

**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 October 4, 2020
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
(State or other jurisdiction of
incorporation or organization)

940 Winter Street, Waltham, Massachusetts
(Address of principal executive offices)

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

02451
(Zip Code)

(781) 663-6900

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common stock, \$1 par value per share	PKI	The New York Stock Exchange
1.875% Notes due 2026	PKI 21A	The New York Stock Exchange
0.60% Notes due 2021	PKI 21B	The New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 5, 2020, there were outstanding 111,974,485 shares of common stock, \$1 par value per share.

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PART I. FINANCIAL INFORMATION

Item 1. *Unaudited Financial Statements*

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

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands, except per share data)			
Product revenue	\$ 736,846	\$ 493,320	\$ 1,763,881	\$ 1,434,156
Service revenue	227,179	213,603	664,258	644,021
Total revenue	964,025	706,923	2,428,139	2,078,177
Cost of product revenue	299,785	236,618	746,469	681,349
Cost of service revenue	136,795	128,030	398,858	398,954
Total cost of revenue	436,580	364,648	1,145,327	1,080,303
Selling, general and administrative expenses	225,249	204,171	654,844	604,581
Research and development expenses	50,131	45,376	148,566	141,700
Restructuring and other costs, net	4,059	14,068	11,075	27,868
Operating income from continuing operations	248,006	78,660	468,327	223,725
Interest and other expense, net	14,249	15,406	35,054	51,879
Income from continuing operations before income taxes	233,757	63,254	433,273	171,846
Provision for income taxes	57,021	4,644	85,609	8,642
Income from continuing operations	176,736	58,610	347,664	163,204
Loss on disposition of discontinued operations before income taxes	—	—	—	—
Provision for income taxes on discontinued operations and dispositions	37	52	138	147
Loss from discontinued operations and dispositions	(37)	(52)	(138)	(147)
Net income	\$ 176,699	\$ 58,558	\$ 347,526	\$ 163,057
Basic earnings per share:				
Income from continuing operations	\$ 1.58	\$ 0.53	\$ 3.12	\$ 1.47
Loss from discontinued operations and dispositions	(0.00)	(0.00)	(0.00)	(0.00)
Net income	<u>\$ 1.58</u>	<u>\$ 0.53</u>	<u>\$ 3.12</u>	<u>\$ 1.47</u>
Diluted earnings per share:				
Income from continuing operations	\$ 1.57	\$ 0.53	\$ 3.11	\$ 1.46
Loss from discontinued operations and dispositions	(0.00)	(0.00)	(0.00)	(0.00)
Net income	<u>\$ 1.57</u>	<u>\$ 0.52</u>	<u>\$ 3.10</u>	<u>\$ 1.46</u>
Weighted average shares of common stock outstanding:				
Basic	111,684	110,946	111,378	110,778
Diluted	112,292	111,559	111,935	111,460
Cash dividends declared per common share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

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

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

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Net income	\$ 176,699	\$ 58,558	\$ 347,526	\$ 163,057
Other comprehensive income (loss):				
Foreign currency translation adjustments	72,862	(62,700)	55,837	(66,954)
Unrealized gain (loss) on securities, net of tax	43	(5)	42	(22)
Other comprehensive income (loss)	72,905	(62,705)	55,879	(66,976)
Comprehensive income (loss)	<u>\$ 249,604</u>	<u>\$ (4,147)</u>	<u>\$ 403,405</u>	<u>\$ 96,081</u>

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

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

	October 4, 2020	December 29, 2019
(In thousands, except share and per share data)		
Current assets:		
Cash and cash equivalents	\$ 258,293	\$ 191,877
Accounts receivable, net	797,911	725,184
Inventories	486,555	356,937
Other current assets	133,062	100,381
Total current assets	1,675,821	1,374,379
Property, plant and equipment:		
At cost	762,661	701,580
Accumulated depreciation	(426,219)	(383,357)
Property, plant and equipment, net	336,442	318,223
Operating lease right-of-use assets	193,897	167,276
Intangible assets, net	1,181,754	1,283,286
Goodwill	3,161,998	3,111,227
Other assets, net	315,653	284,173
Total assets	\$ 6,865,565	\$ 6,538,564
Current liabilities:		
Current portion of long-term debt	\$ 360,217	\$ 9,974
Accounts payable	258,038	235,855
Short-term accrued restructuring and other costs	10,344	11,559
Accrued expenses and other current liabilities	614,101	503,332
Current liabilities of discontinued operations	2,097	2,112
Total current liabilities	1,244,797	762,832
Long-term debt	1,492,633	2,064,041
Long-term liabilities	720,800	751,468
Operating lease liabilities	175,654	146,399
Total liabilities	3,633,884	3,724,740
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 111,878,000 shares and 111,140,000 shares at October 4, 2020 and December 29, 2019, respectively	111,878	111,140
Capital in excess of par value	128,820	90,357
Retained earnings	3,134,750	2,811,973
Accumulated other comprehensive loss	(143,767)	(199,646)
Total stockholders' equity	3,231,681	2,813,824
Total liabilities and stockholders' equity	\$ 6,865,565	\$ 6,538,564

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

PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	For the Nine-Month Period Ended October 4, 2020				
	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(In thousands)				
Balance, December 29, 2019	\$ 111,140	\$ 90,357	\$ 2,811,973	\$ (199,646)	\$ 2,813,824
Impact of adopting ASU 2016-13 (see Note 1)	—	—	(1,328)	—	(1,328)
Net income	—	—	33,665	—	33,665
Other comprehensive loss	—	—	—	(78,681)	(78,681)
Dividends	—	—	(7,779)	—	(7,779)
Exercise of employee stock options and related income tax benefits	21	1,085	—	—	1,106
Issuance of common stock for employee stock purchase plans	14	1,242	—	—	1,256
Purchases of common stock	(66)	(6,276)	—	—	(6,342)
Issuance of common stock for long-term incentive program	197	2,831	—	—	3,028
Stock compensation	—	997	—	—	997
Balance, April 5, 2020	<u>\$ 111,306</u>	<u>\$ 90,236</u>	<u>\$ 2,836,531</u>	<u>\$ (278,327)</u>	<u>\$ 2,759,746</u>
Net income	—	—	137,162	—	137,162
Other comprehensive income	—	—	—	61,655	61,655
Dividends	—	—	(7,803)	—	(7,803)
Exercise of employee stock options and related income tax benefits	175	8,792	—	—	8,967
Issuance of common stock for employee stock purchase plans	14	1,291	—	—	1,305
Purchases of common stock	(4)	(323)	—	—	(327)
Issuance of common stock for long-term incentive program	2	5,123	—	—	5,125
Stock compensation	8	1,625	—	—	1,633
Balance, July 5, 2020	<u>\$ 111,501</u>	<u>\$ 106,744</u>	<u>\$ 2,965,890</u>	<u>\$ (216,672)</u>	<u>\$ 2,967,463</u>
Net income	—	—	176,699	—	176,699
Other comprehensive income	—	—	—	72,905	72,905
Dividends	—	—	(7,839)	—	(7,839)
Exercise of employee stock options and related income tax benefits	369	17,085	—	—	17,454
Issuance of common stock for employee stock purchase plans	—	26	—	—	26
Purchases of common stock	(1)	(158)	—	—	(159)
Issuance of common stock for long-term incentive program	9	4,176	—	—	4,185
Stock compensation	—	947	—	—	947
Balance, October 4, 2020	<u>\$ 111,878</u>	<u>\$ 128,820</u>	<u>\$ 3,134,750</u>	<u>\$ (143,767)</u>	<u>\$ 3,231,681</u>

