

PERKINELMER INC  
Form 10-Q  
May 10, 2016  
Table of Contents

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 3, 2016

or

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 001-5075

PerkinElmer, Inc.  
(Exact name of Registrant as specified in its Charter)

Massachusetts 04-2052042  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
940 Winter Street  
Waltham, Massachusetts 02451  
(Address of principal executive offices) (Zip code)  
(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 to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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 5, 2016, there were outstanding 109,030,445 shares of common stock, \$1 par value per share.

Table of Contents

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. <u>Unaudited Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Overview</u>	<u>24</u>
<u>Critical Accounting Policies and Estimates</u>	<u>25</u>
<u>Consolidated Results of Continuing Operations</u>	<u>25</u>
<u>Reporting Segment Results of Continuing Operations</u>	<u>28</u>
<u>Liquidity and Capital Resources</u>	<u>29</u>
<u>Dividends</u>	<u>32</u>
<u>Contractual Obligations</u>	<u>33</u>
<u>Effects of Recently Adopted and Issued Accounting Pronouncements</u>	<u>33</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>35</u>
Item 4. <u>Controls and Procedures</u>	<u>36</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>37</u>
Item 1A. <u>Risk Factors</u>	<u>37</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
Item 6. <u>Exhibits</u>	<u>44</u>
<u>Signatures</u>	<u>46</u>
<u>Exhibit Index</u>	<u>47</u>

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Unaudited Financial Statements

PERKINELMER, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	Three Months Ended	
	April 3, 2016	March 29, 2015
	(In thousands, except per share data)	
Product revenue	\$365,020	\$359,313
Service revenue	173,664	167,588
Total revenue	538,684	526,901
Cost of product revenue	180,579	184,609
Cost of service revenue	108,008	106,918
Total cost of revenue	288,587	291,527
Selling, general and administrative expenses	147,545	145,873
Research and development expenses	33,785	32,120
Operating income from continuing operations	68,767	57,381
Interest and other expense, net	11,086	9,421
Income from continuing operations before income taxes	57,681	47,960
Provision for income taxes	10,176	7,649
Income from continuing operations	47,505	40,311
Loss from discontinued operations before income taxes	(3	) (37
Loss on disposition of discontinued operations before income taxes	—	(13
Provision for (benefit from) income taxes on discontinued operations	36	(73
(Loss from) gain on discontinued operations	(39	) 23
Net income	\$47,466	\$40,334
Basic earnings per share:		
Income from continuing operations	\$0.43	\$0.36
(Loss from) gain on discontinued operations	(0.00	) 0.00
Net income	\$0.43	\$0.36
Diluted earnings per share:		
Income from continuing operations	\$0.43	\$0.36
(Loss from) gain on discontinued operations	(0.00	) 0.00
Net income	\$0.43	\$0.36
Weighted average shares of common stock outstanding:		
Basic	110,409	112,641
Diluted	111,195	113,439
Cash dividends per common share	\$0.07	\$0.07

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

Table of Contents

PERKINELMER, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	Three Months Ended April 3, March 29, 2016 2015 (In thousands)	
Net income	\$47,466	\$40,334
Other comprehensive loss:		
Foreign currency translation adjustments	31,567	(23,697 )
Unrealized gains (losses) on securities, net of tax	32	(29 )
Other comprehensive income (loss)	31,599	(23,726 )
Comprehensive income	\$79,065	\$16,608

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

Table of Contents

PERKINELMER, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

	April 3, 2016	January 3, 2016
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	\$210,731	\$237,932
Accounts receivable, net	436,755	439,015
Inventories	314,060	288,028
Other current assets	88,274	68,186
Total current assets	1,049,820	1,033,161
Property, plant and equipment:		
At cost	507,774	494,956
Accumulated depreciation	(339,649 )	(327,927 )
Property, plant and equipment, net	168,125	167,029
Marketable securities and investments	1,379	1,586
Intangible assets, net	481,598	490,811
Goodwill	2,296,146	2,276,149
Other assets, net	213,653	197,559
Total assets	\$4,210,721	\$4,166,295
Current liabilities:		
Current portion of long-term debt	\$1,135	\$1,123
Accounts payable	159,480	152,726
Accrued restructuring and contract termination charges	10,933	17,090
Accrued expenses and other current liabilities	380,899	388,446
Current liabilities of discontinued operations	2,100	2,100
Total current liabilities	554,547	561,485
Long-term debt	1,119,830	1,011,762
Long-term liabilities	486,864	482,607
Total liabilities	2,161,241	2,055,854
Commitments and contingencies (see Note 18)		
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 109,015,000 shares and 112,034,000 shares at April 3, 2016 and at January 3, 2016, respectively	109,015	112,034
Capital in excess of par value	—	52,932
Retained earnings	1,954,822	1,991,431
Accumulated other comprehensive loss	(14,357 )	(45,956 )
Total stockholders' equity	2,049,480	2,110,441
Total liabilities and stockholders' equity	\$4,210,721	\$4,166,295

The accompanying 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 3, 2016	March 29, 2015
	(In thousands)	
Operating activities:		
Net income	\$47,466	\$40,334
Loss from (gain on) discontinued operations, net of income taxes	39	(23 )
Income from continuing operations	47,505	40,311
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	26,957	28,334
Stock-based compensation	3,953	3,987
Amortization of deferred debt financing costs and accretion of discount	356	312
Amortization of acquired inventory revaluation	131	4,850
Changes in assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	12,444	37,582
Inventories	(15,779 )	(22,498 )
Accounts payable	4,217	(12,335 )
Accrued expenses and other	(47,705 )	(42,895 )
Net cash provided by operating activities of continuing operations	32,079	37,648
Net cash (used in) provided by operating activities of discontinued operations	(39 )	15
Net cash provided by operating activities	32,040	37,663
Investing activities:		
Capital expenditures	(7,808 )	(4,479 )
Proceeds from disposition of a business	1,000	—
Changes in restricted cash balances	—	59
Activity related to acquisitions and investments, net of cash and cash equivalents acquired	(10,484 )	(4,619 )
Net cash used in investing activities	(17,292 )	(9,039 )
Financing activities:		
Payments on revolving credit facility	(75,000 )	(98,000 )
Proceeds from revolving credit facility	183,000	61,000
Settlement of cash flow hedges	2,630	15,563
Net payments on other credit facilities	(275 )	(263 )
Payments for acquisition-related contingent consideration	(93 )	—
Proceeds from issuance of common stock under stock plans	1,238	8,840
Purchases of common stock	(151,352 )	(3,954 )
Dividends paid	(7,843 )	(7,876 )
Net cash used in financing activities	(47,695 )	(24,690 )
Effect of exchange rate changes on cash and cash equivalents	5,746	(9,831 )
Net increase in cash and cash equivalents	(27,201 )	(5,897 )
Cash and cash equivalents at beginning of period	237,932	174,821
Cash and cash equivalents at end of period	\$210,731	\$168,924

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



Table of Contents

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"), in accordance with accounting principles generally accepted in the United States of America (the "U.S." or 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 the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited consolidated financial statements, in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended January 3, 2016, filed with the SEC (the "2015 Form 10-K"). The balance sheet amounts at January 3, 2016 in this report were derived from the Company's audited 2015 consolidated financial statements included in the 2015 Form 10-K. The condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") 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 3, 2016 and March 29, 2015, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period. The Company has evaluated subsequent events from April 3, 2016 through the date of the issuance of these condensed consolidated financial statements and has determined that other than the events the Company has disclosed within the footnotes to the financial statements, no material subsequent events have occurred that would affect the information presented in these condensed consolidated financial statements or would require additional disclosure.

The Company's fiscal year ends on the Sunday nearest December 31. The Company reports fiscal years under a 52/53 week format and as a result, certain fiscal years will contain 53 weeks. The fiscal year ending January 1, 2017 ("fiscal year 2016") will include 52 weeks, while the fiscal year ended January 3, 2016 ("fiscal year 2015") included 53 weeks. The additional week in fiscal year 2015 was reflected in the Company's third quarter, which consisted of 14 weeks as compared to the Company's third quarter of fiscal year 2016, which will consist of 13 weeks.

Recently Adopted and Issued Accounting Pronouncements: From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB") and are adopted by the Company as of the specified effective dates. Unless otherwise discussed, such pronouncements did not have or will not have a significant impact on the Company's condensed consolidated financial position, results of operations and cash flows or do not apply to the Company's operations.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting ("ASU No. 2016-09"). The new standard simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory withholding requirements, as well as the related classification in the statement of cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The standard requires an entity to recognize all excess tax benefits and tax deficiencies as income tax benefit or expense in the income statement as discrete items in the reporting period in which they occur, and such tax benefits and tax deficiencies are not included in the estimate of an entity's annual effective tax rate, applied on a prospective basis. Further, the standard eliminates the requirement to defer the



recognition of excess tax benefits until the benefit is realized through a reduction to taxes payable. All excess tax benefits previously unrecognized, along with any valuation allowance, should be recognized on a modified retrospective basis as a cumulative adjustment to retained earnings as of the date of adoption. Under ASU No. 2016-09, an entity that applies the treasury stock method in calculating diluted earnings per share is required to exclude excess tax benefits and deficiencies from the calculation of assumed proceeds since such amounts are recognized in the income statement. Excess tax benefits should also be classified as operating activities in the same manner as other cash flows related to income taxes on the statement of cash flows, as such excess tax benefits no longer represent financing activities since they are recognized in the income statement, and should be applied prospectively or retrospectively to all periods presented. The Company adopted ASU No. 2016-09 at the beginning of the first quarter of fiscal year 2016. The Company recorded a cumulative increase of \$14.2 million in the beginning of the first quarter of fiscal year 2016 retained earnings with a corresponding increase in deferred tax assets related to the prior years' unrecognized excess tax benefits. In addition, excess tax benefits related to exercised options and vested restricted stock and restricted stock units during the first quarter of fiscal year 2016 have been recognized in the current period's income statement. The Company also excluded the

Table of Contents

excess tax benefits from the calculation of diluted earnings per share for the first quarter of fiscal year 2016. The Company applied the cash flow presentation section of the guidance on a prospective basis, and the prior period statement of cash flows was not adjusted. ASU No. 2016-09 also allows an entity to elect as an accounting policy either to continue to estimate the total number of awards for which the requisite service period will not be rendered or to account for forfeitures for service based awards as they occur. An entity that elects to account for forfeitures as they occur should apply the accounting change on a modified retrospective basis as a cumulative effect adjustment to retained earnings as of the date of adoption. The Company has elected to account for forfeitures as they occur. The adoption of this accounting policy did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new guidance requires lessees to recognize a lease liability and right-of-use asset on the balance sheet for financing and operating leases. The provisions of this guidance are to be applied using a modified retrospective approach and are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory. Under this new guidance, companies that use inventory measurement methods other than last-in, first-out or the retail inventory method should measure inventory at the lower of cost and net realizable value. The provisions of this guidance are to be applied prospectively and are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. Under this new guidance, an entity should use a five-step process to recognize revenue, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Subsequent to the issuance of the standard, the FASB decided to defer the effective date for one year to annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The standard may be adopted either using a full retrospective approach or a modified retrospective approach. The Company is evaluating the requirements of this guidance and has not yet determined the transition method to use or the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows. The Company does not intend to early adopt this standard.

Note 2: Business Combinations

Acquisitions in fiscal year 2016

During the first three months of fiscal year 2016, the Company completed the acquisition of a business for total consideration of \$8.8 million in cash. The excess of the purchase price over the fair value of the acquired business's net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired. As a result of the acquisition, the Company recorded goodwill of \$3.7 million, which is not tax deductible, and intangible assets of \$2.0 million. The Company has reported the operations for this acquisition within the results of the Company's Environmental Health segment from the acquisition date. Identifiable definite-lived intangible assets, such as core technology and trade name, acquired as part of this acquisition had weighted average amortization periods of 11 years.

Acquisitions in fiscal year 2015

During fiscal year 2015, the Company completed the acquisition of five businesses for a total consideration of \$77.1 million in cash. The acquired businesses included Vanadis Diagnostics AB (“Vanadis”), which was acquired for total consideration of \$35.1 million in cash, as further described in Note 17 below, and other acquisitions for aggregate consideration of \$42.0 million in cash. The Company has a potential obligation to pay the shareholders of Vanadis additional contingent consideration of up to \$93.0 million, which at closing had an estimated fair value of \$56.9 million. The excess of the purchase prices over the fair values of each of the acquired business's net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, of which \$9.2 million is tax deductible. The Company has reported the operations for these acquisitions within the results of the Company's Human Health and Environmental Health segments from the acquisition dates. Identifiable definite-lived intangible assets, such as core technology and trade names, acquired as part of these acquisitions had weighted average amortization periods of nine years.

Table of Contents

The total purchase price for the acquisitions in fiscal year 2015 has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	2015 Acquisitions (In thousands)
Fair value of business combination:	
Cash payments	\$ 75,285
Contingent consideration	56,878
Working capital and other adjustments	1,832
Less: cash acquired	(3,864 )
Total	\$ 130,131
Identifiable assets acquired and liabilities assumed:	
Current assets	\$ 2,551
Property, plant and equipment	998
Identifiable intangible assets:	
Core technology	15,759
Trade names	200
Licenses	116
Customer relationships	3,073
In-process research and development ("IPR&D")	75,700
Goodwill	51,356
Deferred taxes	(16,772 )
Liabilities assumed	(2,850 )
Total	\$ 130,131

The preliminary allocations of the purchase prices for acquisitions are based upon initial valuations. The Company's estimates and assumptions underlying the initial valuations are subject to the collection of information necessary to complete its valuations within the measurement periods, which are up to one year from the respective acquisition dates. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and related valuation allowances, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair values of the net assets acquired at the acquisition dates during the measurement periods. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition dates that, if known, would have resulted in the recognition of those assets and liabilities as of those dates. These adjustments will be made in the periods in which the amounts are determined and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition dates. All changes that do not qualify as adjustments made during the measurement periods are also included in current period earnings.

Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocations. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair values for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Contingent consideration is measured at fair value at the acquisition date, based on the probability that revenue thresholds or product development milestones will be achieved during the earnout period, with changes in the fair value after the acquisition date affecting earnings to the extent it is to be settled in cash. Increases or decreases in the fair value of contingent consideration liabilities primarily result from changes in the estimated probabilities of

achieving revenue thresholds, changes in discount rates or product development milestones during the earnout period. As of April 3, 2016, the Company may have to pay contingent consideration related to acquisitions with open contingency periods of up to \$95.3 million. As of April 3, 2016, the Company has recorded contingent consideration obligations with an estimated fair value of \$58.6 million, of which \$9.3 million was recorded in accrued expenses and other

9

---

Table of Contents

current liabilities, and \$49.3 million was recorded in long-term liabilities. As of January 3, 2016, the Company had recorded contingent consideration obligations with an estimated fair value of \$57.4 million, of which \$9.4 million was recorded in accrued expenses and other current liabilities, and \$48.0 million was recorded in long-term liabilities. The expected maximum earnout period for acquisitions with open contingency periods does not exceed six years from the respective acquisition dates, and the remaining weighted average expected earnout period at April 3, 2016 was two years. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, require acceleration of the amortization expense of definite-lived intangible assets or the recognition of additional contingent consideration which would be recognized as a component of operating expenses from continuing operations.

Total transaction costs related to acquisition activities for the three months ended April 3, 2016 and March 29, 2015 were \$0.4 million and \$0.2 million, respectively, which were expensed as incurred and recorded in selling, general and administrative expenses in the Company's condensed consolidated statements of operations.

Note 3: Discontinued Operations

As part of the Company's continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of April 3, 2016 and January 3, 2016.

During the first three months of each of fiscal years 2016 and 2015, the Company settled various commitments related to the divestiture of discontinued operations and recognized a loss of \$0.04 million and a gain of \$0.02 million, respectively.

Note 4: Restructuring and Contract Termination Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, the alignment of the Company's operations with its growth strategy, the integration of its business units and its productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, as applicable, and are included as a component of operating expenses from continuing operations.

The Company implemented a restructuring plan in the fourth quarter of fiscal year 2015 consisting of workforce reductions principally intended to focus resources on higher growth end markets (the "Q4 2015 Plan"). The Company implemented a restructuring plan in the second quarter of fiscal year 2015 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q2 2015 Plan"). Details of the plans initiated in previous years ("Previous Plans") are discussed more fully in Note 4 to the audited consolidated financial statements in the 2015 Form 10-K.

The following table summarizes the number of employees reduced, the initial restructuring or contract termination charges by operating segment, and the dates by which payments were substantially completed, or the expected dates by which payments will be substantially completed, for restructuring actions implemented during fiscal year 2015:

Workforce Reductions	Closure of Excess Facility	Total	(Expected) Date Payments Substantially Completed by Severance Excess Facility
----------------------	----------------------------	-------	-------------------------------------------------------------------------------

Edgar Filing: PERKINELMER INC - Form 10-Q

Headcount Reduction (In thousands, except headcount data)	Human Health	Environmental Health	Human Health	Environmental Health	Q1 FY2017	Q4 FY2017
Q4 2015 Plan174	\$2,230	\$ 9,065	\$285	\$	—\$11,580	Q4 FY2017
Q2 2015 Plan97	1,850	4,160	—	—	6,010	Q2 FY2016 —

The Company expects to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

The Company also terminated various contractual commitments in connection with certain disposal activities and recorded charges, to the extent applicable, for the costs of terminating these contracts before the end of their terms and the costs that will continue to be incurred for the remaining terms without economic benefit to the Company. The Company recorded additional pre-tax charges of \$0.1 million during fiscal year 2015 in the Environmental Health segment as a result of these contract terminations.

Table of Contents

At April 3, 2016, the Company had \$15.3 million recorded for accrued restructuring and contract termination charges, of which \$10.9 million was recorded in short-term accrued restructuring and contract termination charges and \$4.4 million was recorded in long-term liabilities. At January 3, 2016, the Company had \$22.2 million recorded for accrued restructuring and contract termination charges, of which \$17.1 million was recorded in short-term accrued restructuring and contract termination charges and \$5.1 million was recorded in long-term liabilities. The following table summarizes the Company's restructuring and contract termination accrual balances and related activity by restructuring plan, as well as contract termination accrual balances and related activity, during the three months ended April 3, 2016:

	Balance at January 3, 2016	2016 Amounts Paid	Balance at April 3, 2016
(In thousands)			
Severance:			
Q4 2015 Plan	\$10,370	\$(5,337 )	\$5,033
Q2 2015 Plan	1,149	(232 )	917
Facility:			
Q4 2015 Plan	259	(58 )	201
Previous Plans	10,287	(1,273 )	9,014
Restructuring	22,065	(6,900 )	15,165
Contract Termination	132	—	132
Total Restructuring and Contract Termination	\$22,197	\$(6,900 )	\$15,297

## Note 5: Interest and Other Expense, Net

Interest and other expense, net, consisted of the following:

	Three Months Ended	
	April 3, 2016	March 29, 2015
(In thousands)		
Interest income	\$(110 )	\$(209 )
Interest expense	9,841	9,388
Other expense, net	1,355	242
Total interest and other expense, net	\$11,086	\$9,421

Foreign currency transaction losses were \$4.2 million and \$15.8 million for the three months ended April 3, 2016 and March 29, 2015, respectively. Net gains from forward currency hedge contracts were \$2.8 million and \$15.5 million for the three months ended April 3, 2016 and March 29, 2015, respectively. These amounts were included in other expense, net.

## Note 6: Inventories

Inventories as of April 3, 2016 and January 3, 2016 consisted of the following:

	April 3, 2016	January 3, 2016
(In thousands)		



Raw materials	\$101,838	\$98,984
Work in progress	20,194	17,858
Finished goods	192,028	171,186
Total inventories	\$314,060	\$288,028

Table of Contents

## Note 7: Income Taxes

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority at a differing amount; and/or (iii) the statute of limitations expires regarding a tax position.

At April 3, 2016, the Company had gross tax effected unrecognized tax benefits of \$28.2 million, of which \$24.4 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations.

The Company believes that it is reasonably possible that approximately \$5.5 million of its uncertain tax positions at April 3, 2016, including accrued interest and penalties, and net of tax benefits, may be resolved over the next twelve months as a result of lapses in applicable statutes of limitations and potential settlements. Various tax years after 2009 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

During the first three months of fiscal years 2016 and 2015, the Company recorded net discrete income tax benefits of \$0.8 million and \$1.8 million, respectively, primarily for reversals of uncertain tax position reserves and resolution of other tax matters. The discrete tax benefit in the first three months of fiscal year 2016 was primarily due to the recognition of excess tax benefits from exercised options and vested restricted stock and restricted stock units during the period, as a result of adopting ASU No. 2016-09.

## Note 8: Debt

**Senior Unsecured Revolving Credit Facility.** The Company's senior unsecured revolving credit facility provides for \$700.0 million of revolving loans and has an initial maturity of January 8, 2019. As of April 3, 2016, undrawn letters of credit in the aggregate amount of \$11.5 million were treated as issued and outstanding when calculating the borrowing availability under the senior unsecured revolving credit facility. As of April 3, 2016, the Company had \$98.5 million available for additional borrowing under the facility. The Company uses the senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) one-month Libor plus 1.00%. At April 3, 2016, borrowings under the senior unsecured revolving credit facility were accruing interest primarily based on the Eurocurrency rate. The Eurocurrency margin as of April 3, 2016 was 108 basis points. The weighted average Eurocurrency interest rate as of April 3, 2016 was 0.47%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 1.55%. As of April 3, 2016, the senior unsecured revolving credit facility had an aggregate carrying value of \$587.8 million, which was net of \$2.2 million of unamortized debt issuance costs. As of January 3, 2016, the senior unsecured revolving credit facility had an aggregate carrying value of \$479.6 million, which was net of \$2.4 million of unamortized debt issuance costs. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default. The financial covenants in the Company's senior unsecured revolving credit facility include a debt-to-capital ratio, and two contingent covenants, a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, applicable if the Company's credit rating is downgraded below investment grade.

**5% Senior Unsecured Notes due in 2021.** On October 25, 2011, the Company issued \$500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received \$496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of \$3.1 million. As of April 3, 2016, the 2021 Notes had an aggregate carrying value of

\$495.2 million, net of \$2.0 million of unamortized original issue discount and \$2.8 million of unamortized debt issuance costs. As of January 3, 2016, the 2021 Notes had an aggregate carrying value of \$495.1 million, net of \$2.0 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes in whole or in part, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), the Company may redeem

Table of Contents

the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require the Company to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.

Financing Lease Obligations. In fiscal year 2012, the Company entered into agreements with the lessors of certain buildings that the Company is currently occupying and leasing to expand those buildings. The Company provided a portion of the funds needed for the construction of the additions to the buildings, and as a result the Company was considered the owner of the buildings during the construction period. At the end of the construction period, the Company was not reimbursed by the lessors for all of the construction costs. The Company is therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for the Company and non-cash investing and financing activities. As a result, the Company capitalized \$29.3 million in property, plant and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. The Company has also capitalized \$11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At April 3, 2016, the Company had \$37.9 million recorded for these financing lease obligations, of which \$1.1 million was recorded as short-term debt and \$36.8 million was recorded as long-term debt. At January 3, 2016, the Company had \$38.2 million recorded for these financing lease obligations, of which \$1.1 million was recorded as short-term debt and \$37.1 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

## Note 9: Earnings Per Share

Basic earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding during the period less restricted unvested shares. Diluted earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding plus all potentially dilutive common stock equivalents, primarily shares issuable upon the exercise of stock options using the treasury stock method. The following table reconciles the number of shares utilized in the earnings per share calculations:

	Three Months Ended April 3, March 29, 2016 2015 (In thousands)	
Number of common shares—basic	110,409	112,641
Effect of dilutive securities:		
Stock options	661	677
Restricted stock awards	125	121
Number of common shares—diluted	111,195	113,439
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	1,098	932

Antidilutive securities include outstanding stock options with exercise prices and average unrecognized compensation cost in excess of the average fair market value of common stock for the related period. Antidilutive options were excluded from the calculation of diluted net income per share and could become dilutive in the future.

## Note 10: Industry Segment Information

The Company discloses information about its operating segments based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company

evaluates the performance of its operating segments based on revenue and operating income. Intersegment revenue and transfers are not significant. The Company's management reviews the results of the Company's operations by the Human Health and Environmental Health operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2015 Form 10-K. The principal products and services of the Company's two operating segments are:

13

---

Table of Contents

**Human Health.** Develops diagnostics, tools and applications to help detect diseases earlier and more accurately and to accelerate the discovery and development of critical new therapies. The Human Health segment serves both the diagnostics and research markets.

**Environmental Health.** Provides products, services and solutions to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental, industrial and laboratory services markets.

The Company has included the expenses for its corporate headquarters, such as legal, tax, audit, human resources, information technology, and other management and compliance costs, as well as the activity related to the mark-to-market adjustment on postretirement benefit plans, as “Corporate” below. The Company has a process to allocate and recharge expenses to the reportable segments when these costs are administered or paid by the corporate headquarters based on the extent to which the segment benefited from the expenses. These amounts have been calculated in a consistent manner and are included in the Company’s calculations of segment results to internally plan and assess the performance of each segment for all purposes, including determining the compensation of the business leaders for each of the Company’s operating segments.

Revenue and operating income (loss) from continuing operations by operating segment are shown in the table below:

	Three Months Ended	
	April 3,	March 29,
	2016	2015
	(In thousands)	
<b>Human Health</b>		
Product revenue	\$235,085	\$231,147
Service revenue	97,357	94,906
Total revenue	332,442	326,053
Operating income from continuing operations	54,727	55,882
<b>Environmental Health</b>		
Product revenue	129,935	128,166
Service revenue	76,307	72,682
Total revenue	206,242	200,848
Operating income from continuing operations	25,597	11,346
<b>Corporate</b>		
Operating loss from continuing operations	(11,557 )	(9,847 )
<b>Continuing Operations</b>		
Product revenue	365,020	359,313
Service revenue	173,664	167,588
Total revenue	538,684	526,901
Operating income from continuing operations	68,767	57,381
Interest and other expense, net (see Note 5)	11,086	9,421
Income from continuing operations before income taxes	\$57,681	\$47,960

## Note 11: Stockholders’ Equity

## Comprehensive Income:

The components of accumulated other comprehensive loss income consisted of the following:

	April 3,	January 3,
	2016	2016
	(In thousands)	
Foreign currency translation adjustments	\$(15,279)	\$(46,846)
Unrecognized prior service costs, net of income taxes	1,259	1,259
Unrealized net losses on securities, net of income taxes	(337 )	(369 )
Accumulated other comprehensive loss	\$(14,357)	\$(45,956)



Table of Contents

## Stock Repurchases:

On October 23, 2014, the Board of Directors (the "Board") authorized the Company to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 23, 2016 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the three months ended April 3, 2016, the Company repurchased 3.2 million shares of common stock in the open market at an aggregate cost of \$148.2 million, including commissions, under the Repurchase Program. As of April 3, 2016, 2.7 million shares remained available for repurchase under the Repurchase Program.

