative expense	285.8	237.2	547.0	495.5
Research and development expense	21.0	23.8	42.4	46.0
Amortization of intangibles	37.1	33.9	71.8	68.8
Operating income	143.2	28.6	276.6	139.7
Interest expense	6.1	12.8	12.5	24.4
Other expense (income), net	0.7	6.8	(11.8)	8.9
Income before income taxes	136.4	9.0	275.9	106.4
Provision for income taxes (Note 6)	18.9	(2.5)	(1,942.7)	4.4
Net income	<u>\$ 117.5</u>	<u>\$ 11.5</u>	<u>\$ 2,218.6</u>	<u>\$ 102.0</u>
Earnings per share (Note 7):				
Basic	<u>\$ 2.39</u>	<u>\$ 0.23</u>	<u>\$ 45.12</u>	<u>\$ 2.07</u>
Diluted	<u>\$ 2.36</u>	<u>\$ 0.23</u>	<u>\$ 44.65</u>	<u>\$ 2.05</u>
Number of shares used to compute earnings per share:				
Basic	<u>49.2</u>	<u>49.2</u>	<u>49.2</u>	<u>49.2</u>
Diluted	<u>49.7</u>	<u>49.6</u>	<u>49.7</u>	<u>49.7</u>
Other comprehensive income (loss), net of tax:				
Cash flow hedges	\$ 15.2	(13.5)	\$ 19.7	(13.5)
Foreign currency translation adjustment	18.9	(68.9)	105.1	(52.2)
Comprehensive income (loss)	<u>\$ 151.6</u>	<u>\$ (70.9)</u>	<u>\$ 2,343.4</u>	<u>\$ 36.3</u>

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets
(In millions, unaudited)

	April 30, 2021	October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105.9	\$ 115.9
Trade accounts receivable, net of allowance for credit losses of \$10.7 at April 30, 2021 and \$10.2 at October 31, 2020	490.1	435.4
Inventories (Note 3)	582.0	570.4
Prepaid expense and other current assets	144.6	152.5
Total current assets	1,322.6	1,274.2
Property, plant and equipment, at cost	2,581.4	2,474.8
Less: accumulated depreciation and amortization	1,271.4	1,192.9
	1,310.0	1,281.9
Operating lease right-of-use assets	264.9	260.2
Goodwill (Note 4)	2,567.7	2,447.3
Other intangibles, net (Note 4)	1,412.4	1,289.0
Deferred tax assets (Note 6)	2,017.4	80.1
Other assets	118.8	104.8
Total assets	\$ 9,013.8	\$ 6,737.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt (Note 5)	\$ 412.6	\$ 409.3
Accounts payable	141.6	176.0
Employee compensation and benefits	127.0	119.0
Operating lease liabilities	34.2	33.3
Other current liabilities	277.3	266.8
Total current liabilities	992.7	1,004.4
Long-term debt (Note 5)	1,324.9	1,383.9
Deferred tax liabilities (Note 6)	22.3	25.8
Long-term tax payable (Note 6)	149.5	162.0
Operating lease liabilities	240.9	236.8
Accrued pension liability and other	120.7	99.8
Total liabilities	\$ 2,851.0	\$ 2,912.7
Contingencies (Note 12)		
Stockholders' equity (Note 9):		
Preferred stock, 10 cents par value, 1.0 shares authorized, zero shares issued or outstanding	—	—
Common stock, 10 cents par value, 120.0 shares authorized, 53.6 issued and 49.2 outstanding at April 30, 2021 and 53.4 issued and 49.1 outstanding at October 31, 2020	5.4	5.3
Additional paid-in capital	1,667.8	1,646.8
Accumulated other comprehensive loss	(347.2)	(472.0)
Retained earnings	5,477.5	3,261.8
Treasury stock at cost: 4.4 shares at April 30, 2021 and 4.3 shares at October 31, 2020	(640.9)	(617.3)
Total Cooper stockholders' equity	6,162.6	3,824.6
Noncontrolling interests	0.2	0.2
Stockholders' equity	6,162.8	3,824.8
Total liabilities and stockholders' equity	\$ 9,013.8	\$ 6,737.5

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

Consolidated Condensed Statements of Stockholders' Equity
(In millions, unaudited)

	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, 2019	49.1	\$ 4.9	4.1	\$ 0.4	\$1,615.0	\$ (447.1)	\$3,026.4	\$ (571.2)	\$ 0.2	\$ 3,628.6
Net income attributable to Cooper stockholders	—	—	—	—	—	—	90.5	—	—	90.5
Other comprehensive income, net of tax	—	—	—	—	—	16.7	—	—	—	16.7
Issuance of common stock for stock plans, net	0.1	—	—	—	(13.2)	—	—	—	—	(13.1)
Dividends on common stock (\$0.03 per share)	—	—	—	—	—	—	(1.5)	—	—	(1.5)
Share-based compensation expense	—	—	—	—	9.7	—	—	—	—	9.7
Balance at January 31, 2020	49.2	\$ 4.9	4.1	\$ 0.4	\$1,611.6	\$ (430.4)	\$3,115.4	\$ (571.2)	\$ 0.2	\$ 3,730.9
Net income attributable to Cooper stockholders	—	—	—	—	—	—	11.5	—	—	11.5
Other comprehensive loss, net of tax	—	—	—	—	—	(82.4)	—	—	—	(82.4)
Issuance of common stock for stock plans, net	0.1	—	—	—	5.0	—	—	—	—	5.0
Issuance of common stock for employee stock purchase plan	—	—	—	—	0.6	—	—	0.4	—	1.0
Share-based compensation expense	—	—	—	—	9.3	—	—	—	—	9.3
Treasury stock repurchase	(0.2)	—	0.2	—	—	—	—	(47.8)	—	(47.8)
Balance at April 30, 2020	49.1	\$ 4.9	4.3	\$ 0.4	\$1,626.5	\$ (512.8)	\$3,126.9	\$ (618.6)	\$ 0.2	\$ 3,627.5

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Stockholders' Equity
(In millions, unaudited)

	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, 2020	49.1	\$ 4.9	4.3	\$ 0.4	\$ 1,646.8	\$ (472.0)	\$ 3,261.8	\$ (617.3)	\$ 0.2	\$ 3,824.8
Net income attributable to Cooper stockholders	—	—	—	—	—	—	2,101.1	—	—	2,101.1
Other comprehensive income, net of tax	—	—	—	—	—	90.7	—	—	—	90.7
Issuance of common stock for stock plans, net	0.1	—	—	—	(11.0)	—	—	—	—	(11.0)
Issuance of common stock for employee stock purchase plan	—	—	—	—	0.8	—	—	0.6	—	1.4
Dividends on common stock (\$0.03 per share)	—	—	—	—	—	—	(1.5)	—	—	(1.5)
Share-based compensation expense	—	—	—	—	10.6	—	—	—	—	10.6
Treasury stock repurchase	(0.1)	—	0.1	—	—	—	—	(24.8)	—	(24.8)
ASU 2016-13 adoption	—	—	—	—	—	—	(1.4)	—	—	(1.4)
Balance at January 31, 2021	49.1	\$ 4.9	4.4	\$ 0.4	\$ 1,647.2	\$ (381.3)	\$ 5,360.0	\$ (641.5)	\$ 0.2	\$ 5,989.9
Net income attributable to Cooper stockholders	—	—	—	—	—	—	117.5	—	—	117.5
Other comprehensive income, net of tax	—	—	—	—	—	34.1	—	—	—	34.1
Issuance of common stock for stock plans, net	0.1	0.1	—	—	9.7	—	—	—	—	9.8
Issuance of common stock for employee stock purchase plan	—	—	—	—	0.9	—	—	0.6	—	1.5
Share-based compensation expense	—	—	—	—	10.0	—	—	—	—	10.0
Treasury stock repurchase	—	—	—	—	—	—	—	—	—	—
Balance at April 30, 2021	49.2	\$ 5.0	4.4	\$ 0.4	\$ 1,667.8	\$ (347.2)	\$ 5,477.5	\$ (640.9)	\$ 0.2	\$ 6,162.8

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows
Six Months Ended April 30,
(In millions, unaudited)

	2021	2020
Cash flows from operating activities:		
Net income	\$ 2,218.6	\$ 102.0
Depreciation and amortization	153.0	139.4
Increase in operating capital	(61.4)	(119.8)
Deferred income taxes	(1,977.6)	(3.6)
Other non-cash items	7.7	37.5
Net cash provided by operating activities	340.3	155.5
Cash flows from investing activities:		
Purchases of property, plant and equipment	(105.8)	(158.3)
Acquisitions of businesses and assets, net of cash acquired, and other	(170.9)	(11.2)
Net cash used in investing activities	(276.7)	(169.5)
Cash flows from financing activities:		
Proceeds from long-term debt	486.3	1862.0
Repayments of long-term debt	(545.6)	(1,781.3)
Net proceeds (repayments) from short-term debt	5.4	(10.0)
Net (payments) proceeds related to share-based compensation awards	(1.3)	(8.4)
Dividends on common stock	(1.5)	(1.5)
Repurchase of common stock	(24.8)	(47.8)
Issuance of common stock for employee stock purchase plan	2.5	0.9
Debt issuance costs	—	(5.5)
Net cash provided by (used in) financing activities	(79.0)	8.4
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5.0	(3.1)
Net increase in cash, cash equivalents and restricted cash	(10.4)	(8.7)
Cash, cash equivalents and restricted cash at beginning of period	116.8	89.5
Cash, cash equivalents and restricted cash at end of period	\$ 106.4	\$ 80.8
Reconciliation of cash flow information:		
Cash and cash equivalents	\$ 105.9	\$ 79.8
Restricted cash included in other current assets	0.5	1.0
Total cash, cash equivalents and restricted cash	\$ 106.4	\$ 80.8

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

Note 1. General

The accompanying Consolidated Condensed Financial Statements of the Cooper Companies, Inc. and its subsidiaries (the Company) have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the requirements of Regulation S-X, Rule 10-01 for financial statements required to be filed as a part of this Quarterly Report on Form 10-Q. Unless the context requires otherwise, terms "the Company", "we", "us", and "our" are used to refer collectively to the Cooper Companies, Inc. and its subsidiaries.

The accompanying Consolidated Condensed Financial Statements and related notes are unaudited and 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, 2020. The Consolidated Condensed Financial Statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair presentation of the results for the interim periods presented. Readers should not assume that the results reported here either indicate or guarantee future performance.