For the Nine-Month Period Ended September 29, 2019

	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In thousands)				
Balance, December 30, 2018	\$ 110,597	\$ 48,772	\$ 2,602,067	\$ (176,481)	\$ 2,584,955
Impact of adopting ASU 2016-02	—	—	13,289	—	13,289
Net income	—	—	35,412	—	35,412
Other comprehensive income	—	—	—	2,946	2,946
Dividends	—	—	(7,742)	—	(7,742)
Exercise of employee stock options and related income tax benefits	186	8,424	—	—	8,610
Issuance of common stock for employee stock purchase plans	19	1,367	—	—	1,386
Purchases of common stock	(57)	(5,236)	—	—	(5,293)
Issuance of common stock for long-term incentive program	146	3,392	—	—	3,538
Stock compensation	—	1,371	—	—	1,371
Balance, March 31, 2019	<u>\$ 110,891</u>	<u>\$ 58,090</u>	<u>\$ 2,643,026</u>	<u>\$ (173,535)</u>	<u>\$ 2,638,472</u>
Net income	—	—	69,087	—	69,087
Other comprehensive loss	—	—	—	(7,217)	(7,217)
Dividends	—	—	(7,746)	—	(7,746)
Exercise of employee stock options and related income tax benefits	167	7,777	—	—	7,944
Issuance of common stock for employee stock purchase plans	15	1,387	—	—	1,402
Purchases of common stock	(7)	(757)	—	—	(764)
Issuance of common stock for long-term incentive program	5	4,384	—	—	4,389
Stock compensation	—	1,300	—	—	1,300
Balance, June 30, 2019	<u>\$ 111,071</u>	<u>\$ 72,181</u>	<u>\$ 2,704,367</u>	<u>\$ (180,752)</u>	<u>\$ 2,706,867</u>
Net income	—	—	58,558	—	58,558
Other comprehensive loss	—	—	—	(62,705)	(62,705)
Dividends	—	—	(7,760)	—	(7,760)
Exercise of employee stock options and related income tax benefits	19	990	—	—	1,009
Issuance of common stock for employee stock purchase plans	(1)	(11)	—	—	(12)
Purchases of common stock	(2)	(142)	—	—	(144)
Issuance of common stock for long-term incentive program	6	7,890	—	—	7,896
Stock compensation	—	3,088	—	—	3,088
Balance, September 29, 2019	<u>\$ 111,093</u>	<u>\$ 83,996</u>	<u>\$ 2,755,165</u>	<u>\$ (243,457)</u>	<u>\$ 2,706,797</u>

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

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

	Nine Months Ended	
	October 4, 2020	September 29, 2019
(In thousands)		
Operating activities:		
Net income	\$ 347,526	\$ 163,057
Loss from discontinued operations and dispositions, net of income taxes	138	147
Income from continuing operations	347,664	163,204
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Stock-based compensation	19,770	25,105
Restructuring and other costs, net	11,075	27,868
Depreciation and amortization	182,521	157,117
Loss on disposition of businesses and assets, net	886	2,469
Change in fair value of contingent consideration	(8,807)	4,399
Debt extinguishment costs	—	471
Amortization of deferred debt financing costs and accretion of discounts	2,559	2,778
Amortization of acquired inventory revaluation	1,757	13,258
Changes in assets and liabilities which provided (used) cash, excluding effects from companies acquired:		
Accounts receivable, net	(67,695)	(22,132)
Inventories	(120,934)	(48,367)
Accounts payable	16,391	(34,043)
Accrued expenses and other	24,893	(143,869)
Net cash provided by operating activities of continuing operations	410,080	148,258
Net cash used in operating activities of discontinued operations	—	—
Net cash provided by operating activities	410,080	148,258
Investing activities:		
Capital expenditures	(57,391)	(53,082)
Purchases of investments	(9,559)	(5,387)
Purchases of licenses	—	(5,000)
Proceeds from disposition of businesses and assets	2,423	550
Proceeds from surrender of life insurance policies	131	—
Activity related to acquisitions, net of cash and cash equivalents acquired	(3,702)	(252,620)
Net cash used in investing activities of continuing operations	(68,098)	(315,539)
Net cash provided by investing activities of discontinued operations	—	—
Net cash used in investing activities	(68,098)	(315,539)
Financing activities:		
Payments on borrowings	(515,210)	(1,419,489)
Proceeds from borrowings	257,000	1,034,416
Proceeds from sale of senior unsecured notes	—	847,195
Payments of debt financing costs	—	(7,922)
Settlement of cash flow hedges	(2,089)	(1,587)
Net payments on other credit facilities	(8,124)	(11,166)
Payments for acquisition-related contingent consideration	(5,200)	(28,200)
Proceeds from issuance of common stock under stock plans	27,528	17,563
Purchases of common stock	(6,829)	(6,201)
Dividends paid	(23,381)	(23,282)
Net cash (used in) provided by financing activities of continuing operations	(276,305)	401,327
Net cash provided by financing activities of discontinued operations	—	—
Net cash (used in) provided by financing activities	(276,305)	401,327
Effect of exchange rate changes on cash, cash equivalents and restricted cash	832	(4,384)
Net increase in cash, cash equivalents and restricted cash	66,509	229,662
Cash, cash equivalents and restricted cash at beginning of period	191,894	166,315
Cash, cash equivalents and restricted cash at end of period	\$ 258,403	\$ 395,977
Supplemental disclosures of cash flow information		
Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total shown in the condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$ 258,293	\$ 392,969
Restricted cash included in other current assets	110	3,008
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	\$ 258,403	\$ 395,977

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

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 December 29, 2019, filed with the SEC (the "2019 Form 10-K"). The balance sheet amounts at December 29, 2019 in this report were derived from the Company's audited 2019 consolidated financial statements included in the 2019 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 and nine months ended October 4, 2020 and September 29, 2019, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