In addition, the Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company's equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to the Company's equity incentive plans. During the three months ended April 3, 2016, the Company repurchased 66,658 shares of common stock for this purpose at an aggregate cost of \$3.1 million. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

## Dividends:

The Board declared a regular quarterly cash dividend of \$0.07 per share for the first quarter of fiscal year 2016 and in each quarter of fiscal year 2015. At April 3, 2016, the Company has accrued \$7.6 million for dividends declared on January 28, 2016 for the first quarter of fiscal year 2016 that was paid in May 2016. On April 25, 2016, the Company announced that the Board had declared a quarterly dividend of \$0.07 per share for the second quarter of fiscal year 2016 that will be payable in August 2016. In the future, the Board may determine to reduce or eliminate the Company's common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

## Note 12: Stock Plans

In addition to the Company's Employee Stock Purchase Plan, the Company utilizes one stock-based compensation plan, the 2009 Incentive Plan (the "2009 Plan"). Under the 2009 Plan, 10.0 million shares of the Company's common stock are authorized for stock option grants, restricted stock awards, performance units and stock grants as part of the Company's compensation programs. In addition to shares of the Company's common stock originally authorized for issuance under the 2009 Plan, the 2009 Plan includes shares of the Company's common stock previously granted under the Amended and Restated 2001 Incentive Plan and the 2005 Incentive Plan that were canceled or forfeited without the shares being issued.

The following table summarizes total pre-tax compensation expense recognized related to the Company's stock options, restricted stock, restricted stock units, performance units and stock grants, included in the Company's condensed consolidated statements of operations for the three months ended April 3, 2016 and March 29, 2015:

	Three Months Ended April 3, March 29, 2016 2015 (In thousands)	
Cost of product and service revenue	\$204	\$ 249
Research and development expenses	185	159
Selling, general and administrative expenses	3,564	3,579
Total stock-based compensation expense	\$3,953	\$ 3,987

The total income tax benefit recognized in the Company's condensed consolidated statements of operations for stock-based compensation was \$1.9 million and \$1.3 million for the three months ended April 3, 2016 and March 29, 2015, respectively. Stock-based compensation costs capitalized as part of inventory were \$0.3 million and \$0.4 million as of April 3, 2016 and March 29, 2015, respectively.





Table of Contents

Stock Options: The fair value of each option grant is estimated using the Black-Scholes option pricing model. The Company's weighted-average assumptions used in the Black-Scholes option pricing model were as follows:

	Three Months Ended			
	April 3, 2016		March 29, 2015	
Risk-free interest rate	1.4	%	1.3	%
Expected dividend yield	0.6	%	0.6	%
Expected term	5 years		5 years	
Expected stock volatility	25.2	%	26.5	%

The following table summarizes stock option activity for the three months ended April 3, 2016:

	Number of Shares	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term	Total Intrinsic Value
	(In thousands)		(In years)	(In millions)
Outstanding at January 3, 2016	2,372	\$ 33.12		
Granted	579	44.39		
Exercised	(61 )	20.37		
Canceled	(1 )	12.95		
Forfeited	(1 )	46.48		
Outstanding at April 3, 2016	2,888	\$ 35.65	4.1	\$ 35.4
Exercisable at April 3, 2016	1,812	\$ 30.30	2.9	\$ 31.7

The weighted-average per-share grant-date fair value of options granted during the three months ended April 3, 2016 and March 29, 2015 was \$10.10 and \$10.99, respectively. The total intrinsic value of options exercised during the three months ended April 3, 2016 and March 29, 2015 was \$1.7 million and \$17.7 million, respectively. Cash received from option exercises for the three months ended April 3, 2016 and March 29, 2015 was \$1.2 million and \$8.8 million, respectively.

The total compensation expense recognized related to the Company's outstanding options was \$1.1 million and \$0.8 million for the three months ended April 3, 2016 and March 29, 2015, respectively.

There was \$10.3 million of total unrecognized compensation cost related to nonvested stock options granted as of April 3, 2016. This cost is expected to be recognized over a weighted-average period of 2.3 years.

Restricted Stock Awards: The following table summarizes restricted stock award activity for the three months ended April 3, 2016:

	Number of Shares	Weighted- Average Grant- Date Fair Value
	(In thousands)	
Nonvested at January 3, 2016	502	\$ 42.61
Granted	238	46.21
Vested	(182 )	38.09
Forfeited	(6 )	45.84
Nonvested at April 3, 2016	552	\$ 45.62

The fair value of restricted stock awards vested during the three months ended April 3, 2016 and March 29, 2015 was \$6.9 million and \$6.6 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was \$2.3 million for the three months ended April 3, 2016 and \$2.0 million for the three months ended March 29, 2015.

As of April 3, 2016, there was \$19.2 million of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.9 years.

Table of Contents

**Performance Units:** The Company granted 77,453 and 66,509 performance units during the three months ended April 3, 2016 and March 29, 2015, respectively, as part of the Company's executive incentive program. The weighted-average per-share grant-date fair value of performance units granted during the three months ended April 3, 2016 and March 29, 2015 was \$42.47 and \$46.83, respectively. During the three months ended April 3, 2016 and March 29, 2015, no performance units were forfeited. The total compensation expense recognized related to performance units was \$0.6 million and \$1.1 million for the three months ended April 3, 2016 and March 29, 2015, respectively. As of April 3, 2016, there were 208,478 performance units outstanding and subject to forfeiture, with a corresponding liability of \$4.1 million recorded in accrued expenses and other current liabilities.

**Stock Awards:** The Company's stock award program provides non-employee directors an annual equity award. During the three months ended April 3, 2016, the Company did not grant any stock awards. The Company granted 544 shares to a new non-employee member of the Board during the three months ended March 29, 2015. The weighted-average per-share grant-date fair value of the stock award granted during the three months ended March 29, 2015 was \$45.98. The total compensation expense recognized related to this stock award was \$0.03 million for the three months ended March 29, 2015.

**Employee Stock Purchase Plan:** During the three months ended April 3, 2016, the Company did not issue shares of common stock under the Company's Employee Stock Purchase Plan. During the three months ended March 29, 2015, the Company issued 29,565 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$41.54 per share. At April 3, 2016, an aggregate of 1.0 million shares of the Company's common stock remained available for sale to employees out of the 5.0 million shares authorized by shareholders for issuance under this plan.

**Note 13: Goodwill and Intangible Assets, Net**

The Company tests goodwill and non-amortizing intangible assets at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for goodwill and non-amortizing intangible assets on the later of January 1 or the first day of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of goodwill or non-amortizing intangible assets.

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 4, 2016, its annual impairment date for fiscal year 2016. The Company concluded based on the first step of the process that there was no goodwill impairment, and the fair value exceeded the carrying value by more than 20.0% for each reporting unit. The long-term terminal growth rate for the Company's reporting units was 3.0% for the fiscal year 2016 impairment analysis. The range for the discount rates for the reporting units was 9.5% to 12.5%. Keeping all other variables constant, a 10.0% change in any one of these input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rates and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years' cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rates. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. The Company corroborates the income approach with a market approach.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company evaluates the remaining useful lives of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful lives and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 4, 2016, and concluded that there was no impairment of non-amortizing intangible assets. An assessment of the recoverability of amortizing intangible assets takes place when events have occurred that may give rise to an impairment. No such events occurred during the first three months of fiscal year 2016.

Table of Contents

The changes in the carrying amount of goodwill for the three months ended April 3, 2016 were as follows:

	Human Health	Environmental Health	Consolidated
	(In thousands)		
Balance at January 3, 2016	\$ 1,672,491	\$ 603,658	\$ 2,276,149
Foreign currency translation	13,003	4,691	17,694
Acquisitions and other	(1,370 )	3,673	2,303
Balance at April 3, 2016	\$ 1,684,124	\$ 612,022	\$ 2,296,146

Identifiable intangible asset balances at April 3, 2016 and January 3, 2016 by category were as follows:

	April 3, 2016	January 3, 2016
	(In thousands)	
Patents	\$39,929	\$39,911
Less: Accumulated amortization	(30,463 )	(29,788 )
Net patents	9,466	10,123
Trade names and trademarks	40,802	40,249
Less: Accumulated amortization	(21,666 )	(20,686 )
Net trade names and trademarks	19,136	19,563
Licenses	59,266	58,969
Less: Accumulated amortization	(46,489 )	(45,286 )
Net licenses	12,777	13,683
Core technology	312,556	307,242
Less: Accumulated amortization	(220,582 )	(211,829 )
Net core technology	91,974	95,413
Customer relationships	395,951	391,566
Less: Accumulated amortization	(202,382 )	(191,655 )
Net customer relationships	193,569	199,911
IPR&D	88,554	85,679
Less: Accumulated amortization	(4,462 )	(4,145 )
Net IPR&D	84,092	81,534
Net amortizable intangible assets	411,014	420,227
Non-amortizing intangible assets:		
Trade names	70,584	70,584
Total	\$481,598	\$490,811

Total amortization expense related to definite-lived intangible assets was \$19.0 million and \$19.8 million for the three months ended April 3, 2016 and March 29, 2015, respectively. Estimated amortization expense related to definite-lived intangible assets for each of the next five years is \$53.9 million for the remainder of fiscal year 2016, \$63.0 million for fiscal year 2017, \$61.4 million for fiscal year 2018, \$49.5 million for fiscal year 2019, and \$40.8 million for fiscal year 2020.

## Note 14: Warranty Reserves

The Company provides warranty protection for certain products usually for a period of one year beyond the date of sale. The majority of costs associated with warranty obligations include the replacement of parts and the time for service personnel to respond to repair and replacement requests. A warranty reserve is recorded based upon historical results, supplemented by management's expectations of future costs. Warranty reserves are included in "Accrued expenses and other current liabilities" on the condensed consolidated balance sheets.



Table of Contents

A summary of warranty reserve activity for the three months ended April 3, 2016 and March 29, 2015 is as follows:

	Three Months	
	Ended	
	April 3,	March 29,
	2016	2015
	(In thousands)	
Balance at beginning of period	\$ 10,922	\$ 10,783
Provision charged to income	3,884	4,158
Payments	(4,195 )	(3,762 )
Adjustments to previously provided warranties, net	(97 )	79
Foreign currency translation and acquisitions	262	(387 )
Balance at end of period	\$ 10,776	\$ 10,871

## Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic credit for the Company's various defined benefit employee pension and postretirement plans for the three months ended April 3, 2016 and March 29, 2015:

	Defined Benefit		Postretirement	
	Pension Benefits		Medical Benefits	
	Three Months Ended			
	April 3,	March 29,	April 3,	March 29,
	2016	2015	2016	2015
	(In thousands)			
Service cost	\$ 1,092	\$ 1,106	\$ 25	\$ 27
Interest cost	4,730	5,250	36	36
Expected return on plan assets	(6,188 )	(6,512 )	(259 )	(266 )
Amortization of prior service costs	(54 )	(64 )	—	—
Net periodic benefit credit	\$ (420 )	\$ (220 )	\$ (198 )	\$ (203 )

During the three months ended April 3, 2016 and March 29, 2015, the Company contributed \$2.3 million and \$4.9 million, respectively, in the aggregate, to pension plans outside of the United States.

The Company recognizes actuarial gains and losses, unless an interim rereasurement is required, in operating results in the fourth quarter of the year in which the gains and losses occur, in accordance with the Company's accounting method for defined benefit pension plans and other postretirement benefits as described in Note 1 of the Company's audited consolidated financial statements and notes included in its 2015 Form 10-K. Such adjustments for gains and losses are primarily driven by events and circumstances beyond the Company's control, including changes in interest rates, the performance of the financial markets and mortality assumptions.

## Note 16: Derivatives and Hedging Activities

The Company uses derivative instruments as part of its risk management strategy only, and includes derivatives utilized as economic hedges that are not designated as hedging instruments. By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties. The Company does not enter into derivative contracts for trading or other speculative purposes, nor does the Company use leveraged financial instruments. Approximately 60% of the Company's business is conducted outside of the United States, generally in foreign currencies. As a result, fluctuations in foreign currency exchange rates can increase the costs of financing, investing and operating the business.



In the ordinary course of business, the Company enters into foreign exchange contracts for periods consistent with its committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures. Transactions covered by hedge contracts include intercompany and third-party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on the Company's condensed consolidated balance sheets. The unrealized gains and losses on the Company's foreign currency

## Table of Contents

contracts are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from operating activities within the Company's condensed consolidated statement of cash flows.

Principal hedged currencies include the British Pound, Euro, Japanese Yen and Singapore Dollar. The Company held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$140.2 million, \$127.3 million and \$108.2 million at April 3, 2016, January 3, 2016 and March 29, 2015, respectively, and the fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on these foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during each of the three months ended April 3, 2016 and March 29, 2015.

In addition, in connection with certain intercompany loan agreements utilized to finance its acquisitions and stock repurchase program, the Company enters into forward foreign exchange contracts intended to hedge movements in foreign exchange rates prior to settlement of such intercompany loans denominated in foreign currencies. The Company records these hedges at fair value on the Company's condensed consolidated balance sheets. The unrealized gains and losses on these hedges, as well as the gains and losses associated with the remeasurement of the intercompany loans, are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from financing activities within the Company's condensed consolidated statement of cash flows.

As of April 3, 2016, the outstanding forward exchange contracts designated as economic hedges, that were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included combined Euro notional amounts of €106.7 million and combined U.S. Dollar notional amounts of \$9.9 million. The combined Euro denominated notional amounts of these outstanding hedges was €107.4 million and €273.7 million as of January 3, 2016 and March 29, 2015, respectively. The net gains and losses on these derivatives, combined with the gains and losses on the remeasurement of the hedged intercompany loans were not material for each of the three months ending April 3, 2016 and March 29, 2015. The Company received \$2.6 million and \$15.6 million during the three months ended April 3, 2016 and March 29, 2015, respectively, from the settlement of these hedges.