Accounting Policies

There have been no material changes to our significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

Estimates

The World Health Organization categorized the Coronavirus disease 2019 (COVID-19) as a pandemic. The COVID-19 pandemic has caused a severe global health crisis, along with economic and societal disruptions and uncertainties, which have negatively impacted business and healthcare activity globally. As a result of healthcare systems responding to the demands of managing the pandemic, governments around the world imposing measures designed to reduce the transmission of the COVID-19 virus, and individuals responding to the concerns of contracting the COVID-19 virus, many optical practitioners & retailers, hospitals, medical offices and fertility clinics closed their facilities, restricted access, or delayed or canceled patient visits, exams and elective medical procedures, and many customers that have reopened are experiencing reduced patient visits. These factors have had, and in the future may have, an adverse effect on our sales, operating results and cash flows.

The preparation of Consolidated Condensed Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates particularly as it relates to estimates reliant on forecasts and other assumptions reasonably available to the Company and the uncertain future impacts of the COVID-19 pandemic and related economic disruptions. The extent to which the COVID-19 pandemic and related economic disruptions impact our business and financial results will depend on future developments including, but not limited to, the continued spread, duration and severity of the COVID-19 pandemic; the occurrence, spread, duration and severity of any subsequent wave or waves of outbreaks; the actions taken by the U.S. and foreign governments to contain the COVID-19 pandemic, address its impact or respond to the reduction in global and local economic activity; the occurrence, duration and severity of a global, regional or national recession, depression or other sustained adverse market event; the impact of the developments described above on our customers and suppliers; and how quickly and to what extent normal economic and operating conditions can resume. The accounting matters assessed included, but were not limited to:

- allowance for doubtful accounts and credit losses
- the carrying value of inventory
- the carrying value of goodwill and other long-lived assets

There was not a material impact to the above estimates in the Company's Consolidated Condensed Financial Statements for the three and six months ended April 30, 2021. The Company continually monitors and evaluates the estimates used as additional information becomes available. Adjustments will be made to these provisions periodically to reflect new facts and circumstances that may indicate that historical experience may not be indicative of current and/or future results. The Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material

changes to the estimates and material impacts to the Company's Consolidated Condensed Financial Statements in future reporting periods.

Accounting Pronouncements Recently Adopted

In January 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This guidance addresses accounting for the transition into and out of the equity method and provides clarification of the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company early adopted this guidance in the second quarter of fiscal 2021, and it did not have a material impact on our Consolidated Condensed Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance: ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, ASU 2019-05 *Financial Instruments-Credit Losses*, ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, ASU 2020-02 *Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)* and ASU 2020-03 *Codification Improvements to Financial Instruments* (collectively, "Topic 326"). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. Topic 326 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. The Company adopted this guidance in the first quarter of fiscal 2021 on a modified retrospective basis, and the most notable impact was related to the assessment of the adequacy of its allowance for doubtful accounts on trade accounts receivable and the recognition of credit losses. The Company recorded a cumulative-effect adjustment of \$1.4 million to the Consolidated Condensed Balance Sheet on November 1, 2020.

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. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. The Company adopted this guidance on November 1, 2020, and it did not have a material impact on our Consolidated Condensed Financial Statements.

Accounting Pronouncements Issued Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This guidance removes certain exceptions to the general principles in Topic 740 and enhances and simplifies various aspects of the income tax accounting guidance, including requirements such as tax basis step-up in goodwill obtained in a transaction that is not a business combination, ownership changes in investments, and interim-period accounting for enacted changes in tax law. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. We are currently evaluating the impact of ASU 2019-12 on our Consolidated Condensed Financial Statements, which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2021.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and subsequent amendment to the initial guidance: ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* (collectively, "Topic 848"). Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The guidance generally can be applied from March 12, 2020 through December 31, 2022. We are currently assessing the impacts of the practical expedients provided in Topic 848 and which, if any, we will adopt.

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

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*. This update amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity’s own equity and improves and amends the related EPS guidance for both Subtopics. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2021, which means it will be effective for our fiscal year beginning November 1, 2022. Early adoption is permitted but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2020-06 on our Consolidated Condensed Financial Statements.

No other recently issued accounting pronouncements had or are expected to have a material impact on our Consolidated Condensed Financial Statements.

Note 2. Acquisitions

The following is a summary of the allocation of the total purchase consideration for business and asset acquisitions that the Company completed during the six months ended April 30, 2021 and fiscal 2020:

(In millions)	April 30, 2021	October 31, 2020
Technology	\$ 163.5	\$ —
In-Process Research & Development (IPR&D)	20.0	—
Customer relationships	5.5	11.4
Trademarks	1.3	5.1
Other	0.4	3.9
Total identifiable intangible assets	\$ 190.7	\$ 20.4
Goodwill	49.7	15.3
Net tangible assets (liabilities)	(13.0)	(0.3)
Fair value of contingent consideration	(38.6)	—
Total closing purchase price	\$ 188.8	\$ 35.4

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

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

The Company believes these acquisitions strengthen CooperSurgical's and CooperVision's businesses through the addition of new distributors or complementary products and services.

Fiscal Year 2021

On April 26, 2021, CooperVision completed the acquisition of a privately-held U.K. contact lens manufacturer focusing on specialty contact lenses. This acquisition expands CooperVision’s specialty eye care portfolio and accelerates its development of myopia management solutions in the U.K. The purchase price allocation is preliminary, and the Company is in the process of finalizing information and the corresponding impact on goodwill.

On March 1, 2021, CooperSurgical completed the acquisition of a privately-held medical device company that designed and developed an innovative obstetric product for use in urgent obstetrics to reduce risks associated with childbirth. The purchase price allocation is preliminary, and the Company is in the process of finalizing information and the corresponding impact on goodwill.

On February 1, 2021, CooperSurgical acquired all of the remaining equity interests of a privately-held medical device company that developed the Mara[®] Water Vapor Ablation System, which is used for endometrial ablation. The Company accounted for this acquisition as an asset acquisition, whereby the Company allocated the total cost of the acquisition to the net assets acquired on the basis of their estimated relative fair values on the acquisition date with no goodwill recognized. The primary asset acquired in this asset acquisition is Technology.

On January 19, 2021, CooperVision acquired all of the remaining equity interests of a privately-held medical device company that develops spectacle lenses for myopia management. The fair value remeasurement of our previous equity investment immediately before the acquisition resulted in a gain of \$11.5 million, which was recorded in other income. The

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

terms of the acquisition include upfront cash consideration paid at closing of approximately \$40.9 million attributable to the equity interests not held by the Company on the closing date. The transaction also includes potential payments of future consideration that are contingent upon the achievement of the regulatory approval milestone (the regulatory approval payment) and the acquired business reaching certain revenue thresholds over a specified period (the revenue payments). The undiscounted range of the contingent consideration is zero to \$139.1 million payable to the other former equity interest owners. The purchase price allocation is preliminary, and the Company is in the process of finalizing information primarily related to taxes and the corresponding impact on goodwill.

The estimated fair value of the contingent consideration on the acquisition date was approximately \$37.9 million, and, accordingly, the Company recorded a liability of approximately \$30.2 million, which represents the fair value of the contingent consideration payable to the other former equity interest owners. The fair value of the regulatory approval payment was determined using an option pricing framework based on the expected payment under the contractual terms and the estimates of the probability of achieving the regulatory approval. The fair value of the revenue payments was determined using a Monte Carlo simulation based on the revenue projections and the expected payment for each simulation.

As of April 30, 2021, no contingent consideration has been paid. The Company remeasured the fair value of the contingent consideration as of April 30, 2021 and determined the fair value of the contingent consideration has not changed since the acquisition date. Therefore, no fair value adjustment was recognized in the Consolidated Statements of Income and Comprehensive Income for the three months ended April 30, 2021.

On December 31, 2020, CooperSurgical completed the acquisition of a privately-held in vitro fertilization (IVF) cryo-storage software solutions company. The purchase price allocation is preliminary, and the Company is in the process of finalizing information and the corresponding impact on goodwill.

The pro forma results of operations of these acquisitions have not been presented because the effect of the business combinations described above was not material to the consolidated results of operations.

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On August 7, 2020, CooperVision completed the acquisition of a privately-held U.S. contact lens manufacturer focusing on ortho-k lenses. This acquisition expands CooperVision's specialty eye care portfolio and its leadership in addressing the increasing severity and prevalence of myopia. The purchase price allocation is preliminary, and the Company is in the process of finalizing information and the corresponding impact on goodwill.

On December 13, 2019, CooperSurgical completed the acquisition of a privately-held distributor of IVF medical devices and systems.

The pro forma results of operations of these acquisitions have not been presented because the effect of the business combination described above was not material to the consolidated results of operations.

Contingent Consideration

Certain of the Company's business combinations involve potential payments of future consideration that are contingent upon the achievement of regulatory milestones and/or the acquired business reaching certain revenue thresholds. A liability is recorded for the estimated fair value of the contingent consideration on the acquisition date. The fair value of the contingent consideration is remeasured at each reporting period, and the change in fair value is recognized in selling, general and administrative expense in the Consolidated Statements of Income and Comprehensive Income.

The following table provides a reconciliation of the beginning and ending balances of contingent consideration:

Periods Ended April 30, (In millions)	Three Months		Six Months	
	2021	2020	2021	2020
Beginning balance	\$ 30.2	\$ —	\$ —	\$ —
Purchase price contingent consideration	0.6	—	30.8	—
Payments	—	—	—	—
Change in fair value	—	—	—	—
Ending balance	\$ 30.8	\$ —	\$ 30.8	\$ —

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Note 3. Inventories

(In millions)	April 30, 2021	October 31, 2020
Raw materials	\$ 143.6	\$ 151.0
Work-in-process	13.8	12.4
Finished goods	424.6	407.0
Total inventories	<u>\$ 582.0</u>	<u>\$ 570.4</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 4. Intangible Assets

Goodwill

(In millions)	CooperVision	CooperSurgical	Total
Balance at October 31, 2020	\$ 1,779.3	\$ 668.0	\$ 2,447.3
Current period additions	31.1	18.6	49.7
Foreign currency translation adjustment	63.5	7.2	70.7
Balance at April 30, 2021	<u>\$ 1,873.9</u>	<u>\$ 693.8</u>	<u>\$ 2,567.7</u>

The Company evaluates 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. The Company accounts for goodwill, evaluates and tests goodwill balances for impairment in accordance with related accounting standards.

The Company performed an annual impairment assessment in the third quarter of fiscal 2020, and its analysis indicated that there was no impairment of goodwill in reporting units.

Other Intangible Assets

(In millions)	April 30, 2021		October 31, 2020		Weighted Average Amortization Period (in years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Intangible assets with definite lives:					
Composite intangible asset	\$ 1,061.9	\$ 247.8	\$ 1,061.9	\$ 212.4	15
Technology	564.8	270.1	401.2	251.9	11
Customer relationships	378.3	229.7	367.0	216.2	13
Trademarks	155.9	43.3	153.4	37.7	14
License and distribution rights and other	32.2	19.9	31.8	18.2	10
	<u>2,193.1</u>	<u>\$ 810.8</u>	<u>2,015.3</u>	<u>\$ 736.4</u>	<u>14</u>
Less: accumulated amortization and translation	810.8		736.4		
Intangible assets with definite lives, net	1,382.3		1,278.9		
Intangible assets with indefinite lives, net ⁽¹⁾	30.1		10.1		
Total other intangibles, net	<u>\$ 1,412.4</u>		<u>\$ 1,289.0</u>		

⁽¹⁾ Intangible assets with indefinite lives include technology and trademarks.