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 3, 2021 ("fiscal year 2020") will include 53 weeks, and the fiscal year ended December 29, 2019 ("fiscal year 2019") included 52 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 consolidated financial position, results of operations and cash flows or do not apply to the Company's operations.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This update provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in ASU 2020-04 provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The following optional expedients for applying the requirements of certain Topics or Industry Subtopics in the FASB's Accounting Standards Codification ("ASC") are permitted for contracts that are modified because of reference rate reform and that meet certain scope guidance: (1) modifications of contracts within the scope of Topic 310, *Receivables*, and Topic 470, *Debt*, should be accounted for by prospectively adjusting the effective interest rate; and (2) modifications of contracts within the scope of Topic 840, *Leases*, and Topic 842, *Leases*, should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate or remeasurements of lease payments. For other Topics or Industry Subtopics in the ASC, the amendments also include a general principle that permits an entity to consider contract modification due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions within the relevant Topic or Industry Subtopic. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the provisions 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 March 2020, the FASB issued Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments* ("ASU 2020-03"). This guidance clarifies various ASC Topics related to financial instruments, including the following, among others: (1) Fair Value Option Disclosures: all entities are required to provide the fair value option disclosures in paragraphs 825-10-50-24 through 50-32 of the ASC; (2) Cross-Reference to Line-of-Credit or Revolving-Debt Arrangements Guidance in Subtopic 470-50, *Modifications and Extinguishments*: the amendments improve the understandability of the guidance; (3) Interaction of Topic 842 and Topic 326: the contractual term of a net investment in a lease determined in

accordance with Topic 842, *Leases* should be the contractual term used to measure expected credit losses under Topic 326, *Financial Instruments - Credit Losses*; and (4) Interaction of Topic 326 and Subtopic 860-20: the amendments to Subtopic 860-20 clarify that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded in accordance with Topic 326. For Fair Value Option Disclosures and Cross-Reference to Line-of-Credit or Revolving-Debt Arrangements Guidance, the provisions are effective upon issuance of this guidance. For Interaction of Topic 842 and Topic 326 and Interaction of Topic 326 and 860-20, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13, as described below. In accordance with ASU 2020-03, the Company adopted the guidance as of April 5, 2020. The adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* ("ASU 2020-01"). This guidance addresses the accounting for the transition into and out of the equity method and provides clarification of the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The amendments clarify that: (a) an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method; and (b) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. The provisions of this guidance are to be applied prospectively upon their effective date. ASU 2020-01 is effective for annual reporting periods beginning after December 15, 2020, and interim periods within those years. Early adoption is permitted but requires simultaneous adoption of all provisions of this guidance. The Company is currently 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 December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 eliminates certain exceptions and adds guidance to reduce complexity in accounting for income taxes. Specifically, this guidance: (1) removes the intraperiod tax allocation exception to the incremental approach; (2) removes the ownership changes in investments exception in determining when a deferred tax liability is recognized after an investor in a foreign entity transitions to or from the equity method of accounting and applies this provision on a modified retrospective basis through a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption; and (3) removes the exception to using the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. ASU 2019-12 also simplifies accounting principles by making other changes, including requiring an entity to: (1) evaluate whether a step-up in tax basis of goodwill relates to a business combination or a separate transaction; (2) make a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and to apply this provision retrospectively to all periods presented; and (3) recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and apply this provision either retrospectively for all periods presented or on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The provisions of this guidance (except as specifically mentioned above) are to be applied prospectively upon their effective date. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020, and interim periods within those years. Early adoption is permitted but requires simultaneous adoption of all provisions of this guidance. The Company is currently 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 April 2019, the FASB issued Accounting Standards Update No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"). ASU 2019-04 clarifies certain aspects of previously issued accounting standards related to: (1) ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements* ("ASU 2016-13"), in areas of accrued interest receivable, transfers of loans and debt securities between classifications, recoveries and prepayments, (2) ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), in areas of partial-term fair value hedges, fair value hedge basis adjustments, certain disclosures and transition requirements and (3) ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), in areas of remeasurement of equity securities under ASC 820, *Fair Value Measurement*, when using the measurement alternative and remeasurement of equity securities at historical exchange rates. The amendments related to ASU 2016-13 are required to be adopted in conjunction with that accounting standards update, as further described below. Since the Company has already adopted ASU 2017-12 and ASU 2016-01, the related amendments in ASU 2019-04 are effective for fiscal years beginning after December 15, 2019, including interim

periods within those fiscal years, with early adoption permitted in any interim period. The amendments to ASU 2017-12 can either be adopted retrospectively as of the date of adoption of ASU 2017-12 or they can be adopted prospectively. The amendments to ASU 2016-01 are required to be applied using a modified-retrospective adoption approach with a cumulative-effect adjustment to retained earnings as of the date of adoption of ASU 2016-01, except for those related to equity securities without readily determinable fair values that are measured using the measurement alternative, which are required to be applied prospectively. The standard was effective for the Company beginning on December 30, 2019, the first day of the Company's fiscal year 2020. The Company applied the provisions of this guidance prospectively. The adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* ("ASU 2018-15"). ASU 2018-15 aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software (and hosting arrangements that include an internal-use software license). The provisions of this guidance are to be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The standard was effective for the Company beginning on December 30, 2019, the first day of the Company's fiscal year 2020. The Company applied the provisions of this guidance prospectively. The adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In August 2018, the FASB issued Accounting Standards Update No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). ASU 2018-14 adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 adds requirements for an entity to disclose the weighted-average interest crediting rates used in the entity's cash balance pension plans and other similar plans; and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Further, ASU 2018-14 removes guidance that currently requires the following disclosures: the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year; the amount and timing of plan assets expected to be returned to the employer; information about (1) benefits covered by related-party insurance and annuity contracts and (2) significant transactions between the plan and related parties; and the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits. ASU 2018-14 also clarifies the guidance in *Compensation-Retirement Benefits (Topic 715-20-50-3)* on defined benefit plans to require disclosure of (1) the projected benefit obligation ("PBO") and fair value of plan assets for pension plans with PBOs in excess of plan assets (the same disclosure with reference to the accumulated postretirement benefit obligation rather than the PBO is required for other postretirement benefit plans) and (2) the accumulated benefit obligation ("ABO") and fair value of plan assets for pension plans with ABOs in excess of plan assets. The provisions of this guidance are to be applied retrospectively to all periods presented upon their effective date. ASU 2018-14 is effective for annual reporting periods beginning after December 15, 2020, and interim periods within those years with early adoption permitted. The Company is currently 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 August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 adds, removes, and modifies certain disclosures related to fair value measurements. ASU 2018-13 adds requirements for an entity to disclose the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Further, ASU 2018-13 removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 also modifies existing disclosure requirements related to measurement uncertainty. The amendments regarding changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments are to be applied retrospectively to all periods presented upon their effective date. The standard was effective for the Company beginning on December 30, 2019, the first day of the Company's fiscal year 2020. The adoption did not have a material impact on the Company's disclosures related to fair value measurements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net

