

PERKINELMER INC
Form 10-Q
May 11, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-5075

PerkinElmer, Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts
(State of incorporation)

04-2052042
(I.R.S. Employer Identification No.)

940 Winter Street

Waltham, Massachusetts 02451

(Address of principal executive offices)

(781) 663-6900

(Registrant's telephone number, including area code)

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

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to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of May 10, 2007, there were outstanding 119,759,390 shares of common stock, \$1 par value per share.

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	Three Months Ended	
	April 1,	April 2,
	2007	2006
	(In thousands, except	
	per share data)	
Sales	\$ 402,900	\$ 355,454
Cost of sales:		
Cost of sales	242,833	213,767
Amortization of acquired inventory revaluation	1,377	
Total cost of sales	244,210	213,767
Selling, general and administrative expenses	101,765	89,853
Research and development expenses	27,841	22,842
Restructuring charges	4,438	
In-process research and development charges	1,502	
Operating income from continuing operations	23,144	28,992
Interest and other expense (income), net	2,766	(173)
Income from continuing operations before income taxes	20,378	29,165
Provision for income taxes	5,559	7,145
Income from continuing operations	14,819	22,020
Loss from discontinued operations, net of income taxes		(443)
(Loss) gain on disposition of discontinued operations, net of income taxes	(127)	2,040
Net income	\$ 14,692	\$ 23,617
Basic earnings (loss) per share:		
Continuing operations	\$ 0.12	\$ 0.17
Loss from discontinued operations, net of income taxes		
(Loss) gain on disposition of discontinued operations, net of income taxes		0.02
Net income	\$ 0.12	\$ 0.18
Diluted earnings (loss) per share:		
Continuing operations	\$ 0.12	\$ 0.17
Loss from discontinued operations, net of income taxes		
(Loss) gain on disposition of discontinued operations, net of income taxes		0.02
Net income	\$ 0.12	\$ 0.18

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Weighted average shares of common stock outstanding:

Basic	121,685	127,918
Diluted	123,263	129,715
Cash dividends per common share	\$ 0.07	\$ 0.07

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

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PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	April 1, 2007	December 31, 2006
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	\$ 119,562	\$ 191,059
Accounts receivable, net	267,628	268,459
Inventories, net	204,597	183,260
Other current assets	82,378	101,511
Current assets of discontinued operations	477	477
Total current assets	674,642	744,766
Property, plant and equipment, net:		
At cost	532,510	525,134
Accumulated depreciation	(344,154)	(342,938)
Property, plant and equipment, net	188,356	182,196
Marketable securities and investments	4,589	7,508
Intangible assets, net	421,228	404,021
Goodwill	1,156,469	1,117,724
Other assets	51,129	52,502
Long-term assets of discontinued operations	1,557	1,605
Total assets	\$ 2,497,970	\$ 2,510,322
Current liabilities:		
Short-term debt	\$ 1,627	\$ 1,153
Accounts payable	147,708	152,836
Accrued restructuring and integration costs	5,883	2,731
Accrued expenses	266,054	318,987
Current liabilities of discontinued operations		826
Total current liabilities	421,272	476,533
Long-term debt	178,119	151,781
Long-term liabilities	356,755	304,278
Total liabilities	956,146	932,592
Commitments and contingencies		
Stockholders' equity:		
Preferred stock \$1 par value per share, authorized 1,000,000 shares; none issued or outstanding		
Common stock \$1 par value per share, authorized 300,000,000 shares; issued and outstanding 121,302,000 and 123,255,000 at April 1, 2007 and December 31, 2006, respectively	121,302	123,255
Capital in excess of par value	359,050	407,345

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Retained earnings	1,049,964	1,040,190
Accumulated other comprehensive income	11,508	6,940
Total stockholders equity	1,541,824	1,577,730
Total liabilities and stockholders equity	\$ 2,497,970	\$ 2,510,322

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PERKINELMER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended	
	April 1, 2007	April 2, 2006
	(In thousands)	
Operating activities:		
Net income	\$ 14,692	\$ 23,617
Add: loss from discontinued operations, net of income taxes		443
Add: Loss (gain) on disposition of discontinued operations, net of income taxes	127	(2,040)
Net income from continuing operations	14,819	22,020
Adjustments to reconcile net income from continuing operations to net cash provided by (used in) continuing operations:		
Stock-based compensation	2,888	2,841
Restructuring charges, net	4,438	
Amortization of deferred debt issuance costs	74	70
Depreciation and amortization	19,085	16,478
In-process research and development charges	1,502	
Amortization of acquired inventory revaluation	1,377	
Gains on dispositions, net	(401)	(266)
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable	12,459	18,224
Inventories	(8,901)	(7,373)
Accounts payable	(10,155)	(12,211)
Taxes paid on divestitures		(54,550)
Accrued expenses and other	(19,802)	(19,392)
Net cash provided by (used in) operating activities from continuing operations	17,383	(34,159)
Net cash used in discontinued operations	(131)	(580)
Net cash provided by (used in) operating activities	17,252	(34,739)
Investing activities:		
Capital expenditures	(11,393)	(9,238)
(Payments for) proceeds from disposition of businesses and investments, net	(473)	21,201
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(39,995)	(8,696)
Net cash (used in) provided by investing activities	(51,861)	3,267
Financing activities:		
Payments on debt		(39,734)
Proceeds from borrowing	25,450	
Payment of debt issuance costs		(741)
Decrease in other credit facilities	(13)	(104)
Tax benefit from exercise of common stock options	703	3,785
Proceeds from issuance of common stock under stock plans	6,170	14,829
Purchases of common stock	(60,028)	(116,393)
Dividends paid	(8,630)	(9,116)
Net cash used in financing activities	(36,348)	(147,474)

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Effect of exchange rate changes on cash and cash equivalents	(540)	(1,477)
Net decrease in cash and cash equivalents	(71,497)	(180,423)
Cash and cash equivalents at beginning of period	191,059	502,264
Cash and cash equivalents at end of period	\$ 119,562	\$ 321,841

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

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PERKINELMER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the Company), without audit, in accordance with the accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information in the footnote disclosures of these financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited financial statements in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the Company's financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the SEC (the 2006 Form 10-K). The balance sheet amounts at December 31, 2006 in this report were derived from the Company's audited 2006 financial statements included in the 2006 Form 10-K. The financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three months ended April 1, 2007 and April 2, 2006 are not necessarily indicative of the results for the entire fiscal year or any future period.

Recently Adopted Accounting Pronouncement

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48). FIN No. 48 was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. FIN No. 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN No. 48 effective January 1, 2007. In accordance with FIN No. 48 the Company has decided to continue to classify interest and penalties as a component of income tax expense. During the three months ended April 1, 2007 the Company recognized approximately \$0.6 million in interest and penalties in its tax provision.

As a result of the adoption of FIN No. 48, the Company adjusted the estimated value of its uncertain tax positions and reduced its accrued liabilities by \$3.6 million, which was accounted for as an increase to retained earnings as of January 1, 2007. As of the adoption date, the Company had gross tax effected unrecognized tax benefits of \$159.6 million, of which \$126.6 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect goodwill, equity and discontinued operations. The Company had accrued interest, net of tax benefits, and penalties expense related to the unrecognized tax benefits of \$7.3 million, which is not