Balances include foreign currency translation adjustments.

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As of April 30, 2021, the estimate of future amortization expenses for intangible assets with definite lives is as follows:

<u>Fiscal Years:</u>	<u>(In millions)</u>	
Remainder of 2021	\$	76.7
2022		151.6
2023		149.3
2024		145.1
2025		134.6
Thereafter		725.0
Total remaining amortization for intangible assets with definite lives	\$	<u>1,382.3</u>

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, in accordance with related accounting standards, 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, in accordance with related accounting standards. The Company evaluates whether the indefinite-lived intangible asset is impaired by comparing its carrying value to its fair value.

The Company performed an annual impairment assessment in the third quarter of fiscal 2020 and did not recognize any intangible asset impairment charges.

Note 5. Debt

<u>(In millions)</u>	<u>April 30, 2021</u>		<u>October 31, 2020</u>	
Overdraft and other credit facilities	\$	62.7	\$	59.4
Term loan		350.0		350.0
Less: unamortized debt issuance cost		(0.1)		(0.1)
Short-term debt	\$	<u>412.6</u>	\$	<u>409.3</u>
Revolving credit		475.0		534.0
Term loans		850.0		850.0
Other		0.2		0.2
Less: unamortized debt issuance cost		(0.3)		(0.3)
Long-term debt		<u>1,324.9</u>		<u>1,383.9</u>
Total debt	\$	<u>1,737.5</u>	\$	<u>1,793.2</u>

Term Loan Agreement on October 16, 2020

On October 16, 2020, the Company entered into a 364-day, \$350.0 million, term loan agreement by and among the Company, the lenders party thereto and The Bank of Nova Scotia, as administrative agent which matures on October 15, 2021. The funds were used to partially repay outstanding borrowings under the 2020 Revolving Credit Facility (as defined below). At April 30, 2021, the Company had \$350.0 million outstanding under this agreement.

Amounts outstanding under this agreement will bear interest, at the Company's option, at either the base rate, or the adjusted LIBO rate, plus, in each case, an applicable rate of 0.00% in respect of base rate loans and 0.80% in respect of adjusted LIBO rate loans. The interest rate was 0.92% at April 30, 2021.

This 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 consistent with the 2020 Credit Agreement discussed below.

Revolving Credit and Term Loan Agreement on April 1, 2020

On April 1, 2020, the Company entered into a Revolving Credit and Term Loan Agreement (the 2020 Credit Agreement), among the Company, CooperVision International Holding Company, LP, CooperSurgical Netherlands B.V., CooperVision Holding Kft. the lenders from time to time party thereto, and KeyBank National Association, as administrative agent. The 2020 Credit Agreement provides for (a) a multicurrency revolving credit facility (the 2020 Revolving Credit Facility) in an aggregate principal amount of \$1.29 billion and (b) a term loan facility (the 2020 Term Loan Facility) in an aggregate principal amount of \$850.0 million, each of which, unless terminated earlier, mature on April 1, 2025. In addition, the Company has the ability from time to time to request an increase to the size of the revolving credit facility or establish one or more new term loans under the term loan facility in an aggregate amount up to \$1.605 billion, subject to the discretionary participation of the lenders.

Amounts outstanding under the 2020 Credit Agreement will bear interest, at the Company's option, at either the base rate, or the adjusted LIBO rate or adjusted foreign currency rate, plus, in each case, an applicable rate of between 0.00% and 0.50% in respect of base rate loans, and between 0.75% and 1.50% 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 2020 Credit Agreement. During the term of the 2020 Revolving Credit Facility, the Borrowers may borrow, repay and re-borrow amounts available under the Revolving Credit Facility, subject to voluntary reduction of the revolving commitment.

The Company pays an annual commitment fee that ranges from 0.10% to 0.20% of the unused portion of the 2020 Revolving Credit Facility based upon the Company's Total Leverage Ratio, as defined in the 2020 Credit Agreement. In addition to the annual commitment fee, the Company is also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the 2020 Credit Agreement.

On April 1, 2020, the Company borrowed \$850.0 million under the 2020 Term Loan Facility and \$445.0 million under the 2020 Revolving Credit Facility and used the proceeds to repay the outstanding amounts under the previous credit agreement and an outstanding term loan, and for general corporate purposes.

On October 30, 2020, the Company entered into Amendment No. 1 to the 2020 Credit Agreement (the First Amendment to the 2020 Credit Agreement). The First Amendment to the 2020 Credit Agreement modifies the 2020 Credit Agreement by, among other things, adding CooperVision International Limited as a revolving borrower and releasing certain borrowers in the 2020 Credit Agreement.

At April 30, 2021, the Company had \$850.0 million outstanding under the 2020 Term Loan Facility, \$475.0 million outstanding under the 2020 Revolving Credit Facility and \$813.6 million available under the 2020 Revolving Credit Facility, net of \$1.4 million outstanding letters of credit. The interest rate on the 2020 Term Loan Facility was 1.12% at April 30, 2021. During the three and six months ended April 30, 2021, the Company expensed less than \$0.1 million related to the debt issuance costs of the 2020 Term Loan Facility.

The 2020 Credit 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 2020 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 April 30, 2021, the Company was in compliance with the Interest Coverage Ratio at 36.81 to 1.00 and the Total Leverage Ratio at 1.78 to 1.00 for the 2020 Credit Agreement. The Company, after considering the potential impacts of the COVID-19 pandemic, expects to remain in compliance with its financial maintenance covenant and meet its debt service obligations for at least the twelve months following the date of issuance of these financial statements.

Refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2020 for more details.

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The following is a summary of the maximum commitments and the net amounts available to us under credit facilities discussed above as of April 30, 2021:

<u>(In millions)</u>	<u>Facility Limit</u>	<u>Outstanding Borrowings</u>	<u>Outstanding Letters of Credit</u>	<u>Total Amount Available</u>	<u>Maturity Date</u>
2020 Revolving Credit Facility	\$ 1,290.0	\$ 475.0	\$ 1.4	\$ 813.6	April 1, 2025
2020 Term Loan Facility	850.0	850.0	n/a	—	April 1, 2025
2020 Term Loan	350.0	350.0	n/a	—	October 15, 2021
Total	<u>\$ 2,490.0</u>	<u>\$ 1,675.0</u>	<u>\$ 1.4</u>	<u>\$ 813.6</u>	

Note 6. Income Taxes

The Company's effective tax rates for the three months ended April 30, 2021 and April 30, 2020 were 13.8% and (27.7)%, respectively. The increase was primarily due to changes in the geographical composition of pre-tax earnings. The Company's effective tax rate for the second quarter of fiscal 2021 was lower than the U.S. federal statutory tax rate primarily due to earnings in foreign jurisdictions with lower tax rates and excess tax benefits from share-based compensation.

The Company's effective tax rates for the six months ended April 30, 2021 and April 30, 2020 were (704.2)% and 4.2%, respectively. The decrease was primarily due to an intra-group transfer of intellectual property, as discussed below. The Company's effective tax rate for the six months ended April 30, 2021 was lower than the U.S. federal statutory tax rate primarily due to the intra-group transfer. The Company's effective tax rates for the six months ended April 30, 2021 and April 30, 2020 were otherwise lower than the U.S. federal statutory tax rate primarily due to earnings in foreign jurisdictions with lower tax rates and excess tax benefits from share-based compensation.

In November 2020, the Company completed an intra-group transfer of certain intellectual property and related assets to a UK subsidiary as part of a group restructuring to establish headquarters operations in the UK. Income before income taxes resulting from this transfer is eliminated upon consolidation. The transfer resulted in a step-up of the UK tax-deductible basis in the intellectual property and goodwill, creating a temporary difference between the book basis and the tax basis of these assets. As a result, the Company recognized a deferred tax asset of \$1,987.9 million, with a corresponding income tax benefit, during the three months ended January 31, 2021.

Note 7. Earnings Per Share

<u>Periods Ended April 30,</u> <u>(In millions, except per share amounts)</u>	<u>Three Months</u>		<u>Six Months</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income	\$ 117.5	\$ 11.5	\$ 2,218.6	\$ 102.0
<i>Basic:</i>				
Weighted average common shares	49.2	49.2	49.2	49.2
Basic earnings per share	\$ 2.39	\$ 0.23	\$ 45.12	\$ 2.07
<i>Diluted:</i>				
Weighted average common shares	49.2	49.2	49.2	49.2
Effect of dilutive stock options	0.5	0.4	0.5	0.5
Diluted weighted average common shares	49.7	49.6	49.7	49.7
Diluted earnings per share	\$ 2.36	\$ 0.23	\$ 44.65	\$ 2.05

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The following table sets forth stock options to purchase our 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 April 30, (In thousands, except exercise prices)	Three Months		Six Months	
	2021	2020	2021	2020
Stock option shares excluded	108	210	108	207
Range of exercise prices	\$ 345.74	\$254.77 – \$304.54	\$ 345.74	\$ 304.54
Restricted stock units excluded	—	1	8	1

Note 8. 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, 2020. The compensation expense and related income tax benefit recognized in our Consolidated Statements of Income and Comprehensive Income for share-based awards were as follows:

Periods Ended April 30, (In millions)	Three Months		Six Months	
	2021	2020	2021	2020
Selling, general and administrative expense	\$ 8.7	\$ 8.3	\$ 17.8	\$ 17.0
Cost of sales	0.9	1.1	2.0	2.1
Research and development expense	0.6	0.6	1.2	1.2
Total share-based compensation expense	\$ 10.2	\$ 10.0	\$ 21.0	\$ 20.3
Related income tax benefit	\$ 1.2	\$ 1.1	\$ 2.4	\$ 2.5

Note 9. Stockholders' Equity

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

(In millions)	Foreign Currency Translation Adjustment	Minimum Pension Liability	Derivative Instruments	Total
Balance at October 31, 2019	\$ (403.2)	\$ (43.9)	\$ —	\$ (447.1)
Gross change in value	0.9	(16.8)	(17.1)	(33.0)
Tax effect for the period	—	4.0	4.1	8.1
Balance at October 31, 2020	\$ (402.3)	\$ (56.7)	\$ (13.0)	\$ (472.0)
Gross change in value	105.3	—	25.9	131.2
Tax effect for the period	(0.2)	—	(6.2)	(6.4)
Balance at April 30, 2021	\$ (297.2)	\$ (56.7)	\$ 6.7	\$ (347.2)

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.