The Company does not expect any material net pre-tax gains or losses to be reclassified from accumulated other comprehensive loss into interest and other expense, net within the next twelve months.

### Note 17: Fair Value Measurements

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, derivatives, marketable securities and accounts receivable. The Company believes it had no significant concentrations of credit risk as of April 3, 2016.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the three months ended April 3, 2016. The Company's financial assets and liabilities carried at fair value are primarily comprised of marketable securities, derivative contracts used to hedge the Company's currency risk, and acquisition-related contingent consideration. The Company has not elected to measure any additional financial instruments or other items at fair value.

Valuation Hierarchy: The following summarizes the three levels of inputs required to measure fair value. For Level 1 inputs, the Company utilizes quoted market prices as these instruments have active markets. For Level 2 inputs, the Company utilizes quoted market prices in markets that are not active, broker or dealer quotations, or utilizes alternative pricing sources with reasonable levels of price transparency. For Level 3 inputs, the Company utilizes unobservable inputs based on the best information available, including estimates by management primarily based on information provided by third-party fund managers, independent brokerage firms and insurance companies. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is

significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Table of Contents

The following tables show the assets and liabilities carried at fair value measured on a recurring basis as of April 3, 2016 and January 3, 2016 classified in one of the three classifications described above:

Fair Value Measurements at April 3, 2016				
Using:				
Total Carrying Value at April 3, 2016	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs	Significant Unobservable Inputs (Level 3)
(In thousands)				
Marketable securities	\$ 1,379	\$ 1,379	\$ —	\$ —
Foreign exchange derivative assets	2,004	—	2,004	—
Foreign exchange derivative liabilities	(2,429 )	—	(2,429 )	—
Contingent consideration	(58,579)	—	—	(58,579 )

Fair Value Measurements at January 3, 2016				
Using:				
Total Carrying Value at January 3, 2016	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs	Significant Unobservable Inputs (Level 3)
(In thousands)				
Marketable securities	\$ 1,586	\$ 1,586	\$ —	\$ —
Foreign exchange derivative assets	2,659	—	2,659	—
Foreign exchange derivative liabilities	(442 )	—	(442 )	—
Contingent consideration	(57,350)	—	—	(57,350 )

**Level 1 and Level 2 Valuation Techniques:** The Company's Level 1 and Level 2 assets and liabilities are comprised of investments in equity and fixed-income securities as well as derivative contracts. For financial assets and liabilities that utilize Level 1 and Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including common stock price quotes, foreign exchange forward prices and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities.

**Marketable securities:** Include equity and fixed-income securities measured at fair value using the quoted market prices in active markets at the reporting date.

**Foreign exchange derivative assets and liabilities:** Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date. The Company's foreign exchange derivative contracts are subject to master netting arrangements that allow the Company and its counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements have been presented in the Company's condensed consolidated balance sheet on a net basis and are recorded in other assets. As of both April 3, 2016 and January 3, 2016, none of the master netting arrangements involved collateral.

**Level 3 Valuation Techniques:** The Company's Level 3 liabilities are comprised of contingent consideration related to acquisitions. For liabilities that utilize Level 3 inputs, the Company uses significant unobservable inputs. Below is a summary of valuation techniques for Level 3 liabilities.

**Contingent consideration:** Contingent consideration is measured at fair value at the acquisition date using projected milestone dates, discount rates, probabilities of success and projected revenues (for revenue-based considerations). Projected risk-adjusted contingent payments are discounted back to the current period using a discounted cash flow model.

During fiscal year 2015, the Company acquired certain assets and assumed certain liabilities from Vanadis. Under the terms of the acquisition, the initial purchase consideration was \$32.0 million, net of cash and the Company will be obligated to make potential future milestone payments, based on completion of a proof of concept, regulatory approvals and product sales, of up to \$93.0 million ranging from 2016 to 2019. The fair value of the contingent consideration as of the acquisition date was estimated at \$56.9 million. During the first quarter of fiscal year 2016, the Company updated the fair value of the contingent consideration and recorded a liability of \$58.2 million as of April 3, 2016. The key assumptions used to determine the fair value of the contingent consideration as of April 3, 2016 included projected milestone dates of 2016 to 2019, discount rates ranging from 2.6% to 10.3%, conditional probabilities of success of each individual milestone ranging from 85% to 95% and cumulative probabilities of success for each individual milestone ranging from 53% to 90%. A significant delay in the product development (including projected regulatory milestone) achievement date in isolation could result in a significantly lower fair value measurement; a significant

Table of Contents

acceleration in the product development (including projected regulatory milestone) achievement date in isolation would not have a material impact on the fair value measurement; a significant change in the discount rate in isolation would not have a material impact on the fair value measurement; and a significant change in the probabilities of success in isolation could result in a significant change in fair value measurement.

The fair values of contingent consideration are calculated on a quarterly basis based on a collaborative effort of the Company's regulatory, research and development, operations, finance and accounting groups, as appropriate. Potential valuation adjustments are made as additional information becomes available, including the progress towards completion of a proof of concept, regulatory approvals and product sales as compared to initial projections, the impact of market competition and market landscape shifts from non-invasive prenatal testing products, with the impact of such adjustments being recorded in the Company's consolidated statements of operations.

As of April 3, 2016, the Company may have to pay contingent consideration related to acquisitions with open contingency periods of up to \$95.3 million. The expected maximum earnout period for acquisitions with open contingency periods does not exceed six years from the respective acquisition dates, and the remaining weighted average earnout period at April 3, 2016 was two years.

A reconciliation of the beginning and ending Level 3 net liabilities for contingent consideration is as follows:

	Three Months Ended	
	April 3, 2016	March 29, 2015
	(In thousands)	
Balance at beginning of period	\$(57,350)	\$ (91 )
Amounts paid and foreign currency translation	94	10
Change in fair value (included within selling, general and administrative expenses)	(1,323 )	—
Balance at end of period	\$(58,579)	\$ (81 )

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities. If measured at fair value, cash and cash equivalents would be classified as Level 1.

As of April 3, 2016, the Company's senior unsecured revolving credit facility, which provides for \$700.0 million of revolving loans, had borrowings outstanding of \$590.0 million, which excluded \$2.2 million of unamortized debt issuance costs and letters of credit. As of January 3, 2016, the Company's senior unsecured revolving credit facility had \$482.0 million of borrowings outstanding, which excluded \$2.4 million of unamortized debt issuance costs and letters of credit. The interest rate on the Company's senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available terms and conditions for similar debt. The Company had no change in credit standing during the first three months of fiscal year 2016. Consequently, the borrowing value of the current year and prior year credit facilities approximate fair value and would be classified as Level 2.

The Company's 2021 Notes, with a face value of \$500.0 million, had an aggregate carrying value of \$495.2 million, net of \$2.0 million of unamortized original issue discount and \$2.8 million of unamortized debt issuance costs as of April 3, 2016. The 2021 Notes had an aggregate carrying value of \$495.1 million, net of \$2.0 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs as of January 3, 2016. The 2021 Notes had a fair value of \$540.1 million and \$518.9 million as of April 3, 2016 and January 3, 2016, respectively. The fair value of the 2021 Notes is estimated using market quotes from brokers and is based on current rates offered for similar debt. The Company's financing lease obligations had an aggregate carrying value of \$37.9 million and \$38.2 million as of April 3, 2016 and January 3, 2016, respectively. The carrying values of the Company's financing lease obligations approximated their fair value as there has been minimal change in the Company's incremental borrowing rate.

As of April 3, 2016, the 2021 Notes and financing lease obligations were classified as Level 2.

As of April 3, 2016, there has not been any significant impact to the fair value of the Company's derivative liabilities due to credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on the evaluation of its counterparties' credit risks.



Table of Contents

Note 18: Contingencies

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party (“PRP”) for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company’s responsibility is established and when the cost can be reasonably estimated. The Company has accrued \$11.7 million and \$11.8 million as of April 3, 2016 and January 3, 2016, respectively, which represents its management’s estimate of the cost of the remediation of known environmental matters, and does not include any potential liability for related personal injury or property damage claims. These amounts were included in accrued expenses and other current liabilities. The Company's environmental accrual is not discounted and does not reflect the recovery of any material amounts through insurance or indemnification arrangements. The cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had, or are expected to have, a material adverse effect on the Company’s condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

The Company is subject to various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company’s management, based on its review of the information available at this time, the total cost of resolving these contingencies at April 3, 2016 would not have a material adverse effect on the Company’s condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.



## Table of Contents

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q, including the following management's discussion and analysis, contains forward-looking information that you should read in conjunction with the condensed consolidated financial statements and notes to the condensed consolidated financial statements that we have included elsewhere in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Words such as "believes," "plans," "anticipates," "intends," "expects," "will" and similar expressions are intended to identify forward-looking statements. Our actual results may differ materially from the plans, intentions or expectations we disclose in the forward-looking statements we make. We have included important factors below under the heading "Risk Factors" in Part II, Item 1A, that we believe could cause actual results to differ materially from the forward-looking statements we make. We are not obligated to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

#### Overview

We are a leading provider of products, services and solutions to the diagnostics, research, environmental, industrial and laboratory services markets. Through our advanced technologies, solutions, and services, we address critical issues that help to improve the health and safety of people and the environment. The principal products and services of our two operating segments are:

**Human Health.** Concentrates on developing diagnostics, tools and applications to help detect diseases earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within our Human Health segment, we serve both the diagnostics and research markets.

**Environmental Health.** Provides products, services and solutions to facilitate a cleaner and safer environment, including the creation of secure food and consumer products. Our Environmental Health segment serves the environmental, industrial and laboratory services market.

#### Overview of the First Quarter of Fiscal Year 2016

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format and as a result, certain fiscal years will contain 53 weeks. The fiscal year ending January 1, 2017 ("fiscal year 2016") will include 52 weeks, while the fiscal year ended January 3, 2016 ("fiscal year 2015") included 53 weeks. The additional week in fiscal year 2015 was reflected in our third quarter, which consisted of 14 weeks as compared to our third quarter of fiscal year 2016, which will consist of 13 weeks.

Our overall revenue in the first quarter of fiscal year 2016 was \$538.7 million and increased \$11.8 million, or 2%, as compared to the first quarter of fiscal year 2015, reflecting an increase of \$6.4 million, or 2%, in our Human Health segment revenue and an increase of \$5.4 million, or 3%, in our Environmental Health segment revenue. The increase in our Human Health segment revenue during the first quarter of fiscal year 2016 was primarily driven by our OneSource service offerings within our research market, as well as increased demand in our newborn screening business within our diagnostics market. The increase in our Environmental Health segment revenue during the first quarter of fiscal year 2016 was primarily due to an increase in demand in our laboratory services business and in our food and environmental business.

In our Human Health segment, we experienced growth during the first quarter of fiscal year 2016 in several of our products within our end markets, as compared to the first quarter of fiscal year 2015. In our research market, we experienced growth due to increased demand for our OneSource service offerings, as well as several of our product offerings. Our OneSource business offers services designed to enable our customers to increase efficiencies and production time while reducing maintenance costs, all of which continue to be critical for them. In our diagnostics market, we experienced growth from continued expansion of our newborn screening, blood banking and screening businesses. Birth rates in the United States continue to stabilize and demand for greater access to newborn screening in rural areas outside the United States is also increasing, as evidenced by prenatal trends we saw during the first quarter of fiscal year 2016. Demand in our medical imaging business declined slightly due to a change in customer ordering patterns. As the rising cost of healthcare continues to be one of the critical issues facing our customers, we anticipate that the benefits of providing earlier detection of disease, which can result in savings of long-term health care costs as well as create better outcomes for patients, are increasingly valued and we expect to see continued

growth in these markets.

In our Environmental Health segment, we had an increase in revenue for the first quarter of fiscal year 2016 as compared to the first quarter of fiscal year 2015. The increase in revenue was due to an increase in demand in our laboratory services business and in our food and environmental business within our environmental and industrial markets. We anticipate that the continued development of contaminant regulations and corresponding testing protocols will result in increased demand for efficient, analytically sensitive and information rich testing solutions.

24

---

## Table of Contents

Our consolidated gross margins increased 176 basis points in the first quarter of fiscal year 2016, as compared to the first quarter of fiscal year 2015, primarily due to favorable changes in product mix, with an increase in sales of higher gross margin product offerings. Our consolidated operating margins increased 188 basis points in the first quarter of fiscal year 2016, as compared to the first quarter of fiscal year 2015, primarily due to higher gross margins and lower costs as a result of cost containment and productivity initiatives, which were partially offset by increased costs related to investments in new product development.

We continue to believe that we are well positioned to take advantage of the spending trends in our end markets and to promote our efficiencies in markets where current conditions may increase demand for certain services. Overall, we believe that our strategic focus on Human Health and Environmental Health coupled with our deep portfolio of technologies and applications, leading market positions, global scale and financial strength will provide us with a foundation for growth.

### Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, warranty costs, bad debts, inventories, accounting for business combinations and dispositions, long-lived assets, income taxes, restructuring, pensions and other postretirement benefits, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. We believe our critical accounting policies include our policies regarding revenue recognition, warranty costs, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including goodwill and other intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes.

For a more detailed discussion of our critical accounting policies and estimates, please refer to the Notes to our audited consolidated financial statements and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended January 3, 2016 (our "2015 Form 10-K"), as filed with the Securities and Exchange Commission (the "SEC"). There have been no significant changes in our critical accounting policies and estimates during the three months ended April 3, 2016.

