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COHERENT INC  
Form 8-K  
May 15, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 14, 2001

COHERENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

94-1622541  
(I.R.S. Employer  
Identification No.)

5100 PATRICK HENRY DRIVE, SANTA CLARA, CALIFORNIA 95054  
(Address of principal executive offices) (Zip Code)

(408) 764-4000  
(Registrant's telephone number, including area code)

[Not Applicable]  
(Former Name or Former Address, if Changed Since Last Report.)

Item 2. Acquisition Or Disposition Of Assets

On April 30, 2001, Coherent, Inc. (Coherent, we or our) completed the sale of the assets of the Coherent Medical segment (CMG) to ESC Medical Systems, Ltd. (ESC) for consideration preliminarily valued at \$236.0 million, consisting of cash of \$100.0 million, notes receivable of \$12.9 million and 5,432,099 shares of ESC common stock. The final consideration will be based on the amount of the net assets as of the date of sale and the completion of the valuation of the ESC common stock. The agreement provides for an adjustment to the notes received if the actual net assets sold are more or less than a predetermined amount. In addition, the agreement provides a future earnout payment of up to \$25.0 million based on the future sales of certain medical laser and light-based products. We expect to record a resulting after-tax gain of approximately \$60.0 to \$80.0 million in the third quarter of fiscal 2001. The gain is subject to adjustment based on the actual assets sold to ESC, actual transaction expenses incurred and completion of the valuation of the ESC common stock received.

ESC is a publicly traded company with its common shares listed on the Nasdaq National Market under the symbol "ESCM". ESCM's common stock closed at \$26.94 per share on April 27, 2001.

Item 7. Financial Statements and Exhibits.

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- (a) Financial Statements of Business Acquired.  
Not applicable
- (b) Pro Forma Financial Information
  - (1) Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2001.
  - (2) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended September 30, 2000.
  - (3) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended October 2, 1999.
  - (4) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended September 26, 1998.
- (c) Exhibits.  
Not applicable

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SIGNATURES

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 hereunto duly authorized.

COHERENT, INC.

Date: May 15, 2001

By: /s/ SCOTT H. MILLER

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Senior Vice President and  
General Counsel

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COHERENT, INC.  
UNAUDITED PRO FORMA CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2001 and the unaudited pro forma condensed consolidated statements of income for the years ended September 30, 2000, October 2, 1999 and September 26, 1998 give effect to the disposition of CMG. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2001 assumes that the disposition took place as of March 31, 2001. The unaudited pro forma condensed consolidated statements of income gives effect to the disposition as if it had occurred at the beginning of the earliest period presented. A pro forma condensed consolidated statement of income for the six months ended March 31, 2001 has not been presented as the disposition is already reflected in the Quarterly Report

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on Form 10-Q filed by the Company for the quarter ended March 31, 2001.

The unaudited pro forma condensed consolidated balance sheet and statements of income are presented for information purposes only and are not necessarily indicative of the financial position or the results of operations that would have been obtained had the disposition actually occurred as of the dates assumed nor is it necessarily indicative of the financial position or future results of operations. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this document. The pro forma condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company contained in its Annual Report on Form 10-K for the year ended September 30, 2000 and the condensed consolidated financial statements in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

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COHERENT, INC. AND SUBSIDIARIES  
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 2001  
(Unaudited; in thousands)

	Coherent Historical	Pro Forma Adjustments	
<hr/>			
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	\$ 84,458	\$ 89,968	(1)
		1,696	(2)
Short-term investments	118,511		
Accounts receivable	86,576		
Inventories	100,652		
Prepaid expenses and other assets	14,055		
Net current assets of discontinued operations	70,882	(52,018)	(2)
		(18,864)	(3)
Deferred tax assets	20,984		
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TOTAL CURRENT ASSETS	496,118	20,782	
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PROPERTY AND EQUIPMENT	213,359		
ACCUMULATED DEPRECIATION AND AMORTIZATION	(75,145)		
<hr/>			
Property and equipment, net	138,214		
<hr/>			
GOODWILL	16,269		
NET NON-CURRENT ASSETS OF DISCONTINUED OPERATIONS	49,354	(49,354)	(2)
OTHER ASSETS	70,897	136,000	(4)
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	\$770,852	\$107,428	
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES			
Short-term borrowings	\$ 21,699		
Current portion of long-term obligations	7,685		
Accounts payable	27,887		
Other current liabilities	75,570	25,917	(3)
-----			
TOTAL CURRENT LIABILITIES	132,841	25,917	
-----			
LONG-TERM OBLIGATIONS	67,327		
OTHER LONG-TERM LIABILITIES	23,516		
MINORITY INTEREST IN SUBSIDIARIES	51,857		
STOCKHOLDERS' EQUITY	495,311	(10,032)	(1)
		(44,781)	(3)
		136,324	(5)
-----			
	\$770,852	\$107,428	
=====			

SEE ACCOMPANYING NOTES DESCRIBING PRO FORMA ADJUSTMENTS.