During the three months ended April 30, 2021, there were no share repurchases under the program. During the six months ended April 30, 2021, the Company repurchased 69.6 thousand shares of its common stock for \$24.8 million, at an average purchase price of \$356.61 per share.

At April 30, 2021, \$334.8 million remained authorized for repurchase under the program.

During the six months ended April 30, 2020, the Company repurchased 160.8 thousand shares of its common stock for \$47.8 million, at an average purchase price of \$296.88 per share, all repurchased in the second quarter of fiscal 2020.

Dividends

The Company paid a semiannual dividend of approximately \$1.5 million or 3 cents per share, on February 9, 2021, to stockholders of record on January 22, 2021. The Company paid a semiannual dividend of approximately \$1.5 million or 3 cents per share, on February 10, 2020, to stockholders of record on January 23, 2020.

Note 10. 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 April 30, 2021 and October 31, 2020, 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 approximates 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 based on current market rates (Level 2). On April 6, 2020 the Company entered into six interest rate swap contracts which are used to hedge the Company's exposure to changes in cash flows associated with its variable rate debt and are designated as derivatives in a cash flow hedge. The payment streams are based on a total notional amount of \$1.5 billion at the inception of the contracts. The interest rate swap contracts had maturities of seven years or less. As of April 30, 2021, two of the six interest rate swap contracts have matured and the outstanding contracts have a total notional amount of \$1.1 billion.

The gain or loss on the derivatives is recorded as a component of accumulated other comprehensive income and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

The fair value of the interest rate swap contracts is measured on a recurring basis by netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on the expectation of future interest rates (forward curves) derived from observable market interest rate curves. The interest rate swap contracts were categorized as Level 2 in the fair value hierarchy, as the inputs to the derivative pricing model are generally observable and do not contain a high level of subjectivity. Refer to Note 14. Financial Derivatives and Hedging for further information.

The Company did not have any cross currency swaps or foreign currency forward contracts as of April 30, 2021 and October 31, 2020.

Nonrecurring fair value measurements

The Company uses fair value measures when determining assets and liabilities acquired in an acquisition as described in Note 2. Acquisitions which are considered a Level 3 measurement.

Note 11. Employee Benefits

The Company's Retirement Income Plan (the Plan), a defined benefit plan, covers substantially all full-time United States employees. The Company's 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. The Company 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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The Company's results of operations for the three and six months ended April 30, 2021 and 2020, reflect the following components of net periodic defined benefit costs:

Periods Ended April 30, (In millions)	Three Months		Six Months	
	2021	2020	2021	2020
Service cost	\$ 4.3	\$ 3.4	\$ 8.6	\$ 6.9
Interest cost	1.1	1.4	2.2	2.6
Expected return on plan assets	(3.1)	(2.7)	(6.2)	(5.4)
Recognized net actuarial loss	1.3	1.0	2.7	2.0
Net periodic defined benefit plan cost	\$ 3.6	\$ 3.1	\$ 7.3	\$ 6.1

The Company did not contribute to the Plan in the first half of fiscal 2021 and due to COVID-19 the Company is uncertain of the amount the Company will contribute during the remainder of the year. The Company did not contribute to the Plan in the first half of fiscal 2020. The expected rate of return on Plan assets for determining net periodic benefit plan cost is 8%.

Note 12. Contingencies

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 13. Business Segment Information

The Company discloses information about its operating segments, which were established based on the way that management organizes segments within the Company for making operating decisions and assessing financial performance. The Company's two operating segments are described below.

- *CooperVision*. Competes in the worldwide contact lens market by developing, manufacturing and marketing a broad range of products for contact lens wearers, featuring advanced materials and optics. CooperVision designs its products to solve vision challenges such as astigmatism, presbyopia, myopia, ocular dryness and eye fatigues, with a broad collection of spherical, toric and multifocal contact lenses.
- *CooperSurgical*. 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 and fertility.

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

Total identifiable assets are those used in continuing operations except cash and cash equivalents, which the Company includes as corporate assets.

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Segment information:

Periods Ended April 30, (In millions)	Three Months		Six Months	
	2021	2020	2021	2020
CooperVision net sales by category:				
Toric lens	\$ 172.8	\$ 133.6	\$ 335.1	\$ 288.7
Multifocal lens	58.0	45.1	115.7	96.9
Single-use sphere lens	144.5	116.1	290.5	254.2
Non single-use sphere, other	147.3	107.4	288.3	247.6
Total CooperVision net sales	\$ 522.6	\$ 402.2	\$ 1,029.6	\$ 887.4
CooperSurgical net sales by category:				
Office and surgical products	\$ 112.6	\$ 69.6	\$ 216.1	\$ 168.0
Fertility	84.3	53.1	154.3	115.7
CooperSurgical net sales	196.9	122.7	370.4	283.7
Total net sales	\$ 719.5	\$ 524.9	\$ 1,400.0	\$ 1,171.1
Operating income (loss):				
CooperVision	\$ 131.7	\$ 67.7	\$ 259.2	\$ 190.6
CooperSurgical	23.1	(25.6)	40.6	(23.9)
Corporate	(11.6)	(13.5)	(23.2)	(27.0)
Total operating income	143.2	28.6	276.6	139.7
Interest expense	6.1	12.8	12.5	24.4
Other (income) expense, net	0.7	6.8	(11.8)	8.9
Income before income taxes	\$ 136.4	\$ 9.0	\$ 275.9	\$ 106.4

(In millions)	April 30, 2021	October 31, 2020
Total identifiable assets:		
CooperVision	\$ 6,442.2	\$ 4,236.3
CooperSurgical	2,374.9	2,293.8
Corporate	196.7	207.4
Total	\$ 9,013.8	\$ 6,737.5

Geographic information:

Periods Ended April 30, (In millions)	Three Months		Six Months	
	2021	2020	2021	2020
Net sales to unaffiliated customers by country of domicile:				
United States	\$ 336.1	\$ 222.5	\$ 649.1	\$ 516.0
Europe	230.0	178.7	450.8	392.1
Rest of world	153.4	123.7	300.1	263.0
Total	\$ 719.5	\$ 524.9	\$ 1,400.0	\$ 1,171.1

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<u>(In millions)</u>	<u>April 30, 2021</u>	<u>October 31, 2020</u>
Net property, plant and equipment by country of domicile:		
United States	\$ 726.4	\$ 721.3
Europe	374.8	363.0
Rest of world	208.8	197.6
Total	<u>\$ 1,310.0</u>	<u>\$ 1,281.9</u>

Note 14. Financial Derivatives and Hedging

As part of the Company's overall risk management practices the Company enters into financial derivatives, interest rate swaps designated as cash flow hedges, to hedge the Company's exposure to changes in cash flows associated with its variable rate debt.

The Company records all derivatives on its Consolidated Condensed Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. All of the Company's derivatives have satisfied the criteria necessary to apply hedge accounting.

The gain or loss on derivative instruments designated and qualifying for cash flow hedge accounting is deferred in other comprehensive income. The changes in fair value for all trades that are not designated for hedge accounting are recognized in current period earnings. Deferred gains or losses from designated cash flow hedges are reclassified into earnings in the period that the hedged interest expense affects earnings. The effectiveness of cash flow hedges is assessed at inception and quarterly thereafter. The Company does not offset fair value amounts recognized for derivative instruments in its Consolidated Condensed Balance Sheets for presentation purposes.

Credit risk related to derivative transactions reflects the risk that a party to the transaction could fail to meet its obligation under the derivative contracts. Therefore, the Company's exposure to the counterparty's credit risk is generally limited to the amounts, if any, by which the counterparty's obligations to the Company exceed the Company's obligations to the counterparty. The Company's policy is to enter into contracts only with financial institutions which meet certain minimum credit ratings to help mitigate counterparty credit risk.

As of October 31, 2020, the Company had five outstanding derivatives designated as hedging instruments. One of the contracts matured on April 1, 2021. As of April 30, 2021, the Company had the following outstanding derivatives designated as hedging instruments:

<u>(In millions, except for number of instruments)</u>	<u>Number of Instruments</u>	<u>Notional Value</u>
Interest Rate Swap Contracts	4	\$ 1,100

These contracts have remaining maturities of six years or less.

The pre-tax impact of gain on derivatives designated for hedge accounting recognized in other comprehensive income (loss) was \$8.9 million (\$6.7 million, net of tax) as of April 30, 2021.

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The following table summarizes the fair values of derivative instruments as of the periods indicated and the line items in the accompanying Consolidated Condensed Balance Sheets where the instruments are recorded:

		Derivative Assets	
(In millions)		April 30, 2021	October 31, 2020
Derivatives designated as cash flow hedges	Balance sheet location		
Interest rate swap contracts	Other current assets	\$ —	\$ —
Interest rate swap contracts	Other non-current assets	9.5	—
		<u>\$ 9.5</u>	<u>\$ —</u>

		Derivative Liabilities	
(In millions)		April 30, 2021	October 31, 2020
Derivatives designated as cash flow hedges	Balance sheet location		
Interest rate swap contracts	Other current liabilities	\$ 0.1	\$ 0.6
Interest rate swap contracts	Other non-current liabilities	0.5	16.5
		<u>\$ 0.6</u>	<u>\$ 17.1</u>

The following table summarizes the amounts recognized with respect to our derivative instruments within the accompanying Consolidated Statements of Income and Comprehensive Income:

Periods Ended April 30, (In millions)		Three Months		Six Months	
		2021	2020	2021	2020
Derivatives designated as cash flow hedges	Location of Loss Recognized on Derivatives				
Interest rate swap contracts	Interest expense	\$ 2.0	\$ —	\$ 4.1	\$ —

The Company expects that \$6.4 million recorded as a component of accumulated other comprehensive income (loss) will be realized in the statements of earnings over the next twelve months and the amount will vary depending on prevailing interest rates.