### Consolidated Results of Continuing Operations

#### Revenue

Revenue for the three months ended April 3, 2016 was \$538.7 million, as compared to \$526.9 million for the three months ended March 29, 2015, an increase of \$11.8 million, or 2%, which includes an approximate 2% decrease in revenue attributable to unfavorable changes in foreign exchange rates and an approximate 0.3% net increase in revenue attributable to the impact of prior year acquisitions and divestitures. The analysis in the remainder of this paragraph compares segment revenue for the three months ended April 3, 2016 as compared to the three months ended March 29, 2015 and includes the effect of foreign exchange rate fluctuations, acquisitions and divestitures. Our Human Health segment revenue was \$332.4 million for the three months ended April 3, 2016, as compared to \$326.1 million for the three months ended March 29, 2015, an increase of \$6.4 million, or 2%, due to an increase of \$3.7 million from our research market revenue and an increase of \$2.7 million from our diagnostics market revenue. Our Environmental Health segment revenue was \$206.2 million for the three months ended April 3, 2016, as compared to \$200.8 million for the three months ended March 29, 2015, an increase of \$5.4 million, or 3%, due to an increase of \$2.9 million from our laboratory services market revenue and an increase of \$2.5 million from our environmental and industrial markets revenue. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.2 million of revenue for the three months ended

April 3, 2016 and \$0.3 million for the three months ended March 29, 2015 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

Cost of Revenue

Cost of revenue for the three months ended April 3, 2016 was \$288.6 million, as compared to \$291.5 million for the three months ended March 29, 2015, a decrease of \$2.9 million, or 1%. As a percentage of revenue, cost of revenue decreased to 53.6% for the three months ended April 3, 2016 from 55.3% for the three months ended March 29, 2015, resulting in an increase in gross margin of 176 basis points from 44.7% for the three months ended March 29, 2015 to 46.4% for the three months ended April 3, 2016. Amortization of intangible assets decreased and was \$8.5 million for the three months ended

Table of Contents

April 3, 2016, as compared to \$10.7 million for the three months ended March 29, 2015. Stock-based compensation expense was \$0.2 million for each of the three months ended April 3, 2016 and March 29, 2015. The mark-to-market adjustment for postretirement benefit plans was zero for the three months ended April 3, 2016, as compared to a loss of \$0.2 million for the three months ended March 29, 2015. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.1 million for the three months ended April 3, 2016, as compared to \$4.9 million for the three months ended March 29, 2015. Acquisition related costs added an incremental expense of \$0.02 million for each of the three months ended April 3, 2016 and March 29, 2015. In addition to the above items, the overall increase in gross margin was primarily the result of favorable changes in product mix, with an increase in sales of higher gross margin product offerings and benefits from our initiatives to improve our supply chain.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the three months ended April 3, 2016 were \$147.5 million, as compared to \$145.9 million for the three months ended March 29, 2015, an increase of \$1.7 million, or 1%. As a percentage of revenue, selling, general and administrative expenses decreased and were 27.4% for the three months ended April 3, 2016, as compared to 27.7% for the three months ended March 29, 2015. Amortization of intangible assets increased and was \$10.4 million for the three months ended April 3, 2016, as compared to \$9.0 million for the three months ended March 29, 2015. Stock-based compensation expense was \$3.6 million for each of the three months ended April 3, 2016 and March 29, 2015. Acquisition related costs for contingent consideration and other acquisition costs added an incremental expense of \$1.7 million for the three months ended April 3, 2016, as compared to \$0.2 million for the three months ended March 29, 2015. In addition to the above items, the increase in selling, general and administrative expenses was primarily the result of costs related to growth investments, which was partially offset by lower costs as a result of cost containment and productivity initiatives.

**Research and Development Expenses**

Research and development expenses for the three months ended April 3, 2016 were \$33.8 million, as compared to \$32.1 million for the three months ended March 29, 2015, an increase of \$1.7 million, or 5%. As a percentage of revenue, research and development expenses increased and were 6.3% for the three months ended April 3, 2016, as compared to 6.1% for the three months ended March 29, 2015. Amortization of intangible assets increased and was \$0.2 million for the three months ended April 3, 2016, as compared to \$0.1 million for the three months ended March 29, 2015. Stock-based compensation expense was \$0.2 million for each of the three months ended April 3, 2016 and March 29, 2015. The increase in research and development expenses was primarily the result of investments in new product development, which was partially offset by lower costs as a result of cost containment and productivity initiatives.

**Restructuring and Contract Termination Charges, Net**

We have undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, the alignment of our operations with our growth strategy, the integration of our business units and our productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, as applicable, and are included as a component of operating expenses from continuing operations.

We implemented a restructuring plan in the fourth quarter of fiscal year 2015 consisting of workforce reductions principally intended to focus resources on higher growth end markets (the "Q4 2015 Plan"). We implemented a restructuring plan in the second quarter of fiscal year 2015 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q2 2015 Plan"). Details of the plans initiated in previous years ("Previous Plans") are discussed more fully in Note 4 to the audited consolidated financial statements in the 2015 Form 10-K.

Edgar Filing: PERKINELMER INC - Form 10-Q

The following table summarizes the number of employees reduced, the initial restructuring or contract termination charges by operating segment, and the dates by which payments were substantially completed, or the expected dates by which payments will be substantially completed, for restructuring actions implemented during fiscal year 2015:

Workforce Reductions	Closure of Excess Facility				Total	(Expected) Date Payments Substantially Completed by	
	Headcount Reduction (In thousands, except headcount data)	Human Health	Environmental Health	Human Health		Environmental Health	Severance
Q4 2015 Plan174	\$2,230	\$ 9,065	\$285	\$ —	—\$11,580	Q1 FY2017	Q4 FY2017
Q2 2015 Plan97	1,850	4,160	—	—	6,010	Q2 FY2016	—

Table of Contents

We expect to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

We also terminated various contractual commitments in connection with certain disposal activities and recorded charges, to the extent applicable, for the costs of terminating these contracts before the end of their terms and the costs that will continue to be incurred for the remaining terms without economic benefit to us. We recorded additional pre-tax charges of \$0.1 million during fiscal year 2015 in our Environmental Health segment as a result of these contract terminations.

At April 3, 2016, we had \$15.3 million recorded for accrued restructuring and contract termination charges, of which \$10.9 million was recorded in short-term accrued restructuring and contract termination charges and \$4.4 million was recorded in long-term liabilities. At January 3, 2016, we had \$22.2 million recorded for accrued restructuring and contract termination charges, of which \$17.1 million was recorded in short-term accrued restructuring and contract termination charges and \$5.1 million was recorded in long-term liabilities. The following table summarizes our restructuring and contract termination accrual balances and related activity by restructuring plan, as well as contract termination accrual balances and related activity, during the three months ended April 3, 2016:

	Balance at January 3, 2016	2016 Amounts Paid	Balance at April 3, 2016
(In thousands)			
Severance:			
Q4 2015 Plan	\$10,370	\$(5,337 )	\$5,033
Q2 2015 Plan	1,149	(232 )	917
Facility:			
Q4 2015 Plan	259	(58 )	201
Previous Plans	10,287	(1,273 )	9,014
Restructuring	22,065	(6,900 )	15,165
Contract Termination	132	—	132
Total Restructuring and Contract Termination	\$22,197	\$(6,900 )	\$15,297

## Interest and Other Expense, Net

Interest and other expense, net, consisted of the following:

	Three Months Ended	
	April 3, 2016	March 29, 2015
(In thousands)		
Interest income	\$(110 )	\$(209 )
Interest expense	9,841	9,388
Other expense, net	1,355	242
Total interest and other expense, net	\$11,086	\$9,421

Interest and other expense, net, for the three months ended April 3, 2016 was an expense of \$11.1 million, as compared to an expense of \$9.4 million for the three months ended March 29, 2015, an increase of \$1.7 million. The increase in interest and other expense, net, for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, was primarily due to an increase in other expense, net and an increase in interest expense. Other expenses, net increased by \$1.1 million for the three months ended April 3, 2016, as compared to the three

months ended March 29, 2015, and consisted primarily of expenses related to foreign currency transactions and translation of non-functional currency assets and liabilities. Interest expense increased by \$0.5 million for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, due to higher outstanding debt balances as well as higher interest rates. A more complete discussion of our liquidity is set forth below under the heading "Liquidity and Capital Resources."

Provision for Income Taxes

For the three months ended April 3, 2016, the provision for income taxes from continuing operations was \$10.2 million, as compared to \$7.6 million for the three months ended March 29, 2015.



## Table of Contents

The effective tax rate from continuing operations was 17.6% for the three months ended April 3, 2016, as compared to 16.0% for the three months ended March 29, 2015. The higher effective tax rate during the first three months of fiscal year 2016, as compared to the first three months of fiscal year 2015, was primarily due to lower tax benefits related to discrete items, which were \$0.8 million in the first three months of fiscal year 2016, as compared to \$1.8 million in the first three months of fiscal year 2015.

### Discontinued Operations

As part of our continuing efforts to focus on higher growth opportunities, we have discontinued certain businesses. We have accounted for these businesses as discontinued operations and, accordingly, have presented the results of operations and related cash flows as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of April 3, 2016 and January 3, 2016.

During the first three months of each of fiscal years 2016 and 2015, we settled various commitments related to the divestiture of discontinued operations and recognized a loss of \$0.04 million and a gain of \$0.02 million, respectively.

### Contingencies, Including Tax Matters

We are conducting a number of environmental investigations and remedial actions at our current and former locations and, along with other companies, have been named a potentially responsible party (“PRP”) for certain waste disposal sites. We accrue for environmental issues in the accounting period that our responsibility is established and when the cost can be reasonably estimated. We have accrued \$11.7 million and \$11.8 million as of April 3, 2016 and January 3, 2016, respectively, which represents our management’s estimate of the cost of the remediation of known environmental matters, and does not include any potential liability for related personal injury or property damage claims. These amounts were included in accrued expenses and other current liabilities. Our environmental accrual is not discounted and does not reflect the recovery of any material amounts through insurance or indemnification arrangements. The cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had, or are expected to have, a material adverse effect on our condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Various tax years after 2009 remain open to examination by certain jurisdictions in which we have significant business operations, such as Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management’s judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are subject to various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in our opinion, based on our review of the information available at this time, the total cost of resolving these contingencies at April 3, 2016 would not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

## Reporting Segment Results of Continuing Operations

#### Human Health

Revenue for the three months ended April 3, 2016 was \$332.4 million, as compared to \$326.1 million for the three months ended March 29, 2015, an increase of \$6.4 million, or 2%, which includes an approximate 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates and a 0.1% net decrease in revenue attributable to the impact of prior year acquisitions and divestitures. The analysis in the remainder of this paragraph compares selected revenue by market and product type for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The increase in revenue in our Human Health

Table of Contents

segment reflects an increase of \$3.7 million from our research market revenue and an increase of \$2.7 million from our diagnostics market revenue. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.2 million of revenue in our Human Health segment for the three months ended April 3, 2016 and \$0.3 million for the three months ended March 29, 2015 that otherwise would have been recorded by the acquired businesses during each of the respective periods. In our Human Health segment, we experienced growth during the first quarter of fiscal year 2016 in several of our products within our end markets, as compared to the first quarter of fiscal year 2015. In our research market, we experienced growth due to increased demand for our OneSource service offerings, as well as several of our product offerings. Our OneSource business offers services designed to enable our customers to increase efficiencies and production time while reducing maintenance costs, all of which continue to be critical for them. In our diagnostics market, we experienced growth from continued expansion of our newborn screening, blood banking and screening businesses. Birth rates in the United States continue to stabilize and demand for greater access to newborn screening in rural areas outside the United States is also increasing, as evidenced by prenatal trends we saw during the first quarter of fiscal year 2016. Demand in our medical imaging business declined slightly due to a change in customer ordering patterns. Operating income from continuing operations for the three months ended April 3, 2016 was \$54.7 million, as compared to \$55.9 million for the three months ended March 29, 2015, a decrease of \$1.2 million, or 2%. Amortization of intangible assets decreased and was \$13.8 million for the three months ended April 3, 2016, as compared to \$15.5 million for the three months ended March 29, 2015. Acquisition related costs for contingent consideration and other acquisition costs added an incremental expense of \$1.7 million for the three months ended April 3, 2016, as compared to an incremental expense of \$0.1 million for the three months ended March 29, 2015. In addition to the above items, decreased operating income for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, was primarily the result of increased costs related to investments in new product development, which were partially offset by pricing initiatives.

**Environmental Health**

Revenue for the three months ended April 3, 2016 was \$206.2 million, as compared to \$200.8 million for the three months ended March 29, 2015, an increase of \$5.4 million, or 3%, which includes an approximate 3% decrease in revenue attributable to unfavorable changes in foreign exchange rates and an approximate 1% net increase in revenue attributable to the impact of prior year acquisitions and divestitures. The analysis in the remainder of this paragraph compares selected revenue by market and product type for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The increase in revenue in our Environmental Health segment reflects an increase of \$2.9 million from our laboratory services market revenue and an increase of \$2.5 million from our environmental and industrial revenue. The increase in revenue was due to an increase in demand in our laboratory services business and in our food and environmental business within our environmental and industrial markets.

Operating income from continuing operations for the three months ended April 3, 2016 was \$25.6 million, as compared to \$11.3 million for the three months ended March 29, 2015, an increase of \$14.3 million, or 126%. Amortization of intangible assets increased and was \$5.3 million for the three months ended April 3, 2016, as compared to \$4.4 million for the three months ended March 29, 2015. Acquisition related costs for contingent consideration and other acquisition costs added an incremental expense of \$0.02 million for the three months ended April 3, 2016, as compared to \$0.1 million for the three months ended March 29, 2015. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.1 million for the three months ended April 3, 2016, as compared to \$4.9 million for the three months ended March 29, 2015. In addition to the above items, operating income increased for the three months ended April 3, 2016, as compared to the three months ended March 29, 2015, due to favorable changes in product mix, with an increase in sales of higher gross margin product offerings and lower costs as a result of cost containment initiatives.

