PerkinElmer Announces Q3 2005 Results

BOSTON--(BUSINESS WIRE)--Oct. 25, 2005--PerkinElmer, Inc. (NYSE: PKI)

- EPS from Continuing Operations up 43%, Exceeds Forecast
- Health Sciences Revenue Growth of 8%
- Operating Margin up 180 Basis Points
- Increases 2005 Full Year EPS Guidance

PerkinElmer, Inc. (NYSE: PKI), a global leader in Health Sciences, today announced GAAP earnings per share from continuing operations of $.20 on revenue of $361.9 million for the third quarter ended October 2, 2005. This third quarter EPS represents an increase of 43% over GAAP earnings per share of $.14 in the third quarter of 2004.

Third quarter 2005 income from discontinued operations, representing the results of the Company's Fluid Sciences business segment, was $.04 per share. Total EPS from continuing and discontinued operations for the third quarter of 2005, excluding intangibles amortization expense of $7.4 million or approximately $.04 per share, was $.28 per share. The adjusted earnings per share of $.28 exceeded the Thomson First Call™ consensus estimate of $.27 for the third quarter of 2005, and also exceeded the Company's forecasted range of $.26 to $.27 for the quarter.

Third quarter 2005 revenue of $361.9 million increased 6% over the third quarter of 2004. Revenue growth was 6% in Life and Analytical Sciences and 5% in Optoelectronics. Third quarter 2005 revenue from Health Sciences end markets, representing 81% of total revenues for the quarter, increased 8% over the same period of 2004, driven primarily by continued strong revenue growth in the Company's genetic screening, medical imaging, environmental and service businesses. Third quarter 2005 revenue from Photonics end markets declined just under 1% compared to the same period of 2004 as declines in lithography revenues offset growth in specialty lighting and sensors.

GAAP operating profit for the third quarter of 2005 was $40.7 million, up 26% over the third quarter of 2004. Operating profit excluding intangibles amortization of $7.2 million was $47.9 million for the third quarter of 2005, or 13.2% as a percentage of revenue for the quarter. This represents an increase of 170 basis points compared to the same period of last year, as gross margins increased 160 basis points due to higher volume and productivity gains.

"We were pleased to deliver strong revenue and earnings growth during the quarter, with excellent performance in our key growth platforms of genetic screening, medical imaging and service," said Gregory L. Summe, Chairman and CEO of the Company. "Strategically, with the recent announcement of our plan to divest our Fluid Sciences business segment, we continue to reposition the portfolio and narrow our focus around higher growth end markets. Our investments going forward will be centered around opportunities in Health Sciences and Photonics end markets that drive long-term growth," added Summe.

The Company generated operating cash flow of $23.2 million in the third quarter of 2005. Free cash flow for the third quarter of 2005, defined as operating cash flow of $23.2 million less capital expenditures of $6.6 million, was $16.6 million for the third quarter of 2005. For the nine months ended October 2, 2005, free cash flow was $107.3 million, comprised of operating cash flow of $123.5 million less capital expenditures of $16.2 million for the period. The Company is forecasting full year 2005 free cash flow from continuing and discontinued operations of at least $180 million.

Financial overview by reporting segment:

Life and Analytical Sciences reported revenue of $259.1 million for the third quarter of 2005, up 6% from revenue of $243.7 million in the third quarter of 2004, driven primarily by revenue growth in the Company's genetic screening, service and environmental businesses. Revenue growth during the third quarter of 2005 excluding the effects of foreign exchange was 6%.

The segment's GAAP operating profit for the third quarter of 2005 was $26.7 million. The segment's operating profit for the third quarter of 2005, excluding intangibles amortization, was $33.2 million, or 12.8% of revenues, representing an increase of 230 basis points over the same period of 2004.

Optoelectronics reported revenue of $102.8 million for the third quarter of 2005, an increase of 5% from revenue of $97.9 million for the third quarter of 2004, with growth in medical imaging and specialty lighting partially offset by revenue declines in lithography. Revenue growth during the third quarter of 2005 excluding the effects of foreign exchange and acquisitions was 2%.