The following table details the changes in accumulated other comprehensive income:

(In millions)	Amount
Beginning balance gain / (loss) as of October 31, 2020	\$ (17.1)
Amount recognized in other comprehensive income on interest rate swap contracts, gross (\$16.6 million, net of tax)	21.9
Amount reclassified from other comprehensive income into earnings, gross (\$3.1 million, net of tax)	4.1
Ending balance gain / (loss) as of April 30, 2021	<u>\$ 8.9</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 the expected impact of the ongoing COVID-19 pandemic on our business; and 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 net sales, 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:

- The effects of the ongoing COVID-19 pandemic and related economic disruptions and new governmental regulations on our business, results of operations, cash flow and financial condition, including but not limited to the potential impact on our sales, operations and supply chain.
- Adverse changes in the global or regional general business, political and economic conditions, including the impact of continuing uncertainty and instability of certain countries, 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, the ongoing COVID-19 pandemic, and escalating global trade barriers, including additional tariffs, by countries such as China.
- Changes in tax laws or their interpretation, changes in statutory tax rates, and adverse outcomes in tax disputes including but not limited to, the U.S., the United Kingdom and other countries may affect our taxation of earnings recognized in foreign jurisdictions, result in unexpected tax liabilities, and/or negatively impact our effective tax rate.
- 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 net sales and earnings.
- Our existing and future variable rate indebtedness and associated interest expense is 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 net sales, 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).
- Adverse changes in global political and economic conditions, and related uncertainty caused by the United Kingdom’s withdrawal from the European Union (EU) 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.
- Compliance costs and potential liability in connection with U.S. and foreign laws and health care regulations pertaining to privacy and security of personal information, such as HIPAA and the California Consumer Privacy

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Act (CCPA) 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 the ongoing COVID-19 pandemic, integration of acquisitions, man-made or natural disasters, cybersecurity incidents or other causes.
- 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, including but not limited to the EU Medical Devices Regulation, and the EU In Vitro Diagnostic Medical Devices Regulation.
- 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, 2020, as such Risk Factors may be updated in quarterly filings including updates made in this filing.

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.

Results of Operations

In this section, we discuss the results of our operations for the second quarter of fiscal 2021 ended April 30, 2021 and compare them with the same period of fiscal 2020. 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.

Non-GAAP Financial Measures

The succeeding sections of Management's Discussion and Analysis (MD&A) may include certain financial measures that are not defined by accounting principles generally accepted in the United States (GAAP). These measures, which are referred to as non-GAAP measures, are listed below:

- *Free Cash Flow* - Free cash flow is calculated as net cash provided by operating activities less capital expenditures.
- *Constant currency* - Constant currency is defined as excluding the effect of foreign currency fluctuations.

For a discussion of these measures and the reasons management believes they are useful to investors, refer to "Summary of Non-GAAP Financial Measures" below. To the extent applicable, this MD&A includes reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

The presentation of these non-GAAP financial measures is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP and may be different from non-GAAP financial measures used by other companies, and therefore, may not be comparable among companies.

COVID-19 Considerations

The World Health Organization categorized the Coronavirus disease 2019 (COVID-19) as a pandemic. The COVID-19 pandemic has caused a severe global health crisis, along with economic and societal disruptions and uncertainties, which have negatively impacted business and healthcare activity globally. As a result of healthcare systems responding to the demands of managing the pandemic, governments around the world imposing measures designed to reduce the transmission of the COVID-19 virus, and individuals responding to the concerns of contracting the COVID-19 virus, many optical practitioners and retailers, hospitals, medical offices and fertility clinics closed their facilities, restricted access, or delayed or canceled patient visits, exams and elective medical procedures, and many customers that have reopened are experiencing reduced patient visits. These factors have had, and in the future may have, an adverse effect on our sales, operating results and cash flows.

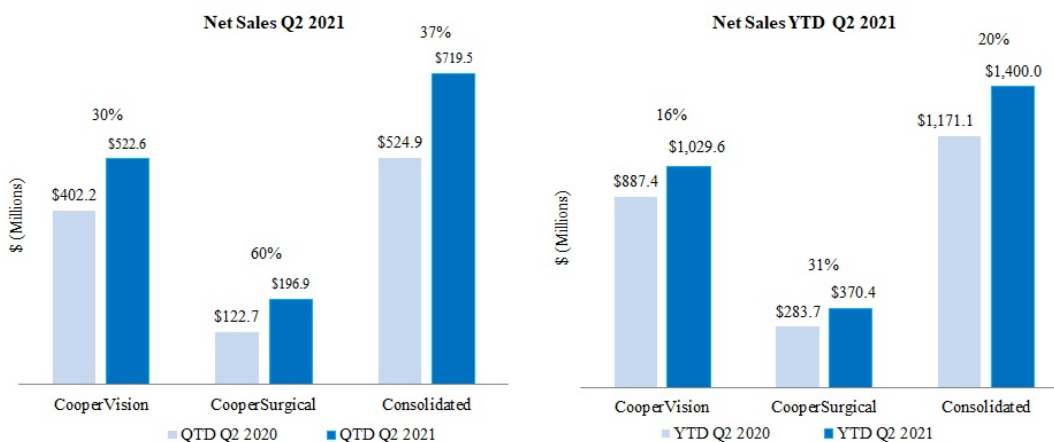
We have taken an active role in addressing the ongoing pandemic's impact on our employees, suppliers, distribution channels, operations and customers, including taking precautionary measures, such as implementing contingency plans, and making operational adjustments as necessary. We have taken measures to help ensure the safety of our personnel in all our facilities, and we have endeavored and continue to follow recommended actions of government and health authorities to protect our employees worldwide.

As of the date of this filing, we have not experienced any significant disruption at our manufacturing facilities. We have had no significant disruption in our access to necessary raw materials and other supplies or with our distribution network; however, we have experienced higher unabsorbed fixed overhead costs, labor inefficiencies, higher cost of production and higher freight charges as a result of the COVID-19 pandemic. As a result, we instituted an inventory control project to reduce buildup of excess inventory. Our manufacturing and distribution operations have responded to the impacts related to the COVID-19 pandemic, and we have been able to continue to supply our products around the world without interruption. In the future, we may decide or need to implement additional precautionary measures or operational adjustments as we deem prudent to meet consumer demand or to help further ensure employee safety. We believe that the actions we are taking have enabled us to keep our employees safe and our supply chain intact and will help us emerge from this global pandemic operationally sound and well positioned for long-term growth.

The extent to which the global COVID-19 pandemic and related economic disruptions impact our business, results of operations, cash flow and financial condition will depend on future developments. At this time, future developments are highly uncertain, difficult to predict and largely outside of our control. These include, but are not limited to, the spread,

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duration and severity of the pandemic outbreak and any subsequent waves of additional outbreaks, actions taken by governments to contain the pandemic, address its impact or respond to the reduction in global and local economic activity, and how quickly and to what extent normal economic and operating conditions can resume. We will continue to closely monitor the developments relating to the COVID-19 pandemic and the responses from governments and private sector participants and their respective impact on our Company and on our customers, suppliers, vendors and business partners.



Second Quarter Highlights

- Gross profit of \$487.1 million, up 51% from \$323.5 million in the prior year period
- Operating income of \$143.2 million, up 401% from \$28.6 million in the prior year period
- Diluted earnings per share of \$2.36, up 922% from \$0.23 per share in the prior year period
- Cash provided by operations of \$192.6 million, compared to \$25.8 million in the prior year period

Six Months Highlights

- Gross profit \$937.8 million, up 25% from \$750.0 million in the prior year period
- Operating income \$276.6 million, up 98% from \$139.7 million in the prior year period
- Diluted earnings per share of \$44.65, up 2076% from \$2.05 per share in the prior year period
- Cash provided by operations \$340.3 million, compared to \$155.5 million in the prior year period.

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and general health care markets. However, the impact, risks and uncertainty relating to the global COVID-19 pandemic and related economic disruptions, as further described in the "COVID-19 Considerations" section above and in the "Risk Factors" section in Part II, Item 1A of this filing, have adversely affected our sales, cash flow and current performance and are likely to further adversely affect our future sales, cash flow and performance. Additionally, other 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 following the United Kingdom's withdrawal from the EU, changes to existing regulations and new regulations, global trade barriers including additional tariffs and the trend of consolidations within the health care industry could 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, multifocal, toric multifocal and myopia management contact lenses offered in a variety of materials including using silicone hydrogel Aquaform® technology, PC Technology™ and ActivControl® 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

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materials and the growth of preferred modalities such as single-use and monthly wearing options. CooperVision also competes in the myopia management and specialty eye care markets with products such as ortho-k and scleral lenses. In November 2019, CooperVision received United States Food and Drug Administration (FDA) approval for its MiSight® 1 day lens, which is the first and only FDA-approved product indicated to slow the progression of myopia in children with treatment initiated between the ages of 8-12 and became available in the United States during fiscal 2020. 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 entities during the six months ended April 30, 2021:

- A privately-held U.K. contact lens manufacturer on April 26, 2021
- A privately-held medical device company on January 19, 2021

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 commitment to advancing the health of women, babies and families through its diversified portfolio of products and services focusing on women's health and fertility. 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 entities during the six months ended April 30, 2021:

- A privately-held medical device company on March 1, 2021
- A privately-held medical device company on February 1, 2021
- A privately-held in vitro fertilization (IVF) cryo-storage software solutions company on December 31, 2020

CooperSurgical acquired the following entity during the six months ended April 30, 2020:

- A privately-held distributor of IVF medical devices and systems on December 13, 2019

Capital Resources - At April 30, 2021, we had \$105.9 million in unrestricted cash, primarily held outside the United States, and \$813.6 million available under our 2020 Credit Agreement. The \$850.0 million term loan entered into on April 1, 2020, and the \$350.0 million term loan entered into on October 16, 2020, remain outstanding as of April 30, 2021.

See Note 5. Debt of the Consolidated Condensed Financial Statements for additional information.

Transition from LIBOR

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate (LIBOR), announced in July 2017 that it will no longer persuade or require banks to submit rates for LIBOR after 2021. Further, in March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The Company has material contracts that are indexed to LIBOR and is continuing to monitor this activity and evaluate the related risk. We are continuing to evaluate the scope of impacted contracts and the potential impact. We are also monitoring the developments regarding alternative rates and may amend certain contracts to accommodate those rates if the contract does not already specify a replacement rate. While the notional value of agreements potentially indexed to LIBOR is material, we are not yet able to reasonably estimate the expected impact.