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COHERENT, INC. AND SUBSIDIARIES  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 FOR THE YEAR ENDED SEPTEMBER 30, 2000  
 (Unaudited; in thousands, except per share data)

	Coherent Historical	Pro Forma Adjustments	
NET SALES	\$568,272	\$ (184,289)	(6)
COST OF SALES	290,055	(82,356)	(6)
-----			
GROSS PROFIT	278,217	(101,933)	
-----			
OPERATING EXPENSES:			
Research and development	57,436	(16,775)	(6)
Selling, general and administrative	155,626	(66,227)	(6)
Intangibles amortization	8,937	(5,908)	(6)
-----			
TOTAL OPERATING EXPENSES	221,999	(88,910)	
-----			
INCOME FROM OPERATIONS	56,218	(13,023)	
OTHER INCOME (EXPENSE):			
Gain on issuance of stock by subsidiary	55,148		
Interest and dividend income	5,968	(80)	(6)
Interest expense	(6,295)	89	(6)
Other - net	1,379	(582)	(6)
-----			
TOTAL OTHER INCOME (EXPENSE)	56,200	(573)	
-----			

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INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	112,418	(13,596)
PROVISION FOR INCOME TAXES	40,527	(4,883) (6)
-----		
INCOME BEFORE MINORITY INTEREST	71,891	(8,713)
MINORITY INTEREST IN SUBSIDIARIES EARNINGS	(1,954)	
-----		
INCOME FROM CONTINUING OPERATIONS	\$ 69,937	\$ (8,713)
=====		

INCOME FROM CONTINUING OPERATIONS PER SHARE:

Basic	\$ 2.77	\$
Diluted	\$ 2.56	\$
=====		

SHARES USED IN COMPUTATION:

Basic	25,252
Diluted	27,319
=====	

SEE ACCOMPANYING NOTES DESCRIBING PRO FORMA ADJUSTMENTS.

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COHERENT, INC. AND SUBSIDIARIES  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED OCTOBER 2, 1999  
(Unaudited; in thousands, except per share data)

	Coherent Historical	Pro Forma Adjustments	P
-----			
NET SALES	\$468,869	\$ (148,389) (6)	
COST OF SALES	250,194	(69,771) (6)	
-----			
GROSS PROFIT	218,675	(78,618)	
-----			
OPERATING EXPENSES:			
Research and development	46,759	(14,661) (6)	
In-process research and development	16,000	(12,000) (6)	
Selling, general and administrative	132,138	(56,147) (6)	
Intangibles amortization	5,701	(3,551) (6)	
-----			
TOTAL OPERATING EXPENSES	200,598	(86,359)	
-----			
INCOME FROM OPERATIONS	18,077	7,741	
OTHER INCOME (EXPENSE):			
Interest and dividend income	3,042	(364) (6)	
Interest expense	(3,755)	28 (6)	
Other - net	(16)	59 (6)	
-----			
TOTAL OTHER INCOME (EXPENSE)	(729)	(277)	
-----			
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	17,348	7,464	

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PROVISION FOR INCOME TAXES	4,389	3,076 (6)
-----		
INCOME BEFORE MINORITY INTEREST	12,959	4,388
MINORITY INTEREST IN SUBSIDIARIES EARNINGS	(1,118)	
-----		
INCOME FROM CONTINUING OPERATIONS	\$ 11,841	\$ 4,388
=====		

INCOME FROM CONTINUING OPERATIONS PER SHARE:		
Basic	\$	0.49
Diluted	\$	0.48
=====		

SHARES USED IN COMPUTATION:		
Basic		23,957
Diluted		24,633
=====		

SEE ACCOMPANYING NOTES DESCRIBING PRO FORMA ADJUSTMENTS.