income. The standard requires entities to use the expected loss impairment model and will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance sheet credit exposures. Entities are required to estimate the lifetime “expected credit loss” for each applicable financial asset and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The standard also amends the impairment model for available-for-sale (“AFS”) debt securities and requires entities to determine whether all or a portion of the unrealized loss on an AFS debt security is a credit loss. An entity will recognize an allowance for credit losses on an AFS debt security as a contra-account to the amortized cost basis rather than as a direct reduction of the amortized cost basis of the investment. The provisions of this guidance are to be applied using a modified-retrospective approach. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Subsequent to the issuance of ASU 2016-13, in November 2018, the FASB issued Accounting Standards Update No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* (“ASU 2018-19”), in April 2019, the FASB issued ASU 2019-04, and in May 2019, the FASB issued Accounting Standards Update No. 2019-05, *Financial Instruments - Credit Losses (Topic 326), Targeted Transition Relief* (“ASU 2019-05”). The amendments in ASU 2018-19 clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. The amendments in ASU 2019-04 clarify the measurement of allowance for credit losses on accrued interest receivable; the inclusion of expected recoveries in the allowance for credit losses; the permission of a prepayment-adjusted effective interest rate when determining the allowance for credit losses; and the steps entities should take when recording the transfer of loans or debt securities between measurement classifications. The amendments in ASU 2019-05 provide an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments-Overall*, on an instrument-by-instrument basis, for eligible financial assets measured at amortized cost basis upon adoption of ASU 2016-13, but this fair value option election does not apply to held-to-maturity debt securities. The effective date and transition requirements for the amendments in ASU 2018-19, ASU 2019-04 and ASU 2019-05 are the same as the effective date and transition requirements of ASU 2016-13, which is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those years. The standards were effective for the Company beginning on December 30, 2019, the first day of the Company's fiscal year 2020. The Company adopted these standards using the modified-retrospective approach. The adoption of the standards resulted in a decrease in retained earnings at December 30, 2019 of approximately \$1.3 million from the cumulative effect of initially applying the standards as of that date. In addition, the adoption of the standard resulted in an increase in reserve for doubtful accounts of \$1.7 million and an increase in deferred tax assets of \$0.4 million from the tax impact of the cumulative adjustments. The adoption did not have an impact on cash from or used in operating, investing or financing activities in the Company's consolidated statement of cash flows at December 30, 2019.

Note 2: Revenue
Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical markets, primary end-markets and timing of revenue recognition. The tables also include a reconciliation of the disaggregated revenue with the reportable segments' revenue.

	Reportable Segments					
	October 4, 2020			September 29, 2019		
	Discovery & Analytical Solutions	Diagnostics	Total	Discovery & Analytical Solutions	Diagnostics	Total
	(In thousands)					
Primary geographical markets						
Americas	\$ 173,992	\$ 213,347	\$ 387,339	\$ 178,493	\$ 96,759	\$ 275,252
Europe	115,281	198,205	313,486	119,801	70,225	190,026
Asia	134,350	128,850	263,200	128,610	113,035	241,645
	<u>\$ 423,623</u>	<u>\$ 540,402</u>	<u>\$ 964,025</u>	<u>\$ 426,904</u>	<u>\$ 280,019</u>	<u>\$ 706,923</u>
Primary end-markets						
Diagnostics	\$ —	\$ 540,402	\$ 540,402	\$ —	\$ 280,019	\$ 280,019
Life sciences	251,929	—	251,929	243,167	—	243,167
Applied markets	171,694	—	171,694	183,737	—	183,737
	<u>\$ 423,623</u>	<u>\$ 540,402</u>	<u>\$ 964,025</u>	<u>\$ 426,904</u>	<u>\$ 280,019</u>	<u>\$ 706,923</u>
Timing of revenue recognition						
Products and services transferred at a point in time	\$ 293,460	\$ 518,867	\$ 812,327	\$ 311,123	\$ 259,161	\$ 570,284
Services transferred over time	130,163	21,535	151,698	115,781	20,858	136,639
	<u>\$ 423,623</u>	<u>\$ 540,402</u>	<u>\$ 964,025</u>	<u>\$ 426,904</u>	<u>\$ 280,019</u>	<u>\$ 706,923</u>

	Reportable Segments					
	October 4, 2020			September 29, 2019		
	Discovery & Analytical Solutions	Diagnostics	Total	Discovery & Analytical Solutions	Diagnostics	Total
(In thousands)						
Primary geographical markets						
Americas	\$ 503,490	\$ 475,113	\$ 978,603	\$ 518,884	\$ 300,403	\$ 819,287
Europe	337,435	429,671	767,106	351,216	208,729	559,945
Asia	372,095	310,335	682,430	379,604	319,341	698,945
	<u>\$ 1,213,020</u>	<u>\$ 1,215,119</u>	<u>\$ 2,428,139</u>	<u>\$ 1,249,704</u>	<u>\$ 828,473</u>	<u>\$ 2,078,177</u>
Primary end-markets						
Diagnostics	\$ —	\$ 1,215,119	\$ 1,215,119	\$ —	\$ 828,473	\$ 828,473
Life sciences	734,782	—	734,782	702,406	—	702,406
Applied markets	478,238	—	478,238	547,298	—	547,298
	<u>\$ 1,213,020</u>	<u>\$ 1,215,119</u>	<u>\$ 2,428,139</u>	<u>\$ 1,249,704</u>	<u>\$ 828,473</u>	<u>\$ 2,078,177</u>
Timing of revenue recognition						
Products and services transferred at a point in time	\$ 827,270	\$ 1,149,166	\$ 1,976,436	\$ 903,274	\$ 765,858	\$ 1,669,132
Services transferred over time	385,750	65,953	451,703	346,430	62,615	409,045
	<u>\$ 1,213,020</u>	<u>\$ 1,215,119</u>	<u>\$ 2,428,139</u>	<u>\$ 1,249,704</u>	<u>\$ 828,473</u>	<u>\$ 2,078,177</u>

Contract Balances

Contract assets: The unbilled receivables (contract assets) primarily relate to the Company's right to consideration for work completed but not billed at the reporting date. The unbilled receivables are transferred to trade receivables when billed to customers. Contract assets are generally classified as current assets and are included in "Accounts receivable, net" in the consolidated balance sheets. The balance of contract assets as of October 4, 2020 and December 29, 2019 were \$35.6 million and \$37.0 million, respectively. The amount of unbilled receivables recognized at the beginning of the period that were transferred to trade receivables during the nine months ended October 4, 2020 was \$29.5 million. The increase in unbilled receivables during the nine months ended October 4, 2020 as a result of recognition of revenue before billing to customers, excluding amounts transferred to trade receivables during the period, amounted to \$28.1 million.

Contract liabilities: The contract liabilities primarily relate to the advance consideration received from customers for products and related installation for which transfer of control has not occurred at the balance sheet date. Contract liabilities are classified as either current in "Accounts payable" or long-term in "Long-term liabilities" in the consolidated balance sheets based on the timing of when the Company expects to recognize revenue. The balance of contract liabilities as of October 4, 2020 and December 29, 2019 were \$35.0 million and \$29.9 million, respectively. The increase in contract liabilities during the nine months ended October 4, 2020 due to cash received, excluding amounts recognized as revenue during the period, was \$29.7 million. The amount of revenue recognized during the nine months ended October 4, 2020 that was included in the contract liability balance at the beginning of the period was \$24.7 million.