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Selected Statistical Information – Percentage of Net Sales

Periods Ended April 30,	Three Months			Six Months		
	Percentage of Net Sales		2021 vs 2020 % Change in Absolute Values	Percentage of Net Sales		2021 vs 2020 % Change in Absolute Values
	2021	2020		2021	2020	
Net sales	100 %	100 %	37 %	100 %	100 %	20 %
Cost of sales	32 %	38 %	15 %	33 %	36 %	10 %
Gross profit	68 %	62 %	51 %	67 %	64 %	25 %
Selling, general and administrative expense	40 %	45 %	20 %	39 %	42 %	10 %
Research and development expense	3 %	5 %	(12)%	3 %	4 %	(8)%
Amortization of intangibles	5 %	6 %	10 %	5 %	6 %	4 %
Operating income	20 %	5 %	401 %	20 %	12 %	98 %

Net Sales Growth by Business Unit

Periods Ended April 30, (\$ in millions)	Three Months				Six Months			
	2021	2020	Increase	2021 vs 2020 % Change	2021	2020	Increase	2021 vs 2020 % Change
CooperVision	\$ 522.6	\$ 402.2	\$ 120.4	30 %	\$ 1,029.6	\$ 887.4	\$ 142.2	16 %
CooperSurgical	196.9	122.7	74.2	60 %	370.4	283.7	86.7	31 %
Net sales	\$ 719.5	\$ 524.9	\$ 194.6	37 %	\$ 1,400.0	\$ 1,171.1	\$ 228.9	20 %

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; and
- 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

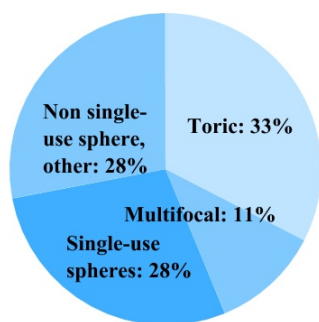


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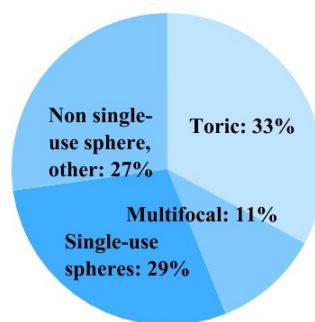
Three Months Ended April 30,
(\$ in millions)

	2021	2020	2021 vs 2020 % Change
Toric	\$ 172.8	\$ 133.6	29 %
Multifocal	58.0	45.1	29 %
Single-use spheres	144.5	116.1	24 %
Non single-use sphere, other	147.3	107.4	37 %
	\$ 522.6	\$ 402.2	30 %

YTD Q2 2021



YTD Q2 2020



Six Months Ended April 30,
(\$ in millions)

	2021	2020	2021 vs 2020 % Change
Toric	\$ 335.1	\$ 288.7	16 %
Multifocal	115.7	96.9	19 %
Single-use spheres	290.5	254.2	14 %
Non single-use sphere, other	288.3	247.6	16 %
	\$ 1,029.6	\$ 887.4	16 %

In the three and six months ended April 30, 2021:

- Toric and multifocal lenses grew primarily through the success of Biofinity and MyDay.
- Single-use sphere lenses growth was primarily attributed to MyDay and clariti lenses.
- "Other" products primarily include lens care which represented approximately 2% of net sales in both the three and six months ended April 30, 2021 and 2020.
- Total silicone hydrogel products increased by 36% and 21% in the three and six months ended April 30, 2021, representing 77% of net sales, compared to 73% in the three and six months ended April 30, 2020.
- Foreign exchange rates positively impacted sales by approximately \$21.5 million and \$36.3 million in the three and six months ended April 30, 2021 and had a negative impact of \$7.5 million and \$9.7 million in the prior year periods. In the three and six months ended April 30, 2021, net sales increased by 25% and 12% in constant currency over the prior year periods.

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- Sales growth was primarily driven by an increase in the volume of lenses sold across our core portfolio due to a recovery in demand from the impact of the COVID-19 pandemic. Average realized prices by product did not materially influence sales.
- We expect to continue seeing downward pressure and volatility in certain markets related to net sales if the COVID-19 pandemic continues, as optical retailers and healthcare centers continue to restrict access, and social distancing measures continue.

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.

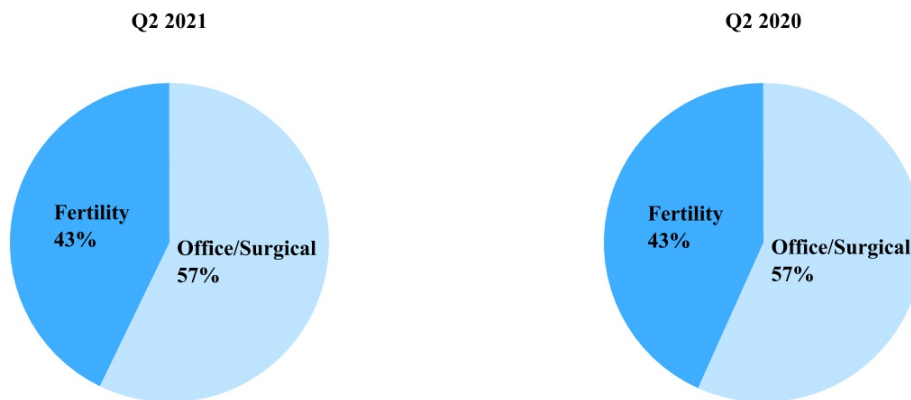
Periods Ended April 30, (\$ in millions)	Three Months			Six Months		
	2021	2020	2021 vs 2020 % Change	2021	2020	2021 vs 2020 % Change
Americas	\$ 207.5	\$ 149.6	39 %	\$ 407.9	\$ 339.0	20 %
EMEA	194.2	154.1	26 %	383.0	341.1	12 %
Asia Pacific	120.9	98.5	23 %	238.7	207.3	15 %
	<u>\$ 522.6</u>	<u>\$ 402.2</u>	30 %	<u>\$ 1,029.6</u>	<u>\$ 887.4</u>	16 %

CooperVision's growth in net sales across all regions was primarily attributable to market gains of silicone hydrogel contact lenses and favorable foreign currency impacts. 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.

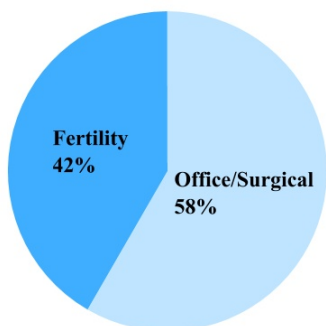


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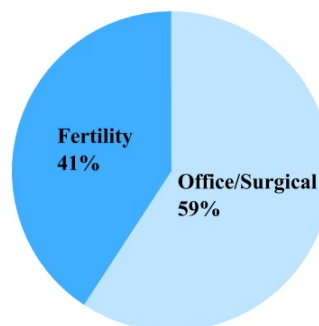
Three Months Ended April 30,
(\$ in millions)

	2021	2020	2021 vs 2020 % Change
Office and surgical products	\$ 112.6	\$ 69.6	62 %
Fertility	84.3	53.1	58 %
	\$ 196.9	\$ 122.7	60 %

YTD Q2 2021



YTD Q2 2020



Six Months Ended April 30,
(\$ in millions)

	2021	2020	2021 vs 2020 % Change
Office and surgical products	\$ 216.1	\$ 168.0	29 %
Fertility	154.3	115.7	33 %
	\$ 370.4	\$ 283.7	31 %

In the three and six months ended April 30, 2021:

- Office and surgical products increased compared to the prior year periods mainly due to an increase in PARAGARD® sales compared to the prior year periods. Further, there was an increase from other office and surgical products such as Uterine Manipulators, Retractors, Closure products, LEEP products and Point-of-Care products.
- Fertility net sales increased compared to the prior year periods mainly due to an increase in revenue from IVF consumables, equipment sales, preimplantation genetic testing and sales from our recent acquisition, Embryo Options.
- Foreign exchange rates positively impacted sales by approximately \$3.0 million and \$4.1 million in the three and six months ended April 30, 2021 and had a negative impact of \$1.4 million and \$2.1 million in the prior year periods. In the three and six months ended April 30, 2021, net sales increased by 58% and 29% in constant currency over the prior year periods.
- Sales growth was primarily driven by stronger demand for our products and services as a result of our customers continuing to reopen their health care facilities and medical offices.
- We expect to continue seeing downward pressure and volatility in certain markets related to net sales if the COVID-19 pandemic continues, as hospitals and healthcare centers continue to restrict access, and social distancing measures continue.

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Gross Margin

Consolidated gross margins were 68% and 67% in the three and six months ended April 30, 2021, up from 62% and 64% in the prior year periods, primarily driven by product mix and favorable currency.

Selling, General and Administrative Expense (SGA)

Three Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 194.5	37 %	\$ 160.8	40 %	21 %
CooperSurgical	79.7	40 %	62.9	51 %	27 %
Corporate	11.6	—	13.5	—	(14)%
	<u>\$ 285.8</u>	<u>40 %</u>	<u>\$ 237.2</u>	<u>45 %</u>	<u>20 %</u>

Six Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 373.6	36 %	\$ 333.2	38 %	12 %
CooperSurgical	150.3	41 %	135.3	48 %	11 %
Corporate	23.1	—	27.0	—	(14)%
	<u>\$ 547.0</u>	<u>39 %</u>	<u>\$ 495.5</u>	<u>42 %</u>	<u>10 %</u>

CooperVision's SGA increased in the three and six months ended April 30, 2021 compared to fiscal 2020 primarily due to increases in distribution costs, general and administrative costs and advertising and marketing activities primarily related to myopia management, partially offset by lower travel expenses due to the COVID-19 pandemic. CooperVision's SGA in the three and six months ended April 30, 2021 included \$1.1 million and \$3.0 million of costs primarily related to acquisition and integration activities. CooperVision's SGA in the three and six months ended April 30, 2020 included \$0.8 million and \$1.4 million of costs primarily related to integration activities.

CooperSurgical's SGA increased in the three and six months ended April 30, 2021 compared to fiscal 2020 primarily due to increases in selling expenses, partially offset by lower advertising and marketing costs and travel expenses due to the COVID-19 pandemic. CooperSurgical's SGA in the three and six months ended April 30, 2021 included \$4.9 million and \$6.7 million of acquisition and integration expenses and legal settlement. CooperSurgical's SGA in the three and six months ended April 30, 2020 included \$4.4 million and \$10.5 million of integration expenses and European Medical Devices Regulation costs.

Corporate SGA decreased in the three and six months ended April 30, 2021 compared to fiscal 2020 primarily due to savings from lower travel expenses due to the COVID-19 pandemic and timing of corporate projects.

Research and Development Expense (R&D)

Three Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	13.8	3 %	12.8	3 %	8 %
CooperSurgical	7.2	4 %	11.0	9 %	(35)%
	<u>21.0</u>	<u>3 %</u>	<u>23.8</u>	<u>5 %</u>	<u>(12)%</u>

Six Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	27.9	3 %	25.9	3 %	8 %
CooperSurgical	14.5	4 %	20.1	7 %	(28)%
	<u>42.4</u>	<u>3 %</u>	<u>46.0</u>	<u>4 %</u>	<u>(8)%</u>

In the three and six months ended April 30, 2021:

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- CooperVision's R&D expense increased in the three and six months ended April 30, 2021 compared to fiscal 2020, mainly due to MiSight and timing of R&D projects. As a percentage of sales, CooperVision's R&D expense remained relatively flat. CooperVision's R&D activities are primarily focused on the development of contact lenses, manufacturing technology and process enhancements.
- CooperSurgical's R&D expense decreased in the three and six months ended April 30, 2021 compared to fiscal 2020, mainly due to timing of R&D projects and changes in headcount. CooperSurgical has not paused research programs during the COVID-19 pandemic and has maintained its spend on innovations and increased its spend on key regulatory investment areas to support our long-term objectives. As a percentage of sales, CooperSurgical's R&D expense decreased, primarily due to an increase in net sales. CooperSurgical's R&D activities are focused on upgrading existing and developing new products ranging from diagnostics, surgical devices to fertility instruments and solutions.