**Liquidity and Capital Resources**

We require cash to pay our operating expenses, make capital expenditures, make strategic acquisitions, service our debt and other long-term liabilities, repurchase shares of our common stock and pay dividends on our common stock.

Our principal sources of funds are from our operations and the capital markets, particularly the debt markets. We anticipate that our internal operations will generate sufficient cash to fund our operating expenses, capital expenditures, smaller acquisitions, interest payments on our debt and dividends on our common stock. However, we expect to use external sources to satisfy the balance of our debt when due, any larger acquisitions and other long-term liabilities, such as contributions to our postretirement benefit plans.

Principal factors that could affect the availability of our internally generated funds include:

- changes in sales due to weakness in markets in which we sell our products and services, and
- changes in our working capital requirements.

## Table of Contents

Principal factors that could affect our ability to obtain cash from external sources include:

- financial covenants contained in the financial instruments controlling our borrowings that limit our total borrowing capacity,
- increases in interest rates applicable to our outstanding variable rate debt,
- a ratings downgrade that could limit the amount we can borrow under our senior unsecured revolving credit facility and our overall access to the corporate debt market,
- increases in interest rates or credit spreads, as well as limitations on the availability of credit, that affect our ability to borrow under future potential facilities on a secured or unsecured basis,
- a decrease in the market price for our common stock, and
- volatility in the public debt and equity markets.

At April 3, 2016, we had cash and cash equivalents of \$210.7 million, of which \$206.5 million was held by our non-U.S. subsidiaries, and we had \$98.5 million of additional borrowing capacity available under a senior unsecured revolving credit facility. We had no other liquid investments at April 3, 2016.

We utilize a variety of tax planning and financing strategies to ensure that our worldwide cash is available in the locations in which it is needed. Of the \$206.5 million of cash and cash equivalents held by our non-U.S. subsidiaries at April 3, 2016, we would incur U.S. taxes on approximately \$175.2 million if transferred to the U.S. without proper planning. We expect the accumulated non-U.S. cash balances, which may not be transferred to the U.S. without incurring U.S. taxes, will remain outside of the U.S. and that we will meet U.S. liquidity needs through future cash flows, use of U.S. cash balances, external borrowings, or some combination of these sources.

On October 23, 2014, our Board of Directors (our "Board") authorized us to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 23, 2016 unless terminated earlier by our Board, and may be suspended or discontinued at any time.

During the three months ended April 3, 2016, we repurchased 3.2 million shares of common stock in the open market at an aggregate cost of \$148.2 million, including commissions, under the Repurchase Program. As of April 3, 2016, 2.7 million shares remained available for repurchase under the Repurchase Program.

In addition, our Board has authorized us to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to our equity incentive plans. During the three months ended April 3, 2016, we repurchased 66,658 shares of common stock for this purpose at an aggregate cost of \$3.1 million.

The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value. Any repurchased shares will be available for use in connection with corporate programs. If we continue to repurchase shares, the Repurchase Program will be funded using our existing financial resources, including cash and cash equivalents, and our existing senior unsecured revolving credit facility.

Distressed global financial markets could adversely impact general economic conditions by reducing liquidity and credit availability, creating increased volatility in security prices, widening credit spreads and decreasing valuations of certain investments. The widening of credit spreads may create a less favorable environment for certain of our businesses and may affect the fair value of financial instruments that we issue or hold. Increases in credit spreads, as well as limitations on the availability of credit at rates we consider to be reasonable, could affect our ability to borrow under future potential facilities on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. In difficult global financial markets, we may be forced to fund our operations at a higher cost, or we may be unable to raise as much funding as we need to support our business activities.

During the first three months of fiscal year 2016, we contributed \$2.3 million, in the aggregate, to our defined benefit pension plans outside of the United States, and expect to contribute an additional \$7.0 million by the end of fiscal year 2016. We could potentially have to make additional contributions in future periods for all pension plans. We expect to use existing cash and external sources to satisfy future contributions to our pension plans.

Our pension plans have not experienced a material impact on liquidity or counterparty exposure due to the volatility and uncertainty in the credit markets. We recognize actuarial gains and losses in operating results in the fourth quarter

of the year in which the gains and losses occur, unless there is an interim remeasurement required for one of our plans. It is difficult to reliably predict the magnitude of such adjustments for gains and losses in fiscal year 2016. These adjustments are primarily

30

---

Table of Contents

driven by events and circumstances beyond our control, including changes in interest rates, the performance of the financial markets and mortality assumptions. To the extent the discount rates decrease or the value of our pension and postretirement investments decrease, a loss to operations will be recorded in fiscal year 2016. Conversely, to the extent the discount rates increase or the value of our pension and postretirement investments increase more than expected, a gain will be recorded in fiscal year 2016.

## Cash Flows

**Operating Activities.** Net cash provided by continuing operations was \$32.1 million for the three months ended April 3, 2016, as compared to \$37.6 million for the three months ended March 29, 2015, a decrease in cash provided of \$5.6 million. The cash provided by operating activities for the three months ended April 3, 2016 was principally a result of income from continuing operations of \$47.5 million adjusted for depreciation and amortization of \$27.0 million and stock-based compensation expense of \$4.0 million. These items were partially offset by a net cash decrease in accrued expenses, other assets and liabilities and other items of \$47.2 million and a net cash increase in working capital of \$0.9 million. Contributing to the net cash increase in working capital for the three months ended April 3, 2016, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of \$15.8 million, which was partially offset by a decrease in accounts receivable of \$12.4 million and an increase in accounts payable of \$4.2 million. The increase in inventory was primarily a result of expanding the amount of inventory held at sales locations within our Environmental Health and Human Health segments to improve responsiveness to customer requirements and for the introduction of new products. The decrease in accounts receivable was a result of accounts receivable collections during the first three months of fiscal year 2016. The increase in accounts payable was primarily a result of the timing of disbursements during the first three months of fiscal year 2016. Changes in accrued expenses, other assets and liabilities and other items decreased cash provided by operating activities by \$47.2 million for the three months ended April 3, 2016, as compared to \$37.7 million for the three months ended March 29, 2015. These changes primarily related to the timing of payments for pensions, taxes, restructuring, and salary and benefits.

**Investing Activities.** Net cash used in the investing activities of our continuing operations was \$17.3 million for the three months ended April 3, 2016, as compared to \$9.0 million for the three months ended March 29, 2015, an increase of \$8.3 million. For the three months ended April 3, 2016, the net cash used in investing activities of our continuing operations was principally a result of \$10.5 million of cash used for acquisitions and investments and capital expenditures of \$7.8 million. These items were partially offset by cash proceeds of \$1.0 million due to the sale of a business. Net cash used for capital expenditures was \$4.5 million for the three months ended March 29, 2015. The capital expenditures in each period were primarily for manufacturing and other capital equipment purchases. In addition, during the three months ended March 29, 2015, we used \$4.6 million in cash for acquisitions and investments.

**Financing Activities.** Net cash used in financing activities was \$47.7 million for the three months ended April 3, 2016, as compared to \$24.7 million for the three months ended March 29, 2015, an increase of \$23.0 million. For the three months ended April 3, 2016, we repurchased 3.3 million shares of our common stock, which includes 66,658 shares of our common stock pursuant to our equity incentive plans, for a total cost of \$151.4 million, including commissions. This compares to repurchases of 85,739 shares of our common stock pursuant to our equity incentive plans, for the three months ended March 29, 2015, for a total cost of \$4.0 million, including commissions. Proceeds from the issuance of common stock under stock plans was \$1.2 million for the three months ended April 3, 2016 as compared to \$8.8 million for the three months ended March 29, 2015. During the three months ended April 3, 2016, debt borrowings on our senior unsecured revolving credit facility totaled \$183.0 million, which were partially offset by debt payments of \$75.0 million. During the three months ended March 29, 2015, debt payments on our senior unsecured revolving credit facility totaled \$98.0 million, which were partially offset by debt borrowings of \$61.0 million. We paid \$7.8 million and \$7.9 million in dividends during the three months ended April 3, 2016 and March 29, 2015, respectively. During each of the three months ended April 3, 2016 and March 29, 2015, we had net payments on other credit facilities of \$0.3 million. During the three months ended April 3, 2016, we received \$2.6 million for settlement of forward foreign exchange contracts, as compared to \$15.6 million received for the three months ended March 29, 2015. During the three months ended April 3, 2016, we made \$0.1 million in payments for acquisition-related contingent consideration.

**Borrowing Arrangements**

**Senior Unsecured Revolving Credit Facility.** The senior unsecured revolving credit facility provides for \$700.0 million of revolving loans and has an initial maturity of January 8, 2019. As of April 3, 2016, undrawn letters of credit in the aggregate amount of \$11.5 million were treated as issued and outstanding when calculating the borrowing availability under the senior unsecured revolving credit facility. As of April 3, 2016, we had \$98.5 million available for additional borrowing under the facility. We use the senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time



Table of Contents

of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) one-month Libor plus 1.00%. At April 3, 2016, borrowings under the senior unsecured revolving credit facility were accruing interest primarily based on the Eurocurrency rate. The Eurocurrency margin as of April 3, 2016 was 108 basis points. The weighted average Eurocurrency interest rate as of April 3, 2016 was 0.47%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 1.55%. As of April 3, 2016, the senior unsecured revolving credit facility had an aggregate carrying value of \$587.8 million, which was net of \$2.2 million of unamortized debt issuance costs. As of January 3, 2016, the senior unsecured revolving credit facility had an aggregate carrying value of \$479.6 million, which was net of \$2.4 million of unamortized debt issuance costs. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default. The financial covenants in our senior unsecured revolving credit facility include a debt-to-capital ratio, and two contingent covenants, a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, applicable if our credit rating is downgraded below investment grade. We were in compliance with all applicable covenants as of April 3, 2016.

5% Senior Unsecured Notes due in 2021. On October 25, 2011, we issued \$500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received \$496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of \$3.1 million. As of April 3, 2016, the 2021 Notes had an aggregate carrying value of \$495.2 million, net of \$2.0 million of unamortized original issue discount and \$2.8 million of unamortized debt issuance costs. As of January 3, 2016, the 2021 Notes had an aggregate carrying value of \$495.1 million, net of \$2.0 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), we may redeem the 2021 Notes in whole or in part, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), we may redeem the 2021 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require us to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest. We were in compliance with all applicable covenants as of April 3, 2016.

Financing Lease Obligations. In fiscal year 2012, we entered into agreements with the lessors of certain buildings that we are currently occupying and leasing to expand those buildings. We provided a portion of the funds needed for the construction of the additions to the buildings, and as a result we were considered the owner of the buildings during the construction period. At the end of the construction period, we were not reimbursed by the lessors for all of the construction costs. We are therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for us and non-cash investing and financing activities. As a result, we capitalized \$29.3 million in property, plant and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. We have also capitalized \$11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At April 3, 2016, we had \$37.9 million recorded for these financing lease obligations, of which \$1.1 million was recorded as short-term debt and \$36.8 million was recorded as long-term debt. At January 3, 2016, we had \$38.2 million recorded for these financing lease obligations, of which \$1.1 million was recorded as short-term debt and \$37.1 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

Dividends

Our Board declared a regular quarterly cash dividend of \$0.07 per share for the first quarter of fiscal year 2016 and for each quarter of fiscal year 2015. At April 3, 2016, we had accrued \$7.6 million for dividends declared on January 28, 2016 for the first quarter of fiscal year 2016 that was paid in May 2016. On April 25, 2016, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the second quarter of fiscal year 2016 that will be payable in August 2016. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

## Table of Contents

### Contractual Obligations

During the first quarter of fiscal year 2016, we entered into new lease agreements for certain operating facilities. Our contractual obligations, as described in the contractual obligations table contained in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended January 3, 2016 changed as a result of our entry into this agreement. Our total rental payments to the lessors are now expected to be \$40.4 million for the remainder of fiscal year 2016, \$39.4 million for fiscal year 2017, \$30.1 million for fiscal year 2018, \$23.8 million for fiscal year 2019, \$20.1 million for fiscal year 2020 and \$67.9 million in the aggregate thereafter. There have not been any other material changes during the first three months of fiscal year 2016.