Contract costs: The Company recognizes the incremental costs of obtaining a contract with a customer as an asset if it expects the benefit of those costs to be longer than one year. The Company determined that certain sales incentive programs meet the requirements to be capitalized. Total capitalized costs to obtain a contract were immaterial during the period and are included in other current and long-term assets on the consolidated balance sheets. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include the Company's internal sales force compensation program, as the Company determined that annual compensation is commensurate with annual sales activities.

Transaction price allocated to the remaining performance obligations

The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The estimated revenue expected to be recognized beyond one year in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the period are not material to the Company. The remaining performance obligations primarily include noncancelable purchase orders and noncancelable software subscriptions and cloud service contracts.

Note 3: Business Combinations

Acquisitions in fiscal year 2020

During the second quarter of fiscal year 2020, the Company completed the acquisition of two businesses for aggregate consideration of \$4.3 million in cash. The Company has reported the operations for these acquisitions within the results of the Company's Diagnostics segment from the acquisition dates. Identifiable definite-lived intangible assets, such as customer relationships, acquired as part of these acquisitions had a weighted average amortization period of 5.0 years.

Subsequent to the third quarter of fiscal year 2020, the Company reached an agreement with Horizon Discovery Group plc ("Horizon") on the terms of a recommended all cash offer whereby an indirect wholly owned subsidiary of the Company will acquire Horizon for approximately \$383.0 million (£296.0 million). The transaction is subject to customary closing conditions and is currently anticipated to close either late in the fourth quarter of fiscal year 2020 or in the first quarter of fiscal year 2021. Horizon is based in Cambridge, UK, has approximately 400 employees, and is widely recognized as a leading provider of CRISPR and RNAi reagents, cell models, cell engineering and base editing offerings which help scientists better understand gene function, genetic disease drivers and biotherapeutics delivery.

Acquisitions in fiscal year 2019

During the fiscal year 2019, the Company completed the acquisition of five businesses for aggregate consideration of \$433.1 million in cash. The acquired businesses include Cisbio Bioassays SAS ("Cisbio"), a company based in Codolet, France, which was acquired for a total consideration of \$219.9 million in cash, Shandong Meizheng Bio-Tech Co., Ltd. ("Meizheng Group"), a company headquartered in Beijing, China, for a total consideration of \$166.5 million in cash, and three other businesses which were acquired for a total consideration of \$46.6 million in cash. The Company has a potential obligation to pay the former shareholders of certain of these acquired businesses additional contingent consideration of up to \$31.8 million. The excess of the purchase prices over the fair values of the acquired businesses' net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforces acquired, and has been allocated to goodwill, which is not tax deductible. The Company has reported the operations for these acquisitions within the results of the Company's Diagnostics and Discovery & Analytical Solutions segments, as applicable, from the acquisition dates. Identifiable definite-lived intangible assets, such as core technology, trade names and customer relationships, acquired as part of these acquisitions had a weighted average amortization period of 11.0 years.

The total purchase price for the acquisitions in fiscal year 2019 has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	Cisbio	Meizheng Group	Other
	(In thousands)		
Fair value of business combination:			
Cash payments	\$ 219,795	\$ 145,000	\$ 45,042
Other liability	—	6,446	638
Contingent consideration	—	12,100	634
Working capital and other adjustments	138	2,961	302
Less: cash acquired	(12,542)	(2,108)	(1,334)
Total	<u>\$ 207,391</u>	<u>\$ 164,399</u>	<u>\$ 45,282</u>
Identifiable assets acquired and liabilities assumed:			
Current assets	\$ 43,554	\$ 15,160	\$ 4,042
Property, plant and equipment	4,835	6,278	727
Other assets	100	24	502
Identifiable intangible assets:			
Core technology	89,000	36,600	27,667
Trade names	5,000	4,900	1,310
Customer relationships	39,000	55,800	6,700
Goodwill	73,417	78,599	17,092
Deferred taxes	(34,962)	(21,494)	(6,657)
Debt assumed	—	(706)	(2,698)
Liabilities assumed	(12,553)	(10,762)	(3,403)
Total	<u>\$ 207,391</u>	<u>\$ 164,399</u>	<u>\$ 45,282</u>

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 October 4, 2020, the Company may have to pay contingent consideration related to acquisitions with open contingency periods of up to \$7.3 million. As of October 4, 2020, the Company has recorded contingent consideration obligations with an estimated fair value of \$2.8 million, which was recorded in long-term liabilities. As of December 29, 2019, the Company had recorded contingent consideration obligations with an estimated fair value of \$35.5 million, of which \$20.8 million was recorded in accrued expenses and other current liabilities, and \$14.7 million was recorded in long-term liabilities. The expected maximum earnout period for acquisitions with open contingency periods does not exceed 2.2 years from October 4, 2020, and the remaining weighted average expected earnout period at October 4, 2020 was 1.2 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 acquisition and divestiture-related costs for the three and nine months ended October 4, 2020 were \$0.2 million and \$7.4 million, respectively. These amounts included \$0.2 million and \$6.9 million of incentive award associated with the Company's acquisition of Meizheng Group for the three and nine months ended October 4, 2020, respectively. Total acquisition and divestiture-related costs for the three and nine months ended September 29, 2019 were \$0.8 million and \$5.9 million, respectively. These amounts for the nine months ended September 29, 2019 included \$2.6 million of net foreign exchange loss related mainly to the Company's acquisition of Cisbio. These acquisition and divestiture-related costs were expensed as incurred and recorded in selling, general and administrative expenses and interest and other expense, net in the Company's consolidated statements of operations.

Note 4: Restructuring and Other Costs, 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 activities associated with these plans have been reported as restructuring and other costs, net, as applicable, and are included as a component of income from continuing operations. The current portion of restructuring and other costs is recorded in short-term accrued restructuring and other costs, accrued expense and other current liabilities, and operating lease right-of-use-assets. The long-term portion of restructuring and other costs is recorded in long-term liabilities and operating lease liabilities.

The Company implemented a restructuring plan in the third quarter of fiscal year 2020 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q3 2020 Plan"). The Company implemented a restructuring plan in the first quarter of fiscal year 2020 consisting of workforce reductions and closure of excess facilities principally intended to realign resources to emphasize growth initiatives (the "Q1 2020 Plan"). The Company implemented a restructuring plan in each quarter of fiscal year 2019 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q1 2019 Plan", "Q2 2019 Plan", "Q3 2019 Plan" and "Q4 2019 Plan", respectively). Details of the plans initiated in previous years (the "Previous Plans") are discussed more fully in Note 5 to the audited consolidated financial statements in the 2019 Form 10-K.