Amortization Expense

Three Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 9.4	2 %	\$ 7.8	2 %	22 %
CooperSurgical	27.7	14 %	26.1	21 %	6 %
	<u>\$ 37.1</u>	<u>5 %</u>	<u>\$ 33.9</u>	<u>6 %</u>	<u>10 %</u>

Six Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 17.9	2 %	\$ 16.4	2 %	9 %
CooperSurgical	53.9	15 %	52.4	18 %	3 %
	<u>\$ 71.8</u>	<u>5 %</u>	<u>\$ 68.8</u>	<u>6 %</u>	<u>4 %</u>

CooperVision's and CooperSurgical's amortization expense remained relatively flat in the three and six months ended April 30, 2021 compared to fiscal 2020. As a percentage of sales, CooperSurgical's amortization expense decreased, primarily due to an increase in net sales.

Operating Income

Three Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 131.7	25 %	\$ 67.7	17 %	95 %
CooperSurgical	23.1	12 %	(25.6)	(21)%	190 %
Corporate	(11.6)	—	(13.5)	—	14 %
	<u>\$ 143.2</u>	<u>20 %</u>	<u>\$ 28.6</u>	<u>5 %</u>	<u>401 %</u>

Six Months Ended April 30,

(\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
CooperVision	\$ 259.2	25 %	\$ 190.6	21 %	36 %
CooperSurgical	40.6	11 %	(23.9)	(8)%	270 %
Corporate	(23.2)	—	(27.0)	—	14 %
	<u>\$ 276.6</u>	<u>20 %</u>	<u>\$ 139.7</u>	<u>12 %</u>	<u>98 %</u>

CooperVision's operating income increased as a percentage of net sales and in absolute dollars in the three and six months ended April 30, 2021 compared to the prior year periods, primarily due to an increase in net sales.

CooperSurgical's operating income increased as a percentage of net sales and in absolute dollars in the three and six months ended April 30, 2021 compared to the prior year periods, primarily due to an increase in net sales and a decrease in R&D expenses.

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Corporate operating loss decreased in the three and six months ended April 30, 2021 compared to the prior year periods, primarily due to lower professional fees and travel expenses as a result of the COVID-19 pandemic.

On a consolidated basis, operating income increased as a percentage of net sales and in absolute dollars primarily due to the increase in consolidated net sales.

Interest Expense

Three Months Ended April 30, (\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
Interest expense	\$ 6.1	1 %	\$ 12.8	2 %	(52)%

Six Months Ended April 30, (\$ in millions)	2021	% Net Sales	2020	% Net Sales	2021 vs 2020 % Change
Interest expense	\$ 12.5	1 %	\$ 24.4	2 %	(49)%

Interest expense decreased as a percentage of net sales and in absolute dollars during the three and six months ended April 30, 2021 primarily due to lower interest rates and lower average debt balances compared to the prior year periods.

Other (Income) Expense, Net

Periods Ended April 30, (\$ in millions)	Three Months		Six Months	
	2021	2020	2021	2020
Investment gain	\$ —	\$ —	\$ (11.5)	\$ —
Foreign exchange (gain) loss	1.3	2.4	1.2	3.8
Other (income) expense, net	(0.6)	4.4	(1.5)	5.1
	\$ 0.7	\$ 6.8	\$ (11.8)	\$ 8.9

On January 19, 2021, CooperVision acquired all of the remaining equity interests of a privately-held medical device company that develops spectacle lenses for myopia management. The fair value remeasurement of our previous equity investment immediately before the acquisition resulted in a gain of \$11.5 million recognized in the first quarter of fiscal 2021.

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

Other income increased in the three and six months ended April 30, 2021, primarily due to an increase in defined benefit plan related income and gains on minority investments during the periods.

Provision for Income Taxes

Our effective tax rates for the three months ended April 30, 2021 and April 30, 2020 were 13.8% and (27.7)%, respectively. The increase was primarily due to changes in the geographical composition of pre-tax earnings. Our effective tax rate for the second quarter of fiscal 2021 was lower than the U.S. federal statutory tax rate primarily due to earnings in foreign jurisdictions with lower tax rates and excess tax benefits from share-based compensation.

Our effective tax rates for the six months ended April 30, 2021 and April 30, 2020 were (704.2)% and 4.2%, respectively. The decrease was primarily due to an intra-group transfer of intellectual property, as discussed below. Our effective tax rate for the six months ended April 30, 2021 was lower than the U.S. federal statutory tax rate primarily due to the intra-group transfer. Our effective tax rates for the six months ended April 30, 2021 and April 30, 2020 were otherwise lower than the U.S. federal statutory tax rate primarily due to earnings in foreign jurisdictions with lower tax rates and excess tax benefits from share-based compensation.

In November 2020, we completed an intra-group transfer of certain intellectual property and related assets to a UK subsidiary as part of a group restructuring to establish headquarters operations in the UK. Income before income taxes resulting from this transfer is eliminated upon consolidation. The transfer resulted in a step-up of the UK tax-deductible basis in the intellectual property and goodwill, creating a temporary difference between the book basis and the tax basis of

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these assets. As a result, we recognized a deferred tax asset of \$1,987.9 million, with a corresponding income tax benefit, during the three months ended January 31, 2021.

Share-Based Compensation Plans

We have several share-based compensation plans that are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020. The compensation expense and related income tax benefit recognized in our Consolidated Statements of Income and Comprehensive Income for share-based awards were as follows:

Periods Ended April 30, (\$ in millions)	Three Months		Six Months	
	2021	2020	2021	2020
Selling, general and administrative expense	\$ 8.7	\$ 8.3	\$ 17.8	\$ 17.0
Cost of sales	0.9	1.1	2.0	2.1
Research and development expense	0.6	0.6	1.2	1.2
Total share-based compensation expense	\$ 10.2	\$ 10.0	\$ 21.0	\$ 20.3
Related income tax benefit	\$ 1.2	\$ 1.1	\$ 2.4	\$ 2.5

Capital Resources and Liquidity

Second Quarter Highlights

- Operating cash flow of \$192.6 million compared to \$25.8 million in the prior year period
- Expenditures for purchases of property, plant and equipment of \$49.9 million compared to \$89.3 million in the prior year period
- Cash payments for acquisitions and others of \$91.1 million compared to \$1.8 million in the prior year period
- Cash provided by operations of \$192.6 million offset by capital expenditures of \$49.9 million resulted in positive free cash flow of \$142.7 million, up \$206.2 million compared to the prior year period

Six-Month Highlights

- Operating cash flow of \$340.3 million compared to \$155.5 million in the prior year period
- Expenditures for purchases of property, plant and equipment of \$105.8 million compared to \$158.3 million in the prior year period
- Cash payments for acquisitions and others of \$170.9 million compared to \$11.2 million in the prior year period
- Cash provided by operations of \$340.3 million offset by capital expenditures of \$105.8 million resulted in positive free cash flow of \$234.5 million, up \$237.3 million compared to the prior year period

Comparative Statistics

(\$ in millions)	April 30, 2021	October 31, 2020
Cash and cash equivalents	\$ 105.9	\$ 115.9
Total assets	\$ 9,013.8	\$ 6,737.5
Working capital	\$ 329.9	\$ 269.8
Total debt	\$ 1,737.5	\$ 1,793.2
Stockholders' equity	\$ 6,162.8	\$ 3,824.8
Ratio of debt to equity	0.28:1	0.47:1
Debt as a percentage of total capitalization	22 %	32 %

Working Capital

The increase in working capital at April 30, 2021 from the end of fiscal 2020 was primarily due to:

- increase in trade accounts receivable of \$54.7 million primarily due to higher sales and timing of collections;
- increase in inventories of \$11.6 million primarily due to higher sales and the build up of inventory for future product launches;
- decrease in accounts payable of \$34.4 million due to timing of payments, partially offset by:
- increase in other current liabilities of \$10.5 million;
- decrease in cash and cash equivalents of \$10.0 million;
- increase in employee compensation and benefits of \$8.0 million;
- decrease in prepaid expense and other current assets of \$7.9 million; and
- increase in short-term debt of \$3.3 million.

At April 30, 2021, our inventory months on hand was 7.5 compared to 6.6 at October 31, 2020. The \$11.6 million increase in inventories was primarily due to higher sales and the build up of inventory for future product launches.

Our days sales outstanding (DSO) were relatively consistent at 59 days at April 30, 2021, compared to 60 days at October 31, 2020.

Operating Cash Flow

Cash provided by operating activities increased by \$184.8 million from \$155.5 million in the first half of fiscal 2020 to \$340.3 million in the first half of fiscal 2021. This increase in cash flow provided by operating activities primarily consists of:

- increase in net income of \$2,116.6 million from a net income of \$102.0 million in the first half of fiscal 2020 to \$2,218.6 million in the first half of fiscal 2021;
- increase of \$13.6 million in net changes in depreciation and amortization, from \$139.4 million during the first half of fiscal 2020 to \$153.0 million during the first half of fiscal 2021;
- increase of \$58.4 million in net cash flow from changes in operating capital, from \$119.8 million outflow in the first half of fiscal 2020 to \$61.4 million outflow in the first half of fiscal 2021, partially offset by:
- decrease of \$1,974.0 million in the net changes in deferred income taxes. Refer to Note 6. Income Taxes for further information; and
- decrease from other non-cash items of \$29.8 million, from \$37.5 million during the first half of fiscal 2020 to \$7.7 million during the first half of fiscal 2021.

The increase in net income of \$2,116.6 million was primarily due to:

- recognized income tax benefit of \$1,987.9 million. Refer to Note 6. Income Taxes for further information;
- increase of \$136.9 million in operating income from \$139.7 million in the first half of fiscal 2020 to \$276.6 million in the first half of fiscal 2021 primarily due to the increase in consolidated net sales and decrease in certain costs; and
- an investment gain of \$11.5 million. Refer to Note 2. Acquisitions for further information.
- interest expense decrease of \$11.9 million primarily due to lower interest rates and lower average debt balances compared to the prior year period.

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The \$58.4 million increase in the net cash flow from changes in operating capital compared to the prior year period is primarily due to:

- \$80.6 million increase in the net changes in accrued liabilities and other primarily due to impact from adoption of ASC 842, *Leases* in prior year period and higher customer rebate accruals in current period as a result of higher sales;
- \$52.4 million increase in the net changes in inventories due to lower sales in prior year period;
- \$28.5 million increase in the net changes in income tax payable, partially offset by:
- \$97.2 million decrease in the net changes in trade and other receivables primarily due to timing of collections and higher sales.