### Effects of Recently Adopted and Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB") and are adopted by us as of the specified effective dates. Unless otherwise discussed, such pronouncements did not have or will not have a significant impact on our condensed consolidated financial position, results of operations and cash flows or do not apply to our operations.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting ("ASU No. 2016-09"). The new standard simplifies the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory withholding requirements, as well as the related classification in the statement of cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The standard requires an entity to recognize all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement as discrete items in the reporting period in which they occur, and such tax benefits and tax deficiencies are not included in the estimate of an entity's annual effective tax rate, applied on a prospective basis. Further, the standard eliminates the requirement to defer the recognition of excess tax benefits until the benefit is realized through a reduction to taxes payable. All excess tax benefits previously unrecognized, along with any valuation allowance, should be recognized on a modified retrospective basis as a cumulative adjustment to retained earnings as of the date of adoption. Under ASU No. 2016-09, an entity that applies the treasury stock method in calculating diluted earnings per share is required to exclude excess tax benefits and deficiencies from the calculation of assumed proceeds since such amounts are recognized in the income statement. Excess tax benefits should also be classified as operating activities in the same manner as other cash flows related to income taxes on the statement of cash flows, as such excess tax benefits no longer represent financing activities since they are recognized in the income statement, and should be applied prospectively or retrospectively to all periods presented. We adopted ASU No. 2016-09 at the beginning of the first quarter of fiscal year 2016. We recorded a cumulative increase of \$14.2 million in the beginning of the first quarter of fiscal year 2016 retained earnings with a corresponding increase in deferred tax assets related to the prior years' unrecognized excess tax benefits. In addition, excess tax benefits related to exercised options and vested restricted stock and restricted stock units during the first quarter of fiscal year 2016 have been recognized in the current period's income statement. We also excluded the excess tax benefits from the calculation of diluted earnings per share for the first quarter of fiscal year 2016. We applied the cash flow presentation section of the guidance on a prospective basis, and the prior period statement of cash flows was not adjusted. ASU No. 2016-09 also allows an entity to elect as an accounting policy either to continue to estimate the total number of awards for which the requisite service period will not be rendered or to account for forfeitures for service based awards as they occur. An entity that elects to account for forfeitures as they occur should apply the accounting change on a modified retrospective basis as a cumulative effect adjustment to retained earnings as of the date of adoption. We have elected to account for forfeitures as they occur. The adoption of this accounting policy did not have a material impact on our consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new guidance requires lessees to recognize a lease liability and right-of-use asset on the balance sheet for financing and operating leases. The provisions of this guidance are to be applied using a modified retrospective approach and are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are evaluating the requirements of this guidance and has not yet determined the impact of its adoption on our consolidated financial position, results of operations and cash flows.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory. Under this new guidance, companies that use inventory measurement methods other than last-in, first-out or the retail inventory method should measure inventory at the lower of cost and net realizable value. The provisions of this guidance are to be applied prospectively and are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. We are evaluating the requirements of this guidance. The adoption is not expected to have a material impact on our consolidated financial position, results of operations and cash flows.

Table of Contents

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. Under this new guidance, an entity should use a five-step process to recognize revenue, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Subsequent to the issuance of the standard, the FASB decided to defer the effective date for one year to annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The standard may be adopted either using a full retrospective approach or a modified retrospective approach. We are evaluating the requirements of this guidance and have not yet determined the transition method to use or the impact of its adoption on our consolidated financial position, results of operations and cash flows. We do not intend to early adopt this standard.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

**Market Risk.** We are exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures. We briefly describe several of the market risks we face below. The following disclosure is not materially different from the disclosure provided under the heading, Item 7A. “Quantitative and Qualitative Disclosure About Market Risk,” in our 2015 Form 10-K.

**Foreign Exchange Risk.** The potential change in foreign currency exchange rates offers a substantial risk to us, as approximately 60% of our business is conducted outside of the United States, generally in foreign currencies. Our risk management strategy currently uses forward contracts to mitigate certain balance sheet foreign currency transaction exposures. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures, with gains and losses resulting from the forward contracts that hedge these exposures. Moreover, we are able to partially mitigate the impact that fluctuations in currencies have on our net income as a result of our manufacturing facilities located in countries outside the United States, material sourcing and other spending which occur in countries outside the United States, resulting in natural hedges.

We do not enter into derivative contracts for trading or other speculative purposes, nor do we use leveraged financial instruments. Although we attempt to manage our foreign exchange risk through the above activities, when the U.S. dollar weakens against other currencies in which we transact business, sales and net income generally will be positively but not proportionately impacted. Conversely, when the U.S. dollar strengthens against other currencies in which we transact business, sales and net income will generally be negatively but not proportionately impacted.

In the ordinary course of business, we enter into foreign exchange contracts for periods consistent with our committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures. Transactions covered by hedge contracts include intercompany and third-party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on our condensed consolidated balance sheets. The unrealized gains and losses on our foreign currency contracts are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from operating activities within our condensed consolidated statement of cash flows.

Principal hedged currencies include the British Pound, Euro, Japanese Yen and Singapore Dollar. We held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$140.2 million, \$127.3 million and \$108.2 million at April 3, 2016, January 3, 2016 and March 29, 2015, respectively, and the fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on these foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during each of the three months ended April 3, 2016 and March 29, 2015.

In addition, in connection with certain intercompany loan agreements utilized to finance our acquisitions and stock repurchase program, we enter into forward foreign exchange contracts intended to hedge movements in foreign exchange rates prior to settlement of such intercompany loans denominated in foreign currencies. We record these hedges at fair value on our condensed consolidated balance sheets. The unrealized gains and losses on these hedges, as well as the gains and losses associated with the remeasurement of the intercompany loans, are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from financing activities within our condensed consolidated statement of cash flows.

As of April 3, 2016, the outstanding forward exchange contracts designated as economic hedges, that were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included

combined Euro notional amounts of €106.7 million and combined U.S. Dollar notional amounts of \$9.9 million. The combined Euro denominated notional amounts of these outstanding hedges was €107.4 million and €273.7 million as of January 3, 2016 and March 29, 2015, respectively. The net gains and losses on these derivatives, combined with the gains and losses on the remeasurement of the hedged intercompany loans were not material for each of the three months ending April 3, 2016 and March 29, 2015. We received \$2.6 million and \$15.6 million during the three months ended April 3, 2016 and March 29, 2015, respectively, from the settlement of these hedges.

Foreign Currency Exchange Risk—Value-at-Risk Disclosure. We continue to measure foreign currency risk using the Value-at-Risk model described in Item 7A. “Quantitative and Qualitative Disclosure About Market Risk,” in our 2015 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

Table of Contents

Interest Rate Risk. As described above, our debt portfolio includes variable rate instruments. Fluctuations in interest rates can therefore have a direct impact on both our short-term cash flows, as they relate to interest, and our earnings. To manage the volatility relating to these exposures, we periodically enter into various derivative transactions pursuant to our policies to hedge against known or forecasted interest rate exposures.

Interest Rate Risk—Sensitivity. Our 2015 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. More information is available in Item 7A.

“Quantitative and Qualitative Disclosure About Market Risk,” in our 2015 Form 10-K for our sensitivity disclosure.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our fiscal quarter ended April 3, 2016. The term “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”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of our fiscal quarter ended April 3, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended April 3, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these contingencies at April 3, 2016 should not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

Item 1A. Risk Factors

The following important factors affect our business and operations generally or affect multiple segments of our business and operations:

If the markets into which we sell our products decline or do not grow as anticipated due to a decline in general economic conditions, or there are uncertainties surrounding the approval of government or industrial funding proposals, or there are unfavorable changes in government regulations, we may see an adverse effect on the results of our business operations.

Our customers include pharmaceutical and biotechnology companies, laboratories, academic and research institutions, public health authorities, private healthcare organizations, doctors and government agencies. Our quarterly revenue and results of operations are highly dependent on the volume and timing of orders received during the quarter. In addition, our revenues and earnings forecasts for future quarters are often based on the expected trends in our markets. However, the markets we serve do not always experience the trends that we may expect. Negative fluctuations in our customers' markets, the inability of our customers to secure credit or funding, restrictions in capital expenditures, general economic conditions, cuts in government funding or unfavorable changes in government regulations would likely result in a reduction in demand for our products and services. In addition, government funding is subject to economic conditions and the political process, which is inherently fluid and unpredictable. Our revenues may be adversely affected if our customers delay or reduce purchases as a result of uncertainties surrounding the approval of government or industrial funding proposals. Such declines could harm our consolidated financial position, results of operations, cash flows and trading price of our common stock, and could limit our ability to sustain profitability. Our growth is subject to global economic and political conditions, and operational disruptions at our facilities. Our business is affected by global economic conditions and the state of the financial markets, particularly as the United States and other countries balance concerns around debt, inflation, growth and budget allocations in their policy initiatives. There can be no assurance that global economic conditions and financial markets will not worsen and that we will not experience any adverse effects that may be material to our consolidated cash flows, results of operations, financial position or our ability to access capital, such as the adverse effects resulting from a prolonged shutdown in government operations both in the United States and internationally. Our business is also affected by local economic environments, including inflation, recession, financial liquidity and currency volatility or devaluation. Political changes, some of which may be disruptive, could interfere with our supply chain, our customers and all of our activities in a particular location.

While we take precautions to prevent production or service interruptions at our global facilities, a major earthquake, fire, flood, power loss or other catastrophic event that results in the destruction or delay of any of our critical business operations could result in our incurring significant liability to customers or other third parties, cause significant reputational damage or have a material adverse effect on our business, operating results or financial condition. Certain of these risks can be hedged to a limited degree using financial instruments, or other measures, and some of these risks are insurable, but any such mitigation efforts are costly and may not always be fully successful. Our ability to engage in such mitigation efforts has decreased or become even more costly as a result of recent market developments.

If we do not introduce new products in a timely manner, we may lose market share and be unable to achieve revenue growth targets.

We sell many of our products in industries characterized by rapid technological change, frequent new product and service introductions, and evolving customer needs and industry standards. Many of the businesses competing with us in these industries have significant financial and other resources to invest in new technologies, substantial intellectual property portfolios, substantial experience in new product development, regulatory expertise, manufacturing capabilities, and established distribution channels to deliver products to customers. Our products could become technologically obsolete over time, or we may invest in technology that does not lead to revenue growth or continue to sell products for which the demand from our

## Table of Contents

customers is declining, in which case we may lose market share or not achieve our revenue growth targets. The success of our new product offerings will depend upon several factors, including our ability to:

- accurately anticipate customer needs,
- innovate and develop new reliable technologies and applications,
- successfully commercialize new technologies in a timely manner,
- price our products competitively, and manufacture and deliver our products in sufficient volumes and on time, and
- differentiate our offerings from our competitors' offerings.

Many of our products are used by our customers to develop, test and manufacture their products. We must anticipate industry trends and consistently develop new products to meet our customers' expectations. In developing new products, we may be required to make significant investments before we can determine the commercial viability of the new product. If we fail to accurately foresee our customers' needs and future activities, we may invest heavily in research and development of products that do not lead to significant revenue. We may also suffer a loss in market share and potential revenue if we are unable to commercialize our technology in a timely and efficient manner. In addition, some of our licensed technology is subject to contractual restrictions, which may limit our ability to develop or commercialize products for some applications.

We may not be able to successfully execute acquisitions or license technologies, integrate acquired businesses or licensed technologies into our existing businesses, make acquired businesses or licensed technologies profitable, or successfully divest businesses.

We have in the past supplemented, and may in the future supplement, our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as our acquisition of Perten Instruments Group AB in the fourth quarter of fiscal year 2014. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, such as:

- competition among buyers and licensees,
- the high valuations of businesses and technologies,
- the need for regulatory and other approval, and
- our inability to raise capital to fund these acquisitions.

Some of the businesses we acquire may be unprofitable or marginally profitable, or may increase the variability of our revenue recognition. If, for example, we are unable to successfully commercialize products and services related to significant in-process research and development that we have capitalized, we may have to impair the value of such assets. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we would have to improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses into our existing operations, such as incompatible management, information or other systems, cultural differences, loss of key personnel, unforeseen regulatory requirements, previously undisclosed liabilities or difficulties in predicting financial results. Additionally, if we are not successful in selling businesses we seek to divest, the activity of such businesses may dilute our earnings and we may not be able to achieve the expected benefits of such divestitures. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

To finance our acquisitions, we may have to raise additional funds, either through public or private financings. We may be unable to obtain such funds or may be able to do so only on terms unacceptable to us. We may also incur expenses related to completing acquisitions or licensing technologies, or in evaluating potential acquisitions or technologies, which may adversely impact our profitability.

We may not be successful in adequately protecting our intellectual property.

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however, may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. The expiration of our previously issued patents may cause us to lose a competitive advantage in certain of the products and services we provide. Similarly, applications to register our

trademarks may not be granted in all countries in which they are

38

---

Table of Contents

filed. For our intellectual property that is protected by keeping it secret, such as trade secrets and know-how, we may not use adequate measures to protect this intellectual property.

Third parties may also challenge the validity of our issued patents, may circumvent or “design around” our patents and patent applications, or may claim that our products, processes or technologies infringe their patents. In addition, third parties may assert that our product names infringe their trademarks. We may incur significant expense in legal proceedings to protect our intellectual property against infringement by third parties or to defend against claims of infringement by third parties. Claims by third parties in pending or future lawsuits could result in awards of substantial damages against us or court orders that could effectively prevent us from manufacturing, using, importing or selling our products in the United States or other countries.

If we are unable to renew our licenses or otherwise lose our licensed rights, we may have to stop selling products or we may lose competitive advantage.

We may not be able to renew our existing licenses, or licenses we may obtain in the future, on terms acceptable to us, or at all. If we lose the rights to a patented or other proprietary technology, we may need to stop selling products incorporating that technology and possibly other products, redesign our products or lose a competitive advantage. Potential competitors could in-license technologies that we fail to license and potentially erode our market share.

Our licenses typically subject us to various economic and commercialization obligations. If we fail to comply with these obligations, we could lose important rights under a license, such as the right to exclusivity in a market. In some cases, we could lose all rights under the license. In addition, rights granted under the license could be lost for reasons out of our control. For example, the licensor could lose patent protection for a number of reasons, including invalidity of the licensed patent, or a third-party could obtain a patent that curtails our freedom to operate under one or more licenses.

If we do not compete effectively, our business will be harmed.

We encounter aggressive competition from numerous competitors in many areas of our business. We may not be able to compete effectively with all of these competitors. To remain competitive, we must develop new products and periodically enhance our existing products. We anticipate that we may also have to adjust the prices of many of our products to stay competitive. In addition, new competitors, technologies or market trends may emerge to threaten or reduce the value of entire product lines.