The following table summarizes the reductions in headcount, the initial restructuring or contract termination charges by reporting segment, and the dates by which payments were substantially completed, or the dates by which payments are expected to be substantially completed, for restructuring actions implemented during fiscal years 2020 and 2019 in continuing operations:

	Workforce Reductions			Closure of Excess Facility			(Expected) Date Payments Substantially Completed by	
	Headcount Reduction	Discovery & Analytical Solutions	Diagnostics	Discovery & Analytical Solutions	Diagnostics	Total	Severance	Excess Facility
	(In thousands, except headcount data)							
Q3 2020 Plan	23	\$ 2,080	\$ 901	\$ —	\$ —	\$ 2,981	Q2 FY2021	—
Q1 2020 Plan	32	2,312	1,134	92	682	4,220	Q4 FY2020	Q1 FY2022
Q4 2019 Plan	22	177	2,404	—	—	2,581	Q3 FY2020	—
Q3 2019 Plan	259	11,156	2,641	—	—	13,797	Q2 FY2020	—
Q2 2019 Plan	44	4,461	1,129	—	—	5,590	Q1 FY2020	—
Q1 2019 Plan	105	6,001	1,459	—	—	7,460	Q4 FY2019	—

The Company does not currently expect to incur any future charges for these plans. The Company expects to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

In connection with the termination of various contractual commitments, the Company recorded additional pre-tax charges of \$0.2 million and \$0.1 million during the nine months ended October 4, 2020 in the Discovery & Analytical Solutions segment and Diagnostics segment, respectively.

The Company recorded pre-tax charges of \$0.9 million and \$3.1 million associated with relocating facilities during the three and nine months ended October 4, 2020, respectively, in the Discovery & Analytical Solutions segment. The Company recorded pre-tax charges of \$0.4 million associated with relocating facilities during the nine months ended October 4, 2020 in the Diagnostics segment. The Company expects to make payments on these relocation activities through fiscal year 2021.

At October 4, 2020, the Company had \$15.5 million recorded for accrued restructuring and other costs, of which \$10.3 million was recorded in short-term accrued restructuring and other costs, \$0.5 million was recorded in operating lease right-of-use assets, \$1.3 million was recorded in operating lease liabilities and \$3.3 million was recorded in long-term liabilities. At December 29, 2019, the Company had \$13.9 million recorded for accrued restructuring and other costs, of which \$11.6 million was recorded in short-term accrued restructuring and other costs, \$0.4 million was recorded in accrued expenses and other current liabilities, \$0.8 million was recorded in long-term liabilities, and \$1.1 million was recorded in operating lease liabilities.

The following table summarizes the Company's restructuring accrual balances and related activity by restructuring plan, as well as other accrual balances and related activity, during the nine months ended October 4, 2020:

	Balance at December 29, 2019	2020 Charges	2020 Changes in Estimates, Net	2020 Amounts Paid	Balance at October 4, 2020
(In thousands)					
Severance:					
Q3 2020 Plan	\$ —	\$ 2,981	\$ —	\$ (566)	\$ 2,415
Q1 2020 Plan	—	3,446	—	(2,239)	1,207
Q4 2019 Plan	889	—	(69)	(454)	366
Q3 2019 Plan	6,311	—	—	(2,654)	3,657
Q2 2019 Plan	1,889	—	—	(1,241)	648
Q1 2019 Plan	2,129	—	—	(669)	1,460
Facility:					
Q1 2020 Plan	—	774	—	(95)	679
Previous Plans	1,647	—	269	(511)	1,405
Restructuring	12,865	7,201	200	(8,429)	11,837
Contract Termination	188	—	212	(68)	332
Other Costs	827	3,462	—	(981)	3,308
Total Restructuring and Other Liabilities	\$ 13,880	\$ 10,663	\$ 412	\$ (9,478)	\$ 15,477

Note 5: Interest and Other Expense, Net

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

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
(In thousands)				
Interest income	\$ (205)	\$ (292)	\$ (662)	\$ (925)
Interest expense	12,057	16,149	37,308	49,206
Loss on disposition of businesses and assets, net	—	—	—	2,469
Debt extinguishment costs	—	471	—	471
Other expense (income), net	2,397	(922)	(1,592)	658
Total interest and other expense, net	\$ 14,249	\$ 15,406	\$ 35,054	\$ 51,879

Foreign currency transaction (gains) losses were \$(1.9) million and \$1.6 million for the three and nine months ended October 4, 2020, respectively. Foreign currency transaction losses were \$4.7 million and \$9.2 million for the three and nine months ended September 29, 2019, respectively. Net losses from forward currency hedge contracts were \$6.0 million and \$1.9 million for the three and nine months ended October 4, 2020, respectively. Net gains from forward currency hedge contracts were \$4.2 million for each of the three and nine months ended September 29, 2019. The other components of net periodic pension credit were \$1.6 million and \$4.9 million for the three and nine months ended October 4, 2020, respectively. The other components of net periodic pension credit were \$1.4 million and \$4.4 million for the three and nine months ended September 29, 2019 respectively. These amounts were included in other expense (income), net.

Note 6: Inventories

Inventories as of October 4, 2020 and December 29, 2019 consisted of the following:

	October 4, 2020	December 29, 2019
(In thousands)		
Raw materials	\$ 205,339	\$ 130,673
Work in progress	36,501	26,409
Finished goods	244,715	199,855
Total inventories	<u>\$ 486,555</u>	<u>\$ 356,937</u>

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.

The total provision for income taxes included in the condensed consolidated statements of operations consisted of the following:

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
(In thousands)				
Continuing operations	\$ 57,021	\$ 4,644	\$ 85,609	\$ 8,642
Discontinued operations	37	52	138	147
Total	<u>\$ 57,058</u>	<u>\$ 4,696</u>	<u>\$ 85,747</u>	<u>\$ 8,789</u>

At October 4, 2020, the Company had gross tax effected unrecognized tax benefits of \$35.5 million, of which \$33.8 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 \$1.8 million of its uncertain tax positions at October 4, 2020, 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 2010 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as Finland, Germany, China, Netherlands, Singapore, the United Kingdom, Luxembourg and the United States. The tax years under examination vary by jurisdiction.

During the first nine months of fiscal years 2020 and 2019, the Company recorded a net discrete income tax expense of \$7.4 million and a net discrete income tax benefit of \$12.7 million, respectively. The discrete tax expense in the first nine months of fiscal year 2020 primarily consisted of a \$15.2 million assessment related to foreign entities for which the Company had previously believed, in error, that the relevant tax authority had granted fiscal unity in fiscal years 2019 and 2018. The Company determined that this is not material to any of the previous periods or the current fiscal year. The Company filed an appeal for relief on this matter with the foreign tax authority but cannot be assured of a favorable outcome and has therefore recorded the full impact in the current quarter's tax provision as a result of not being granted fiscal unity in fiscal years 2019 and 2018. The Company also provided for interest on uncertain tax positions of \$1.5 million and \$1.2 million related to foreign tax rate changes, offset by recognition of excess tax benefits on stock compensation of \$7.6 million and a valuation allowance release of \$3.8 million. The discrete tax benefits in the first nine months of fiscal year 2019 included excess tax benefits on stock compensation of \$4.6 million, U.S. federal return to provision adjustments of \$6.5 million and \$3.7 million associated with a tax election made during fiscal year 2019, partially offset by tax expense of \$2.7 million related to a change in tax reform transition tax.