The \$29.8 million decrease in non-cash items compared to the prior year period is primarily due to:

- an investment gain of \$11.5 million. Refer to Note 2. Acquisitions for further information;
- \$9.2 million decrease in the net changes in other long-term assets, and
- \$8.1 million decrease from effect of exchange rate change on cash.

Investing Cash Flow

Cash used in investing activities increased by \$107.2 million to \$276.7 million in the first half of fiscal 2021 from \$169.5 million in the first half of fiscal 2020 due to:

- \$161.6 million increase in payments made for acquisitions in the first half of fiscal 2021 compared to the prior year period, partially offset by;
- \$52.5 million decrease in capital expenditures.

Financing Cash Flow

Cash flows from financing activities decreased by \$87.4 million to \$79.0 million cash outflow in the first half of fiscal 2021 compared to \$8.4 million inflow in the first half of fiscal 2020, primarily due to:

- \$1,375.7 million decrease in proceeds from long-term debt, primarily due to funds received from the 2020 Credit Agreement, partially offset by;
- \$1,235.7 million decrease in repayments of long-term debt, primarily due to repayments of funds from the 2020 Credit Agreement in first half of fiscal 2021 compared to repayment of funds from the 2016 Credit Agreement in the prior year period;
- \$23.0 million decrease in repurchase of common stock compared to prior year period;
- \$15.4 million decrease in net repayments from short-term debt, primarily due to movements in short term loans.

On April 1, 2020, the Company entered into a Revolving Credit and Term Loan Agreement (the 2020 Credit Agreement), among the Company and KeyBank National Association, as administrative agent. The 2020 Credit Agreement provides for (a) a multicurrency revolving credit facility (the 2020 Revolving Credit Facility) in an aggregate principal amount of \$1.29 billion and (b) a term loan facility (the 2020 Term Loan Facility) in an aggregate principal amount of \$850.0 million, each of which, unless terminated earlier, mature on April 1, 2025. In addition, the Company has the ability from time to time to request an increase to the size of the revolving credit facility or establish one or more new term loans under the term loan facility in an aggregate amount up to \$1.605 billion, subject to the discretionary participation of the lenders.

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On October 16, 2020, the Company entered into a 364-day, \$350.0 million, term loan agreement (the 2020 Term Loan Agreement) by and among the Company, the lenders party thereto and The Bank of Nova Scotia, as administrative agent which matures on October 15, 2021.

The following is a summary of the maximum commitments and the net amounts available to us under different credit facilities as of April 30, 2021:

(In millions)	Facility Limit	Outstanding Borrowings	Outstanding Letters of Credit	Total Amount Available	Maturity Date
2020 Revolving Credit Facility	\$ 1,290.0	\$ 475.0	\$ 1.4	\$ 813.6	April 1, 2025
2020 Term Loan Facility	850.0	850.0	n/a	—	April 1, 2025
2020 Term Loan	350.0	350.0	n/a	—	October 15, 2021
Total	<u>\$ 2,490.0</u>	<u>\$ 1,675.0</u>	<u>\$ 1.4</u>	<u>\$ 813.6</u>	

The 2020 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. As defined, in the 2020 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. At April 30, 2021, we were in compliance with the Interest Coverage Ratio at 36.81 to 1.00 and the Total Leverage Ratio at 1.78 to 1.00. The Company, after considering the potential impacts of the COVID-19 pandemic, expects to remain in compliance with its financial maintenance covenant and meet its debt service obligations for at least the twelve months following the date of issuance of these financial statements.

See Note 5. Debt of the Consolidated Condensed Financial Statements for additional information.

Considering recent market conditions and the ongoing COVID-19 pandemic crisis, we have re-evaluated our operating cash flows and cash requirements and continue to believe that current cash, cash equivalents, future cash flow from operating activities and cash available under our 2020 Credit Agreement will be sufficient to meet our anticipated cash needs, including working capital needs, capital expenditures and contractual obligations for at least 12 months from the issuance date of the Consolidated Condensed 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.

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. 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.

At April 30, 2021, \$334.8 million remained authorized for repurchase under the program.

The Company's share repurchases during the six months ended April 30, 2021 and 2020, were as follows:

Periods Ended April 30,	Six Months	
	2021	2020
Number of shares	69,622	160,850
Average repurchase price per share	\$ 356.61	\$ 296.88
Total costs of shares repurchased (in millions)	\$ 24.8	\$ 47.8

Dividends

We paid a semiannual dividend of approximately \$1.5 million or 3 cents per share, on February 9, 2021, to stockholders of record on January 22, 2021.

Summary of Non-GAAP Financial Measures

The non-GAAP financial measures that may be included in Management's Discussion and Analysis and the reasons management believes they are useful to investors are described below. These measures should be considered supplemental in nature and are not intended to be a substitute for the related financial information prepared in accordance with GAAP. In addition, these measures may not be the same as similarly named measures presented by other companies.

Free cash flow is defined as cash provided by operating activities less capital expenditures. Management believes free cash flow is useful for investors as an additional measure of liquidity because it represents cash that is available to grow the business, make strategic acquisitions, repay debt, buyback common stock or fund the dividend. We use free cash flow internally to understand, manage, make operating decisions and evaluate our business. In addition, we use free cash flow to help plan and forecast future periods.

Constant currency is defined as excluding the effect of foreign currency rate fluctuations. In order to assist with the assessment of how our underlying businesses performed, we compare the percentage change in net sales from one period to another, excluding the effect of foreign currency fluctuations. To present this information, current period revenue for entities reporting in currencies other than the United States dollar are converted into United States dollars at the average foreign exchange rates for the corresponding period in the prior year.

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, 2020. There have been no material changes in our policies from those previously discussed in our Form 10-K for the fiscal year October 31, 2020.

Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 1. General of the Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q.

Trademarks

ActivControl[®], Aquaform[®], Avaira Vitality[®], Biofinity[®], Biofinity Energys[®], MyDay[®] and MiSight[®] are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. PC Technology[™] is a trademark 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. INSORB[®], PARAGARD[®] and Mara[®] are registered trademarks 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 and Danish krone 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 LIBOR. 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.

On April 6, 2020, we entered into six interest rate swap contracts to hedge our exposure to changes in cash flows associated with our variable rate debt. The interest rate swap contracts became effective on April 6, 2020 and had maturities of seven years or less. As of April 30, 2021, the outstanding contracts have a total notional amount of \$1.1 billion.

We did not have any cross currency swaps or foreign currency forward contracts as of April 30, 2021.

On April 1, 2020, we entered into a Revolving Credit and Term Loan Agreement (the 2020 Credit Agreement), among us, CooperVision International Holding Company, LP, CooperSurgical Netherlands B.V., CooperVision Holding Kft. the lenders from time to time party thereto, and KeyBank National Association, as administrative agent. The 2020 Credit Agreement provides for (a) a multicurrency revolving credit facility (the 2020 Revolving Credit Facility) in an aggregate principal amount of \$1.29 billion and (b) a term loan facility (the 2020 Term Loan Facility) in an aggregate principal amount of \$850.0 million, each of which, unless terminated earlier, mature on April 1, 2025. The 2020 Credit Agreement replaced our previous credit agreement and funds from the new term loan were used to repay the outstanding amounts under the previous credit agreement, to repay an outstanding term loan, and for general corporate purposes. At April 30, 2021, the Company had \$813.6 million available under the 2020 Revolving Credit Facility and \$850.0 million outstanding under the 2020 Term Loan Facility.

On October 16, 2020, we entered into a 364-day, \$350.0 million, term loan agreement by and among us, the lenders party thereto and The Bank of Nova Scotia, as administrative agent which matures on October 15, 2021. We used the funds to partially repay outstanding borrowings under the 2020 Revolving Credit Facility. At April 30, 2021, the Company had \$350.0 million outstanding under this agreement.

If interest rates were to increase or decrease by 1% or 100 basis points, quarterly interest expense would increase or decrease by approximately \$1.3 million based on average debt outstanding, after consideration of our interest rate swap contracts, for the second quarter of fiscal 2021.

See Note 5. Debt of the Consolidated Condensed 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 have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our second quarter of fiscal 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that certain of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 related considerations and any impact on the design and operating effectiveness of our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is included in Note 12. Contingencies of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Our business faces significant risks. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, and the trading prices of our common stock could decline by virtue of these risks. These risks should be read in conjunction with the other information in this report.

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, 2020. In the first quarter of fiscal 2021, we updated some of our risk factors as described below. There have been no other material changes in our risk factors from those previously discussed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

The United Kingdom’s withdrawal from the EU may have a negative effect on global economic conditions, financial markets and our business.

We are a multinational company headquartered in the United States with worldwide operations, with significant business operations in Europe, including in the UK. Following a national referendum and enactment of legislation by the government of the UK, the UK formally withdrew from the EU and ratified a trade and cooperation agreement governing its future relationship with the EU. The agreement, which is being applied provisionally from January 1, 2021 until it is ratified by the European Parliament and the Council of the European Union, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. Because the agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the UK and the EU as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal.

These developments, or the perception that any related developments could occur, have had and may continue to have a material adverse effect on global economic conditions and financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital. Any of these factors could have a material adverse effect on our business, financial condition, cash flows and results of operations. Asset valuations, currency exchange rates and credit ratings have been and may continue to be subject to increased market volatility. Lack of clarity about future UK laws and regulations as the UK determines which EU laws to replace or replicate, including financial laws and regulations, tax and free trade agreements, tax and customs laws, intellectual property rights, environmental, health and safety laws and regulations, immigration laws, employment laws and transport laws, could decrease foreign direct investment in the UK, increase costs and disrupt supply chains.

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 April 30, 2021.

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.

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During the second quarter of fiscal 2021, there were no share repurchases under the program. During the first quarter of 2021, we repurchased 69.6 thousand shares of the Company's common stock for \$24.8 million, at an average purchase price of \$356.61 per share. At April 30, 2021, \$334.8 million remained authorized for repurchase under the program.

During the second quarter of fiscal 2020, we repurchased 160.8 thousand shares of the Company's common stock for \$47.8 million, at an average purchase price of \$296.88 per share. There was no share repurchase activity during the first quarter of fiscal 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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 six months period ended April 30, 2021 formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income and Comprehensive Income, (ii) Consolidated Condensed Balance Sheets, (iii) Consolidated Condensed Statements of Stockholders' Equity, (iv) Consolidated Condensed Statements of Cash Flows and (v) related Notes to Consolidated Condensed Financial Statements.
104.1	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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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: June 4, 2021

/s/ Brian G. Andrews

Brian G. Andrews

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

Date: June 4, 2021

/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: June 4, 2021

/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: June 4, 2021

/s/ Brian G. Andrews

Brian G. Andrews
Executive 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 April 30, 2021, 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: June 4, 2021

/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 April 30, 2021, 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: June 4, 2021

/s/ Brian G. Andrews

Brian G. Andrews

Executive Vice President, Chief Financial Officer and Treasurer