The segment's GAAP operating profit for the third quarter of 2005 was $20.3 million. The segment's operating profit for the third quarter of 2005, excluding intangibles amortization, was $20.9 million, or 20.4% of revenues, representing an increase of 200 basis points over the same period of 2004.

Discontinued Operations

In October 2005, the Company announced its intention to divest its Fluid Sciences business segment to increase the strategic focus on its higher-growth Health Sciences and Photonics end markets. Therefore, the results of operations for the segment have been reported as discontinued operations in this press release and in the attachments to this release.

Fluid Sciences reported revenue of $58.3 million for the third quarter of 2005, down 5% compared to the same period of 2004. Revenue growth in aerospace was offset by a decline in semiconductor revenues. The segment's GAAP operating profit for the third quarter of 2005 was $9.1 million. The segment's operating profit for the third quarter of 2005, excluding intangibles amortization, was $9.4 million, or 16.1% of revenues.

Financial Guidance

The Company projects fourth quarter 2005 total GAAP earnings from continuing and discontinued operations of between $.36 and $.38 per share. Excluding the impact of intangibles amortization of $.03 per share, the Company projects earnings per share of between $.39 and $.41 for the fourth quarter of 2005.

The Company increased its forecast for full year total 2005 GAAP earnings from continuing and discontinued operations to a range between $.98 and $1.00 per share. Excluding the impact of intangibles amortization and the second quarter 2005 tax benefit and restructuring charges, the Company increased its forecast for full year 2005 earnings per share to a range between $1.10 and $1.12.

The fourth quarter and full year 2005 projections do not take into account any impact or gain from the planned divestitures of the Fluid Sciences business segment or the use of proceeds expected from the sales. The Company will provide an update on the effects of the divestitures on financial results once these transactions have closed.

The Company will discuss its third quarter results in a conference call on October 25, 2005 at 5:30 p.m. Eastern Time (ET). To listen to the call live, please tune into the webcast via www.perkinelmer.com. A playback of this conference call will be available beginning 8:30 p.m. ET, Tuesday, October 25, 2005. The playback phone number is 617-801-6888 and the code number is 12412115.

Use of Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with generally accepted accounting principles (GAAP), this press release also contains non-GAAP financial measures of earnings per share, operating profit and operating margin, in each case excluding amortization of acquisition-related intangible assets and restructuring charges. This press release also contains a non-GAAP financial measure of earnings per share excluding intangibles amortization, restructuring charges and a tax benefit. We exclude the amortization of acquisition-related intangibles, and, where applicable, the tax benefit and restructuring charges in calculating these non-GAAP measures because such items are outside of our normal operations. We believe that the inclusion of these non-GAAP financial measures in this press release also helps investors to gain a meaningful understanding of our core operating results and future prospects, consistent with how management measures and forecasts the Company's performance, especially when comparing such results to previous periods or forecasts. PerkinElmer's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the Company's core operating performance and comparing such performance to that of prior periods and to the performance of our competitors. These measures are also used by management in their financial and operating decision-making.

This press release also contains a non-GAAP financial measure of free cash flow. We define free cash flow as our net cash provided by operating activities minus our capital expenditures. We use free cash flow, and ratios based on this measure, to conduct and evaluate our business and, specifically, to determine incentive compensation, to allocate resources to debt repayment and for cash investing and financing activities. Therefore, we believe that this measure may be similarly useful and informative to investors.

The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this press release may be different from, and therefore may not be comparable to, similar measures used by other companies. Reconciliations of the non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures are set forth in the text of, and the accompanying exhibits to, this press release.