Note 8: Debt

Senior Unsecured Revolving Credit Facility. The Company's senior unsecured revolving credit facility provides for \$1.0 billion of revolving loans that may be either US Dollar Base Rate loans or Eurocurrency Rate loans, as those terms are defined in the credit agreement, and has an initial maturity of September 16, 2024. As of October 4, 2020, undrawn letters of credit in

the aggregate amount of \$11.4 million were treated as issued and outstanding when calculating the borrowing availability under the facility. As of October 4, 2020, the Company had \$922.6 million available for additional borrowing under the facility. The Company plans to 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 on the Eurocurrency Rate loans are based on the Eurocurrency Rate at the time of borrowing, plus a percentage spread based on the credit rating of the Company's debt. The interest rates on the US Dollar Base Rate loans are based on the US Dollar Base Rate at the time of borrowing, plus a percentage spread based on the credit rating of the Company's debt. The base rate is the higher of (i) the Federal Funds Rate (as defined in the credit agreement) plus 50 basis points (ii) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," or (iii) the Eurocurrency Rate plus 1.00%. The Eurocurrency margin as of October 4, 2020 was 101.5 basis points. The weighted average Eurocurrency interest rate as of October 4, 2020 was 0.15%, resulting in a weighted average effective Eurocurrency Rate, including the margin, of 1.16%, which was the interest applicable to the borrowings outstanding as of October 4, 2020. As of October 4, 2020, the senior unsecured revolving credit facility had outstanding borrowings of \$66.0 million, and \$2.8 million of unamortized debt issuance costs. As of December 29, 2019, the senior unsecured revolving credit facility had outstanding borrowings of \$325.4 million, and \$3.4 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 include a debt-to-capital ratio that remains applicable for so long as the Company's debt is rated as investment grade. In the event that the Company's debt is not rated as investment grade, the debt-to-capital ratio covenant is replaced with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant.

1.875% Senior Unsecured Notes due 2026. On July 19, 2016, the Company issued €500.0 million aggregate principal amount of senior unsecured notes due in 2026 (the "2026 Notes") in a registered public offering and received approximately €492.3 million of net proceeds from the issuance. The 2026 Notes were issued at 99.118% of the principal amount, which resulted in a discount of €4.4 million. The 2026 Notes mature in July 2026 and bear interest at an annual rate of 1.875%. Interest on the 2026 Notes is payable annually on July 19th each year. The proceeds from the 2026 Notes were used to pay in full the outstanding balance of the Company's previous senior unsecured revolving credit facility. As of October 4, 2020, the 2026 Notes had an aggregate carrying value of \$579.6 million, net of \$3.2 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs. As of December 29, 2019, the 2026 Notes had an aggregate carrying value of \$552.2 million, net of \$3.5 million of unamortized original issue discount and \$3.3 million of unamortized debt issuance costs.

Prior to April 19, 2026 (three months prior to their maturity date), the Company may redeem the 2026 Notes in whole at any time or in part from time to time, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2026 Notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2026 Notes being redeemed, discounted on an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2026 Notes) plus 35 basis points; plus, in each case, accrued and unpaid interest. In addition, at any time on or after April 19, 2026 (three months prior to their maturity date), the Company may redeem the 2026 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2026 Notes due to be redeemed plus accrued and unpaid interest.

Upon a change of control (as defined in the indenture governing the 2026 Notes) and a contemporaneous downgrade of the 2026 Notes below investment grade, the Company will, in certain circumstances, make an offer to purchase the 2026 Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest.

0.6% Senior Unsecured Notes due in 2021. On April 11, 2018, the Company issued €300.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received approximately €298.7 million of net proceeds from the issuance. The 2021 Notes were issued at 99.95% of the principal amount, which resulted in a discount of €0.2 million. As of October 4, 2020, the 2021 Notes had an aggregate carrying value of \$351.0 million, net of \$30,000 of unamortized original issue discount and \$0.4 million of unamortized debt issuance costs. As of December 29, 2019, the 2021 Notes had an aggregate carrying value of \$334.2 million, net of \$0.1 million of unamortized original issue discount and \$1.1 million of unamortized debt issuance costs. The 2021 Notes mature in April 2021 and bear interest at an annual rate of 0.6%. Interest on the 2021 Notes is payable annually on April 9th each year. Prior to the maturity date of the 2021 Notes, the Company may redeem them in whole at any time or in part from time to time, 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, 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 an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2021 Notes) plus 15 basis points; plus, in each case, 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, the Company will, in certain circumstances, make an offer to purchase the 2021 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest.

3.3% Senior Unsecured Notes due in 2029. On September 12, 2019, the Company issued \$850.0 million aggregate principal amount of senior unsecured notes due in 2029 (the "2029 Notes") in a registered public offering and received \$847.2 million of net proceeds from the issuance. The 2029 Notes were issued at 99.67% of the principal amount, which resulted in a discount of \$2.8 million. As of October 4, 2020, the 2029 Notes had an aggregate carrying value of \$840.4 million, net of \$2.5 million of unamortized original issue discount and \$7.0 million of unamortized debt issuance costs. As of December 29, 2019, the 2029 Notes had an aggregate carrying value of \$839.9 million, net of \$2.7 million of unamortized original issue discount and \$7.4 million of unamortized debt issuance costs. The 2029 Notes mature in September 2029 and bear interest at an annual rate of 3.3%. Interest on the 2029 Notes is payable semi-annually on March 15th and September 15th each year. Proceeds from the 2029 Notes were used to repay all outstanding borrowings under the Company's previous senior unsecured revolving credit facility with the remaining proceeds used in the redemption of the 5% senior unsecured notes that were due in November 2021. Prior to June 15, 2029 (three months prior to their maturity date), the Company may redeem the 2029 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 2029 Notes to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2029 Notes being redeemed (not including any portion of such payments of interest accrued but unpaid as of the date of redemption) assuming that such 2029 Notes matured on June 15, 2029, discounted at the date of redemption on a semi-annual basis (assuming a 360-day year of twelve 30-day months), at the Treasury Rate (as defined in the indenture governing the 2029 Notes) plus 25 basis points, plus accrued and unpaid interest. At any time on or after June 15, 2029 (three months prior to their maturity date), the Company may redeem the 2029 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2029 Notes) and a contemporaneous downgrade of the 2029 Notes below investment grade, each holder of 2029 Notes will have the right to require the Company to repurchase such holder's 2029 Notes for 101% of their principal amount, plus accrued and unpaid interest.

Other Debt Facilities. The Company's other debt facilities include Euro-denominated bank loans with an aggregate carrying value of \$17.8 million (or €15.2 million) and \$23.8 million (or €21.3 million) as of October 4, 2020 and December 29, 2019, respectively. These bank loans are primarily utilized for financing fixed assets and are required to be repaid in monthly or quarterly installments with maturity dates extending to 2028. Of these bank loans, loans in the aggregate amount of \$17.7 million bear fixed interest rates between 1.1% and 4.3% and a loan in the amount of \$0.1 million bears a variable interest rate based on the Euribor rate plus a margin of 1.5%. An aggregate amount of \$5.0 million of the bank loans are secured by mortgages on real property and the remaining \$12.8 million are unsecured. Certain credit agreements for the unsecured bank loans include financial covenants which are based on an equity ratio or an equity ratio and minimum interest coverage ratio.