Our quarterly operating results could be subject to significant fluctuation, and we may not be able to adjust our operations to effectively address changes we do not anticipate, which could increase the volatility of our stock price and potentially cause losses to our shareholders.

Given the nature of the markets in which we participate, we cannot reliably predict future revenue and profitability. Changes in competitive, market and economic conditions may require us to adjust our operations, and we may not be able to make those adjustments or make them quickly enough to adapt to changing conditions. A high proportion of our costs are fixed, due in part to our research and development and manufacturing costs. As a result, small declines in sales could disproportionately affect our operating results in a quarter. Factors that may affect our quarterly operating results include:

- demand for and market acceptance of our products,
- competitive pressures resulting in lower selling prices,
- changes in the level of economic activity in regions in which we do business,
- changes in general economic conditions or government funding,
- settlements of income tax audits,
- expenses incurred in connection with claims related to environmental conditions at locations where we conduct or formerly conducted operations,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to taxation,
- changes in our effective tax rate,
- changes in industries, such as pharmaceutical and biomedical,
- changes in the portions of our revenue represented by our various products and customers,
- our ability to introduce new products,
- our competitors’ announcement or introduction of new products, services or technological innovations,



Table of Contents

- costs of raw materials, energy or supplies,
- changes in healthcare or other reimbursement rates paid by government agencies and other third parties for certain of our products and services,
- our ability to realize the benefit of ongoing productivity initiatives,
- changes in the volume or timing of product orders,
- fluctuation in the expense related to the mark-to-market adjustment on postretirement benefit plans,
- changes in our assumptions underlying future funding of pension obligations,
- changes in assumptions used to determine contingent consideration in acquisitions, and
- changes in foreign currency exchange rates.

A significant disruption in third-party package delivery and import/export services, or significant increases in prices for those services, could interfere with our ability to ship products, increase our costs and lower our profitability.

We ship a significant portion of our products to our customers through independent package delivery and import/export companies, including UPS and Federal Express in the United States; TNT, UPS and DHL in Europe; and UPS in Asia. We also ship our products through other carriers, including national trucking firms, overnight carrier services and the United States Postal Service. If one or more of the package delivery or import/export providers experiences a significant disruption in services or institutes a significant price increase, we may have to seek alternative providers and the delivery of our products could be prevented or delayed. Such events could cause us to incur increased shipping costs that could not be passed on to our customers, negatively impacting our profitability and our relationships with certain of our customers.

Disruptions in the supply of raw materials, certain key components and other goods from our limited or single source suppliers could have an adverse effect on the results of our business operations, and could damage our relationships with customers.

The production of our products requires a wide variety of raw materials, key components and other goods that are generally available from alternate sources of supply. However, certain critical raw materials, key components and other goods required for the production and sale of some of our principal products are available from limited or single sources of supply. We generally have multi-year contracts with no minimum purchase requirements with these suppliers, but those contracts may not fully protect us from a failure by certain suppliers to supply critical materials or from the delays inherent in being required to change suppliers and, in some cases, validate new raw materials. Such raw materials, key components and other goods can usually be obtained from alternative sources with the potential for an increase in price, decline in quality or delay in delivery. A prolonged inability to obtain certain raw materials, key components or other goods is possible and could have an adverse effect on our business operations, and could damage our relationships with customers.

We are subject to the rules of the Securities and Exchange Commission requiring disclosure as to whether certain materials known as conflict minerals (tantalum, tin, gold, tungsten and their derivatives), which may be contained in our products are mined from the Democratic Republic of the Congo and adjoining countries. As a result of these rules, we may incur additional costs in complying with the disclosure requirements and in satisfying those customers who require that the components used in our products be certified as conflict-free, and the potential lack of availability of these materials at competitive prices could increase our production costs.

The manufacture and sale of products and services may expose us to product liability claims for which we could have substantial liability.

We face an inherent business risk of exposure to product liability claims if our products, services or product candidates are alleged or found to have caused injury, damage or loss. We may in the future be unable to obtain insurance with adequate levels of coverage for potential liability on acceptable terms or claims of this nature may be excluded from coverage under the terms of any insurance policy that we can obtain. If we are unable to obtain such insurance or the amounts of any claims successfully brought against us substantially exceed our coverage, then our business could be adversely impacted.

If we fail to maintain satisfactory compliance with the regulations of the United States Food and Drug Administration and other governmental agencies in the United States and abroad, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil, criminal or monetary penalties.

Our operations are subject to regulation by different state and federal government agencies in the United States and other countries, as well as to the standards established by international standards bodies. If we fail to comply with those regulations

40

---



Table of Contents

or standards, we could be subject to fines, penalties, criminal prosecution or other sanctions. Some of the products produced by our Human Health segment are subject to regulation by the United States Food and Drug Administration and similar foreign and domestic agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales and distribution. If we fail to comply with those regulations or standards, we may have to recall products, cease their manufacture and distribution, and may be subject to fines or criminal prosecution.

We are also subject to a variety of laws, regulations and standards that govern, among other things, the importation and exportation of products, the handling, transportation and manufacture of toxic or hazardous substances, and our business practices in the United States and abroad such as anti-bribery, anti-corruption and competition laws. This requires that we devote substantial resources to maintaining our compliance with those laws, regulations and standards. A failure to do so could result in the imposition of civil, criminal or monetary penalties having a material adverse effect on our operations.

Changes in governmental regulations may reduce demand for our products or increase our expenses.

We compete in markets in which we or our customers must comply with federal, state, local and foreign regulations, such as environmental, health and safety, and food and drug regulations. We develop, configure and market our products to meet customer needs created by these regulations. Any significant change in these regulations could reduce demand for our products or increase our costs of producing these products.

The healthcare industry is highly regulated and if we fail to comply with its extensive system of laws and regulations, we could suffer fines and penalties or be required to make significant changes to our operations which could have a significant adverse effect on the results of our business operations.

The healthcare industry, including the genetic screening market, is subject to extensive and frequently changing international and United States federal, state and local laws and regulations. In addition, legislative provisions relating to healthcare fraud and abuse, patient privacy violations and misconduct involving government insurance programs provide federal enforcement personnel with substantial powers and remedies to pursue suspected violations. We believe that our business will continue to be subject to increasing regulation as the federal government continues to strengthen its position on healthcare matters, the scope and effect of which we cannot predict. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal damages, fines and penalties, exclusion from participation in governmental healthcare programs, and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur liabilities from third-party claims, all of which could have a significant adverse effect on our business.

Economic, political and other risks associated with foreign operations could adversely affect our international sales and profitability.

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total revenue in the three months ended April 3, 2016. We anticipate that sales from international operations will continue to represent a substantial portion of our total revenue. In addition, many of our manufacturing facilities, employees and suppliers are located outside the United States. Accordingly, our future results of operations could be harmed by a variety of factors, including:

- changes in actual, or from projected, foreign currency exchange rates,
- changes in a country's or region's political or economic conditions, particularly in developing or emerging markets,
- longer payment cycles of foreign customers and timing of collections in foreign jurisdictions,
- embargoes, trade protection measures and import or export licensing requirements,
- policies in foreign countries benefiting domestic manufacturers or other policies detrimental to companies headquartered in the United States,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,
- adverse income tax audit settlements or loss of previously negotiated tax incentives,
- differing business practices associated with foreign operations,
- difficulty in transferring cash between international operations and the United States,
- difficulty in staffing and managing widespread operations,

differing labor laws and changes in those laws,

41

---

Table of Contents

• differing protection of intellectual property and changes in that protection,  
• increasing global enforcement of anti-bribery and anti-corruption laws, and

• differing regulatory requirements and changes in those requirements.

If we do not retain our key personnel, our ability to execute our business strategy will be limited.

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers and scientists, and on our ability to continue to attract, retain, and motivate qualified personnel. The competition for these employees is intense. The loss of the services of key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on us should the turnover rates for key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policies on any of our officers or employees.

Our success also depends on our ability to execute leadership succession plans. The inability to successfully transition key management roles could have a material adverse effect on our operating results.

If we experience a significant disruption in, or breach in security of, our information technology systems, or inadvertent transfer of information, or if we fail to implement new systems, software and technologies successfully, our business could be adversely affected.

We rely on several centralized information technology systems throughout our company to develop, manufacture and provide products and services, keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophes or other unforeseen events. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. In addition, security breaches of our information technology systems or inadvertent transfer of information could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in our suffering significant financial or reputational damage.

We have a substantial amount of outstanding debt, which could impact our ability to obtain future financing and limit our ability to make other expenditures in the conduct of our business.

Our debt level and related debt service obligations could have negative consequences, including:

• requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes, such as acquisitions and stock repurchases;  
• reducing our flexibility in planning for or reacting to changes in our business and market conditions; and  
• exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

In addition, we may incur additional indebtedness in the future to meet future financing needs. If we add new debt, the risks described above could increase.

Restrictions in our senior unsecured revolving credit facility and other debt instruments may limit our activities.

Our senior unsecured revolving credit facility and our 2021 Notes include restrictive covenants that limit our ability to engage in activities that could otherwise benefit our company. These include restrictions on our ability and the ability of our subsidiaries to:

• pay dividends on, redeem or repurchase our capital stock,  
• sell assets,  
• incur obligations that restrict our subsidiaries' ability to make dividend or other payments to us,  
• guarantee or secure indebtedness,  
• enter into transactions with affiliates, and  
• consolidate, merge or transfer all, or substantially all, of our assets and the assets of our subsidiaries on a consolidated basis.



Table of Contents

We are also required to meet specified financial ratios under the terms of certain of our existing debt instruments. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control, such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition. In addition, if we are unable to maintain our investment grade credit rating, our borrowing costs would increase and we would be subject to different and potentially more restrictive financial covenants under some of our existing debt instruments. Any future indebtedness that we incur may include similar or more restrictive covenants. Our failure to comply with any of the restrictions in our senior unsecured revolving credit facility, our 2021 Notes or any future indebtedness may result in an event of default under those debt instruments, which could permit acceleration of the debt under those debt instruments, and require us to prepay that debt before its scheduled due date under certain circumstances. Our results of operations will be adversely affected if we fail to realize the full value of our intangible assets. As of April 3, 2016, our total assets included \$2.8 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights, customer relationships, core technology and technology licenses, net of accumulated amortization. We test certain of these items—specifically all of those that are considered “non-amortizing”—at least annually for potential impairment by comparing the carrying value to the fair market value of the reporting unit to which they are assigned. All of our amortizing intangible assets are also evaluated for impairment should events occur that call into question the value of the intangible assets.

Adverse changes in our business, adverse changes in the assumptions used to determine the fair value of our reporting units, or the failure to grow our Human Health and Environmental Health segments may result in impairment of our intangible assets, which could adversely affect our results of operations.

Our share price will fluctuate.

Over the last several years, stock markets in general and our common stock in particular have experienced significant price and volume volatility. Both the market price and the daily trading volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our operations and business prospects. In addition to the risk factors discussed above, the price and volume volatility of our common stock may be affected by:

- operating results that vary from our financial guidance or the expectations of securities analysts and investors,
- the financial performance of the major end markets that we target,
- the operating and securities price performance of companies that investors consider to be comparable to us,
- announcements of strategic developments, acquisitions and other material events by us or our competitors, and
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, commodity and equity prices and the value of financial assets.

Dividends on our common stock could be reduced or eliminated in the future.

On January 28, 2016, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the first quarter of fiscal year 2016 that was paid in May 2016. On April 25, 2016, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the second quarter of fiscal year 2016 that will be payable in August 2016. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Table of Contents

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

## Stock Repurchases

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

Period	Issuer Repurchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 4, 2016—February 7, 2016	749	\$ 48.10	—	5,900,000
February 8, 2016—March 6, 2016	3,265,142	46.31	3,200,000	2,700,000
March 7, 2016—April 3, 2016	767	47.92	—	2,700,000
Activity for quarter ended April 3, 2016	3,266,658	\$ 46.31	3,200,000	2,700,000

(1) On October 23, 2014, our Board authorized us to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 23, 2016 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the first quarter of fiscal year 2016, we repurchased 3.2 million shares of common stock in the open market at an aggregate cost of \$148.2 million, including commissions, under the Repurchase Program. As of April 3, 2016, 2.7 million shares remained available for repurchase under the Repurchase Program.

(2) Our Board has authorized us to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to our equity incentive plans. During the first quarter of fiscal year 2016, we repurchased 66,658 shares of common stock for this purpose. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

## Item 6. Exhibits

Exhibit Number	Exhibit Name
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB XBRL Taxonomy Extension Labels Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

---

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Condensed Consolidated Statements of Operations for the three months ended April 3, 2016 and March 29, 2015, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended April 3, 2016 and March 29, 2015, (iii) Condensed Consolidated Balance Sheets at April 3, 2016 and January 3, 2016, (iv) Condensed Consolidated Statement of

Table of Contents

Cash Flows for the three months ended April 3, 2016 and March 29, 2015, and (v) Notes to Condensed Consolidated Financial Statements.

45

---



Table of Contents

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 thereunto duly authorized.

PERKINELMER, INC.

May 10, 2016 By: /s/ FRANK A. WILSON  
Frank A. Wilson  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

PERKINELMER, INC.

May 10, 2016 By: /s/ ANDREW OKUN  
Andrew Okun  
Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Name
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

---

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Condensed Consolidated Statements of Operations for the three months ended April 3, 2016 and March 29, 2015, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended April 3, 2016 and March 29, 2015, (iii) Condensed Consolidated Balance Sheets at April 3, 2016 and January 3, 2016, (iv) Condensed Consolidated Statement of Cash Flows for the three months ended April 3, 2016 and March 29, 2015, and (v) Notes to Condensed Consolidated Financial Statements.