Factors Affecting Future Performance

This press release contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements relating to estimates and projections of future earnings per share and revenue growth and other financial results, developments relating to our customers and end-markets, the planned divestiture of our Fluid Sciences business segment, and plans concerning business development opportunities. Words such as "believes," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions, and references to guidance, are intended to identify forward-looking statements. Such statements are based on management's current assumptions and expectations and no assurances can be given that our assumptions or expectations will prove to be correct. A number of important risk factors could cause actual results to differ materially from the results described, implied or projected in any forward-looking statements. These factors include, without limitation: (1) our ability to consummate the sale of the Company's aerospace business, including obtaining regulatory approvals; (2) our ability to identify purchasers of the Company's semiconductor and fluid testing businesses, negotiate and consummate the sales of such businesses, including obtaining regulatory approvals; (3) economic and geopolitical forces that may limit any continued or expected economic or end market strengthening or recoveries; (4) risks related to our failure to introduce new products in a timely manner; (5) the impact of our debt on our cash flow and investment opportunities: (6) our ability to comply with financial covenants contained in our credit agreements and our debt instruments: (7) a delay in resolution of the Company's tax audits and an adverse determination by the Internal Revenue Service with respect to the Company's tax audits; (8) cyclical downturns continuing to affect several of the industries into which we sell our products; (9) our ability to adjust our operations to address unexpected changes; (10) our ability to execute acquisitions and license technologies and successfully integrate acquired businesses and licensed technologies into our existing business; (11) the loss of any of our licenses that may require us to stop selling products or lose competitive advantage; (12) competition; (13) regulatory compliance; (14) regulatory changes; (15) our failure to obtain and enforce intellectual property protection; (16) our defense of third party claims of patent infringement and our ability to realize the full value of our intangible assets; (17) other factors which we describe under the caption "Forward-Looking Information and Factors Affecting Future Performance" in our most recent annual report on Form 10-K and in our most recent quarterly report on Form 10-Q and in our other filings with the Securities and Exchange Commission. We disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this press release.

Other Information

Health Sciences end markets include genetic screening, environmental, service, biopharma, and medical imaging. Photonics markets include sensors and specialty lighting.

PerkinElmer, Inc. is a global technology leader driving growth and innovation in Health Sciences and Photonics markets to improve the quality of life. The Company reported revenues of $1.7 billion in 2004, has 10,000 employees serving customers in more than 125 countries, and is a component of the S&P 500 Index. Additional information is available through www.perkinelmer.com or 1-877-PKI-NYSE.

PerkinElmer, Inc. and Subsidiaries
INCOME STATEMENTS

	Three Months Ended		Nine Months Ended	
(In thousands, except per share data)	2-Oct-05	26-Sep-04	2-Oct-05	26-Sep-04
Sales	$361,901	$341,601	$1,092,270	$1,028,396
Cost of Sales	204,510	198,567	621,017	597,101
Research and Development Expenses	21,808	20,435	66,674	60,748
In-Process Research and Development Charge	-	-	194	-
Selling, General and				

Administrative Expenses	87,722	83,430	278,449	264,826
Restructuring Charges, Net	-	-	14,245	-
Amortization of Intangible Assets	7,159	6,920	21,452	20,658
Operating Income From Continuing Operations	40,702	32,249	90,239	85,063
Extinguishment of Debt	-	345	6,210	1,877
Interest Income	(489)	(615)	(1,778)	(1,452)
Interest Expense	6,886	9,043	22,462	27,241
Gains on Dispositions of Investments, Net	(400)	-	(5,844)	-
Other Expense (Income), Net	96	(743)	581	(932)
Income From Continuing Operations Before Income Taxes	34,609	24,219	68,608	58,329
Provision for (Benefit From) Income Taxes	8,464	5,825	(3,151)	13,844
Net Income From Continuing Operations	26,145	18,394	71,759	44,485
Income From Discontinued Operations, Net of Income Taxes	5,500	5,889	13,337	14,102
Gain (Loss) on Disposition of Discontinued Operations, Net of Income Taxes	188	(269)	(4,537)	(467)
Net Income	$31,833	$24,014	$80,559	$58,120
Diluted Earnings (Loss) Per Share:				
Continuing Operations	$0.20	$0.14	$0.55	$0.34
Income From Discontinued Operations, Net of Income Taxes	0.04	0.05	0.10	0.11
Gain (Loss) on Disposition of Discontinued Operations, Net of Income Taxes	-	-	(0.04)	-
Net Income	$0.24	$0.19	$0.62	$0.45