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COHERENT, INC. AND SUBSIDIARIES  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED SEPTEMBER 26, 1998  
(Unaudited; in thousands, except per share data)

	Coherent Historical	Pro Forma Adjustments	P
-----			
NET SALES	\$410,449	\$ (137,024) (6)	
COST OF SALES	213,953	(61,562) (6)	
-----			
GROSS PROFIT	196,496	(75,462)	
-----			
OPERATING EXPENSES:			
Research and development	44,534	(15,427) (6)	
Selling, general and administrative	123,186	(56,577) (6)	
Intangibles amortization	4,644	(2,183) (6)	
-----			
TOTAL OPERATING EXPENSES	172,364	(74,187)	
-----			
INCOME FROM OPERATIONS	24,132	(1,275)	
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,274	(223) (6)	
Interest expense	(1,236)	27 (6)	
Other - net	443	(267) (6)	
-----			
TOTAL OTHER INCOME (EXPENSE)	481	(463)	
-----			
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	24,613	(1,738)	
PROVISION FOR INCOME TAXES	4,894	(158) (6)	
-----			
INCOME BEFORE MINORITY INTEREST	19,719	(1,580)	

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MINORITY INTEREST IN SUBSIDIARIES EARNINGS	(908)	
-----		
INCOME FROM CONTINUING OPERATIONS	\$ 18,811	\$ (1,580)
=====		
INCOME FROM CONTINUING OPERATIONS PER SHARE:		
Basic	\$ 0.80	
Dilutive	\$ 0.79	
=====		
SHARES USED IN COMPUTATION:		
Basic	23,374	
Diluted	23,749	
=====		
SEE ACCOMPANYING NOTES DESCRIBING PRO FORMA ADJUSTMENTS.		

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COHERENT, INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

(1) Represents estimated net cash proceeds from the disposition of CMG, calculated as follows:

Cash purchase price	\$100,000
Less: estimated related cash expenses	(10,032)
	-----
Net cash proceeds	\$ 89,968
	=====

(2) Represents adjustments to remove the net current and non-current assets of discontinued operations as of March 31, 2001 and the reclassification of cash of \$1,696 not sold to ESC, which is included in net current assets of discontinued operations.

(3) Represents the estimated provision for income taxes of \$44,781 on the preliminary estimated pre-tax gain of \$113,715 as of March 31, 2001 resulting from the CMG sale to ESC. Such provision consists of (i) a current income tax liability of \$25,917 and utilization of \$18,864 of deferred income tax assets included as a component of net current assets of discontinued operations as of March 31, 2001.

(4) Represents the preliminary estimated value of 5,432,099 shares of ESC common stock and \$12,900 note receivable as follows:

Shares of ESC common stock	\$124,390
Note receivable	11,610
	-----
	\$136,000
	=====

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The value of the ESC common stock is subject to adjustment for the completion of the valuation of the stock. The amount of the note receivable is subject to adjustment if the actual net assets sold as of April 30, 2001 are more or less than a predetermined amount.

- (5) Amount represents the difference between the consideration received (cash, ESC common stock and note receivable) and the net assets of discontinued operations as of March 31, 2001 (excluding cash and deferred income tax assets). This amount differs from the estimated gain on disposition as of March 31, 2001 of \$68,935 by (i) the amount of estimated cash expenses of \$10,032, (ii) \$12,576 of stock compensation expense relating to acceleration of vesting of stock options of certain employees of CMG and (iii) the estimated provision for income taxes of \$44,781 on the preliminary estimated pre-tax gain of \$113,715. The determination of such gain based on account balances as of March 31, 2001 is preliminary as it is (i) subject to finalization of post-closing purchase price adjustment provisions of the asset purchase agreement, (ii) is subject to finalization of estimated related expenses incurred in connection with the CMG Sale as discussed in (1) above, and (iii) is subject to finalization of the valuation of the ESC stock received, and as such, the gain is not necessarily indicative of the gain that will actually be recognized for the CMG Sale.
- (6) To eliminate the results of discontinued operations assuming the sale of CMG to ESC occurred at the beginning of the earliest period presented. Sales and cost of sales amounts have been adjusted to include the sales and related cost of sales from continuing operations of the Company to CMG. After completion of the sale of CMG to ESC, the Company will supply ESC with certain components used in CMG products. Historically, these sales of \$22,175, \$15,221 and \$19,110 in the years ended September 30, 2000, October 2, 1999, and September 26, 1998, respectively, were recorded as intercompany transactions and, therefore, were eliminated in consolidation in the Company's historical financial statements.