PerkinElmer Announces Q2 2006 Results

BOSTON--(BUSINESS WIRE)--July 27, 2006--PerkinElmer, Inc. (NYSE: PKI):

-- EPS from Continuing Ops of $.21; Cash EPS of $.26, up 30%

-- Completes Screening, Diagnostics and Service Acquisitions

-- Accelerating Investment in Growth Platforms

PerkinElmer, Inc. (NYSE: PKI), a global leader in Health Sciences and Photonics markets, today reported GAAP earnings per share from continuing operations of $.21 on revenue of $377.0 million for the second quarter ended July 2, 2006. The second quarter 2006 results include intangibles amortization of $7.8 million, or approximately $.04 per share, and stock option expense of $2.1 million, or $.01 per share. The Company announced earnings per share from continuing operations excluding intangibles amortization, stock option expense and a restructuring reversal of $.26, which represents an increase of 30% over the second quarter of 2005 and met the Thomson First Call™ consensus earnings per share estimate.

Second quarter 2006 revenue of $377.0 million increased 2% over the second quarter of 2005. Revenue growth was 3% in Life and Analytical Sciences and 1% in Optoelectronics compared to the same period last year. Second quarter 2006 revenue from Health Sciences end markets, representing 83% of total revenues for the quarter, increased 3% over the same period of 2005, while second quarter revenue from Photonics end markets increased 1% over the same period.

Recently, the Company completed three acquisitions in the priority growth areas of screening, diagnostics and service. Within screening and diagnostics, the Company acquired the business and associated intellectual property of NTD Laboratories and Spectral Genomics. NTD Laboratories is a leading provider of first-trimester prenatal risk assessment, while Spectral Genomics is a leader in molecular karyotyping technology used to research chromosomal abnormalities. NTD Laboratories and Spectral Genomics provide additional technology and a broader platform to drive the Company's high growth screening and diagnostics strategies. Within service, the Company acquired Clinical & Analytical Services Solutions(C&A), an asset management firm that the Company expects will allow it to drive laboratory efficiency and cost savings for customers through asset management and expert maintenance.

"We were pleased to deliver excellent cash EPS growth during the quarter, with strong performance in our key growth platforms of genetic screening, imaging and service," said Gregory L. Summe, chairman and CEO of the Company. "We remain focused on driving growth in these platforms as evidenced by our strategic acquisitions of NTD Laboratories, Spectral Genomics and C&A as well as our increased investment in R&D. We are committed to further increasing our investment in these attractive growth areas," added Summe.

GAAP operating profit during the second quarter of 2006 was $35.7 million, while GAAP operating margin for the same period was 9.5%. Second quarter 2006 operating profit excluding intangibles amortization of $7.8 million, stock option expense of $2.1 million and a restructuring reversal of $.3 million was $45.3 million, or 12.0% as a percentage of revenue for the quarter, representing an increase of 30 basis points compared to the same period of last year.

The Company generated operating cash flows of $53.2 million in the second quarter of 2006. Free cash flow for the second quarter of 2006, defined as operating cash flow of $53.2 million less capital expenditures of $12.2 million, was $41.0 million. This number includes a tax payment of $4.6 million related to the gain on the divestiture of Fluid Sciences. Free cash flow, net of divestiture taxes, was $45.6 million.

Financial Overview by Reporting Segment

Life and Analytical Sciences reported revenue of $278.5 million for the second quarter of 2006, up 3% from revenue of $270.8 million in the second quarter of 2005, driven primarily by revenue growth in the Company's genetic screening and service businesses. Revenue growth during the second quarter of 2006 excluding the effects of foreign exchange and acquisitions was 2%.

The segment's GAAP operating profit for the second quarter of 2006 was $25.3 million versus $15.7 million for the same period of 2005. As a percentage of sales, GAAP operating profit for the second quarter of 2006 was up 330 basis points. Operating profit excluding intangibles amortization, stock option expense and restructuring charges for the second quarter of 2006 was $34.3 million, or 12.3% as a percentage of revenue.

Optoelectronics reported revenue of $98.5 million for the second quarter of 2006, up 1% from revenue of $97.2 million in the second quarter of 2005, driven primarily by revenue growth in imaging partially offset by a decline in specialty lighting and sensors revenue. There was no material revenue impact from foreign exchange.

The segment's GAAP operating profit was $17.4 million for the second quarter of 2006, versus $12.9 million for the comparable period of 2005. As a percentage of sales, GAAP operating profit for the second quarter of 2006 was 17.6%, an increase of 440 basis points. The segment's operating profit excluding intangibles amortization, stock option expense and a restructuring reversal for the second quarter of 2006 was $17.0 million, or 17.3% as a percentage of revenue.