Weighted Average Diluted Shares of Common Stock

Outstanding	131,291	129,395	131,021	129,230

ABOVE PREPARED IN ACCORDANCE WITH GAAP

Additional Supplemental Information:
(per share, continuing operations)

GAAP Diluted EPS from Continuing Operations	$0.20	$0.14
Amortization of Intangible Assets, Net of Income Taxes	0.04	0.04
Continuing Operations EPS excluding Amortization of Intangible Assets	$0.24	$0.18
GAAP Diluted EPS from Discontinued Operations	0.04	0.04
Total EPS excluding Amortization of Intangible Assets	$0.28	$0.22
Thomson First Call(TM) EPS	$0.27	

PerkinElmer, Inc. and Subsidiaries
Sales and Operating Profit (Loss)

		Three Months Ended		Nine Months Ended	
(In thousands)		October 2, 2005	September 26, 2004	October 2, 2005	September 26, 2004
Life and Analytical Sciences	Sales	$259,083	$ 243,704	$ 794,634	$ 750,820
	OP$ reported	26,716	18,914	64,341	57,032
	OP% reported	10.3%	7.8%	8.1%	7.6%
	Amortization expense	6,529	6,613	19,643	19,738
	Restructuring charges	-	-	11,035	-
	OP$ adjusted	33,245	25,527	95,019	76,770
	OP% adjusted	12.8%	10.5%	12.0%	10.2%
Opto-electronics	Sales	102,818	97,897	297,636	277,576
	OP$ reported	20,318	17,721	45,863	43,876
	OP% reported	19.8%	18.1%	15.4%	15.8%
	Amortization expense(a)	630	307	2,003	920

	Restructuring charges	-	-	3,210	-
	OP$ adjusted	20,948	18,028	51,076	44,796
	OP% adjusted	20.4%	18.4%	17.2%	16.1%
Other	OP$ reported	(6,332)	(4,386)	(19,965)	(15,845)
Continuing Operations	Sales	$361,901	$ 341,601	$1,092,270	$1,028,396
	OP$ reported	40,702	32,249	90,239	85,063
	OP% reported	11.2%	9.4%	8.3%	8.3%
	Amortization expense(a)	7,159	6,920	21,646	20,658
	Restructuring charges	-	-	14,245	-
	OP$ adjusted	$ 47,861	$ 39,169	$ 126,130	$ 105,721
	OP% adjusted	13.2%	11.5%	11.5%	10.3%

(a) Includes In-Process Research and Development Charge in the amount of $194 in Q1 2005.

SALES AND REPORTED OPERATING PROFIT PREPARED IN ACCORDANCE WITH GAAP

PERKINELMER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	October 2, 2005	July 3, 2005	January 2, 2005	September 26, 2004
	(In thousands)			
Current assets:				
Cash and cash equivalents	$166,057	$158,733	$197,513	$220,041
Accounts receivable, net	247,599	239,893	258,405	242,994
Inventories	168,632	169,163	170,383	166,034
Other current assets	72,033	73,748	67,689	94,213
Current assets of discontinued operations	54,980	54,504	53,640	53,891
Total current assets	709,301	696,041	747,630	777,173
Property, plant and equipment:				
At cost	487,699	490,815	501,238	486,824
Accumulated depreciation	(307,372)	(304,623)	(296,489)	(279,579)
Net property, plant and equipment	180,327	186,192	204,749	207,245
Marketable securities				