Financial Guidance

For the third quarter of 2006, the Company projects GAAP earnings per share from continuing operations of between $.22 and $.24. Excluding the impact of intangibles amortization and stock option expense, the Company projects earnings per share from continuing operations of between $.27 and $.29 for the third quarter of 2006, an increase of approximately 13% to 21% over the third quarter 2005. For the full year 2006, the Company projects GAAP earnings per share from continuing operations of between $.95 and $1.00, and earnings per share excluding intangibles amortization and stock option expense, of between $1.15 and $1.20 per share. This reflects approximately $.05 per share change in full year cash EPS guidance due to dilution from acquisitions and increased growth investments in the second half of 2006.

The Company will discuss its second quarter results in a conference call on July 27, 2006, at 5:00 p.m. Eastern Time (ET). To listen to the call live, please tune into the webcast at the "Investor Corner" section of our website, www.perkinelmer.com. A playback of this conference call will be available beginning 7:00 p.m. ET, Thursday, July 27, 2006. The playback phone number is 617-801-6888 and the code number is 63608327.

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 revenue, revenue growth, operating profit, operating margin and earnings per share, in each case excluding, where appropriate, the impact of foreign exchange, the effects of acquisitions, intangibles amortization, restructuring reversals, restructuring charges, stock option expense and tax benefits.

- When we refer in this press release to "revenue growth," other than on a GAAP basis, we are excluding the effects of foreign exchange and acquisitions on GAAP revenue.

- When we refer in this press release to "operating profit," other than on a GAAP basis, we are excluding the amortization of intangibles, stock option expense and restructuring charges or reversals from GAAP operating margin.

- When we refer in this press release to "operating margin," other than on a GAAP basis, we are excluding the amortization of intangibles, stock option expense and restructuring charges or reversals from GAAP operating margin.

- When we refer to "earnings per share from continuing operations," other than on a GAAP basis, we are excluding the amortization of intangibles, stock option expense, a restructuring reversal and, for 2005 adjustments, tax benefit from GAAP earnings per share from continued operations.

We exclude the impact of foreign exchange, the effects of acquisitions, intangibles amortization, restructuring reversals, restructuring charges, stock option expense and tax benefit in calculating these non-GAAP measures because such items are outside of our ongoing core business operations.

We believe that the inclusion of these non-GAAP financial measures in this press release helps investors to gain a meaningful understanding of our core operating results and future prospects, and can also help investors who wish to make comparisons between us and other companies on both a GAAP and a non-GAAP basis, particularly with respect to stock option expenses. Our management uses both GAAP financial measures and non-GAAP financial measures to measure and forecast our core operating performance and to compare that performance to prior periods and to the performance of our competitors. Both GAAP and non-GAAP measures are also used by management in their financial and operating decision-making.

This press release also contains non-GAAP financial measures of free cash flow and free cash flow, net of divestiture taxes.

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    --  We define free cash flow as our net cash provided by operating
        activities minus our capital expenditures.

    --  We define free cash flow, net of divestiture taxes, as free
        cash flow minus tax payments related to the gain on
        divestitures.
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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. We use free cash flow, net of divestiture taxes, to compare our period-over-period results and our results to those of competitors, without the impact of a non-recurring tax payment. Therefore, we believe that these measures 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. Although certain non-GAAP financial measures used in this release exclude the accounting treatment of stock option expense, these non-GAAP measures should not be relied upon independently, as they ignore the contribution to our operating results that is generated by the incentive and compensation effects of the underlying stock option programs. 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, and plans concerning business development opportunities. Words such as "believes," "intends," "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 failure to introduce new products in a timely manner; (2) our ability to execute acquisitions and license technologies, or to successfully integrate acquired businesses and licensed technologies into our existing business or to make them profitable; (3) our failure to protect adequately our intellectual property; (4) the loss of any of our licenses or licensed rights; (5) our ability to compete effectively; (6) fluctuation in our quarterly operating results and our ability to adjust our operations to address unexpected changes; (7) our ability to produce an adequate quantity of products to meet our customers' demands; (8) our failure to maintain compliance with applicable government regulations; (9) regulatory changes; (10) economic, political and other risks associated with foreign operations; (11) our ability to retain key personnel; (12) restrictions in our credit agreement; (13) our ability to realize the full value of our intangible assets; and (14) other factors which we describe under the caption "Risk Factors" 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 $1.5 billion in 2005, has 8,000 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.

Click here to view financial tables

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