and investments	9,268	9,220	10,479	10,230
Intangible assets, net	378,915	386,145	392,019	398,325
Goodwill	1,027,890	1,027,873	1,043,027	999,400
Other assets	101,451	99,356	107,574	95,634
Long-term assets of discontinued operations	86,546	87,599	70,029	71,307
Total assets	$2,493,698	$2,492,426	$2,575,507	$2,559,314
Current liabilities:				
Short-term debt	$5,850	$5,887	$9,714	$4,995
Accounts payable	127,920	125,000	127,936	110,068
Accrued restructuring and integration costs	10,754	13,880	3,045	3,799
Accrued expenses	252,066	270,317	273,913	289,111
Current liabilities of discontinued operations	47,450	55,354	31,363	33,948
Total current liabilities	444,040	470,438	445,971	441,921
Long-term debt	268,390	268,334	364,874	469,493
Long-term liabilities	283,043	283,935	292,340	245,266
Long-term liabilities of discontinued operations	12,120	12,018	12,237	12,345
Total liabilities	1,007,593	1,034,725	1,115,422	1,169,025
Commitments and contingencies				
Total stockholders' equity	1,486,105	1,457,701	1,460,085	1,390,289
Total liabilities and stockholders' equity	$2,493,698	$2,492,426	$2,575,507	$2,559,314

PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Three Months Ended		Nine Months Ended	
	October 2, 2005	September 26, 2004	October 2, 2005	September 26, 2004
	(In thousands)			
Operating Activities:				
Net income	$31,833	$24,014	$80,559	$58,120
Income from discontinued operations, net of income				

taxes	(5,500)	(5,889)	(13,337)	(14,102)
(Gain) loss from disposition of discontinued operations, net of income taxes	(188)	269	4,537	467
Net income from continuing operations	26,145	18,394	71,759	44,485
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:				
Stock-based compensation	535	(299)	5,543	4,362
Amortization of debt discount and issuance costs	660	1,309	4,381	4,870
Depreciation and amortization	16,894	16,270	51,474	50,734
In-process research and development	-	-	194	-
Gains on dispositions and sales of investments, net	(461)	(299)	(64)	(662)
Changes in operating assets and liabilities:				
Accounts receivable	(8,073)	6,761	(2,738)	19,002
Inventories	467	2,111	(2,662)	1,873
Accounts payable	3,106	(1,609)	2,831	(28,133)
Accrued restructuring and integration costs	(3,126)	(1,328)	7,709	(4,231)
Accrued expenses and other	(18,351)	(2,220)	(30,702)	15,962
Net Cash Provided by Continuing Operations	17,796	39,090	107,725	108,262
Net Cash Provided by Discontinued Operations	5,412	7,572	15,793	21,483
Net Cash Provided by Operating Activities	23,208	46,662	123,518	129,745
Investing Activities:				
Capital expenditures	(6,641)	(3,255)	(16,245)	(10,282)
Proceeds from disposition of property, plant and equipment, net	3,135	1,386	9,393	3,442
Proceeds from disposition or settlement of business, net	400	-	6,956	-
(Cash used) proceeds received related to acquisitions, net of cash acquired	(1,750)	-	(14,888)	2,765
Net Cash Used in Continuing Operations	(4,856)	(1,869)	(14,784)	(4,075)
Net Cash Used in Discontinued Operations	(7,556)	(710)	(9,501)	(1,637)

Net Cash Used in Investing Activities	(12,412)	(2,579)	(24,285)	(5,712)
Financing Activities:				
Prepayment of senior subordinated debt	-	-	(34,125)	-
Prepayment of term loan debt	-	(15,000)	(70,000)	(75,000)
(Decrease) increase in other credit facilities	(27)	229	(875)	(125)
Proceeds from issuance of common stock for employee benefit plans	5,195	460	8,599	4,677
Cash dividends	(9,100)	(8,968)	(27,210)	(26,814)
Net Cash Used in Continuing Operations	(3,932)	(23,279)	(123,611)	(97,262)
Net Cash Provided by Discontinued Operations	46	218	516	1,260
Net Cash Used in Financing Activities	(3,886)	(23,061)	(123,095)	(96,002)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	414	2,291	(7,594)	511
Net Increase (Decrease) in Cash and Cash Equivalents	7,324	23,313	(31,456)	28,542
Cash and Cash Equivalents at Beginning of Period	158,733	196,728	197,513	191,499
Cash and Cash Equivalents at End of Period	$166,057	$220,041	$166,057	$220,041

PREPARED IN ACCORDANCE WITH GAAP

CONTACT: Dan Sutherby
PerkinElmer, Inc.
(781) 431-4306

SOURCE: PerkinElmer, Inc.