In addition, the Company had secured bank loans in the aggregate amount of \$0.8 million and \$1.9 million as of October 4, 2020 and December 29, 2019, respectively. The secured bank loans of \$0.8 million bear fixed annual interest rates between 1.95% and 20.0% and are required to be repaid in monthly installments until 2027.

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		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Number of common shares—basic	111,684	110,946	111,378	110,778
Effect of dilutive securities:				
Stock options	477	484	476	558
Restricted stock awards	131	129	81	124
Number of common shares—diluted	112,292	111,559	111,935	111,460
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	—	413	294	396

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 accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2019 Form 10-K.

The principal products and services of the Company's two operating segments are:

- *Discovery & Analytical Solutions*. Provides products and services targeted towards the life sciences and applied markets.
- *Diagnostics*. Develops diagnostics, tools and applications focused on clinically-oriented customers, especially within the reproductive health, immunodiagnosics and applied genomics markets. The Diagnostics segment serves the diagnostics market.

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		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Discovery & Analytical Solutions				
Product revenue	\$ 245,556	\$ 256,118	\$ 686,529	\$ 738,422
Service revenue	178,067	170,786	526,491	511,282
Total revenue	423,623	426,904	1,213,020	1,249,704
Operating income from continuing operations	42,689	52,347	110,632	146,963
Diagnostics				
Product revenue	491,290	237,202	1,077,352	695,734
Service revenue	49,112	42,817	137,767	132,739
Total revenue	540,402	280,019	1,215,119	828,473
Operating income from continuing operations	223,819	47,443	413,710	128,184
Corporate				
Operating loss from continuing operations	(18,502)	(21,130)	(56,015)	(51,422)
Continuing Operations				
Product revenue	736,846	493,320	1,763,881	1,434,156
Service revenue	227,179	213,603	664,258	644,021
Total revenue	964,025	706,923	2,428,139	2,078,177
Operating income from continuing operations	248,006	78,660	468,327	223,725
Interest and other expense, net (see Note 5)	14,249	15,406	35,054	51,879
Income from continuing operations before income taxes	<u>\$ 233,757</u>	<u>\$ 63,254</u>	<u>\$ 433,273</u>	<u>\$ 171,846</u>

Note 11: Stockholders' Equity**Comprehensive Income:**

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

	October 4, 2020	December 29, 2019
	(In thousands)	
Foreign currency translation adjustments	\$ (144,600)	\$ (200,437)
Unrecognized prior service costs, net of income taxes	1,052	1,052
Unrealized net losses on securities, net of income taxes	(219)	(261)
Accumulated other comprehensive loss	<u>\$ (143,767)</u>	<u>\$ (199,646)</u>

Stock Repurchases:

On July 23, 2018, the Board of Directors (the "Board") authorized the Company to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a stock repurchase program (the "Repurchase Program"). The Repurchase Program expired on July 23, 2020, and no shares remain available for repurchase under the Repurchase Program due to its expiration. On July 31, 2020, the Board authorized the Company to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a new stock repurchase program (the "New Repurchase Program"). The New Repurchase Program will expire on July 27, 2022 unless terminated earlier by the Board and may be suspended or discontinued at any time. During the nine months ended October 4, 2020, the Company had no stock repurchases under either the Repurchase Program or the New Repurchase Program. As of October 4, 2020, \$250.0 million remained available for aggregate repurchases of shares under the New 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 October 4, 2020, the Company repurchased 1,416 shares of common stock for this purpose at an aggregate cost of \$0.2 million. During the nine months ended October 4, 2020, the Company repurchased 71,350 shares of common stock for this purpose at an aggregate cost of \$6.8 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 each of the first three quarters of fiscal year 2020 and for each quarter of fiscal year 2019. At October 4, 2020, the Company had accrued \$7.8 million for dividends declared on July 23, 2020 for the third quarter of fiscal year 2020 that were paid on November 6, 2020. On October 22, 2020, the Company announced that the Board had declared a quarterly dividend of \$0.07 per share for the fourth quarter of fiscal year 2020 that will be payable in February 2021. 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

The Company's 2019 Incentive Plan (the "2019 Plan") authorizes the issuance of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash awards as part of the Company's compensation programs. The 2019 Plan was approved by the Company's Board on January 24, 2019 and by the Company's shareholders on April 23, 2019. The 2019 Plan replaced the Company's 2009 Incentive Plan (the "2009 Plan"), under which the Company's common stock was made available for stock option grants, restricted stock awards, performance restricted stock units, performance units and stock awards as part of the Company's compensation programs. Upon shareholder approval of the 2019 Plan, 6.25 million shares of the Company's common stock, as well as shares of the Company's common stock previously granted under the 2009 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price subject to a contractual repurchase right, became available for grant under the 2019 Plan. Awards granted under the 2009 Plan prior to its expiration remain outstanding. As part of the Company's compensation programs, the Company also offers shares of its common stock under its Employee Stock Purchase Plan.

The following table summarizes total pre-tax compensation expense recognized related to the Company's stock option grants, restricted stock awards, performance restricted stock units, performance units and stock awards, included in the

Company's condensed consolidated statements of operations for the three and nine months ended October 4, 2020 and September 29, 2019:

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Cost of revenue	\$ 463	\$ 477	\$ 970	\$ 1,188
Research and development expenses	327	178	915	802
Selling, general and administrative expenses	6,327	11,649	17,885	23,115
Total stock-based compensation expense	\$ 7,117	\$ 12,304	\$ 19,770	\$ 25,105

The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was \$6.3 million and \$11.8 million for the three and nine months ended October 4, 2020, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was \$2.8 million and \$10.0 million for the three and nine months ended September 29, 2019, respectively. Stock-based compensation costs capitalized as part of inventory were \$0.4 million as of each of October 4, 2020 and September 29, 2019, respectively.

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 and Nine Months Ended	
	October 4, 2020	September 29, 2019
Risk-free interest rate	0.9 %	1.9 %
Expected dividend yield	0.3 %	0.3 %
Expected term	5 years	5 years
Expected stock volatility	23.8 %	22.8 %

The following table summarizes stock option activity for the nine months ended October 4, 2020:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Total Intrinsic Value
	(In thousands)		(In years)	(In millions)
Outstanding at December 29, 2019	1,535	\$ 60.42		
Granted	266	86.87		
Exercised	(565)	48.67		
Forfeited	(65)	87.41		
Outstanding at October 4, 2020	1,171	\$ 70.60	3.9	\$ 63.2
Exercisable at October 4, 2020	758	\$ 61.56	2.8	\$ 47.8

The weighted-average per-share grant-date fair value of options granted during the nine months ended October 4, 2020 was \$18.98. The weighted-average per-share grant-date fair value of options granted during the nine months ended September 29, 2019 was \$22.64. The total intrinsic value of options exercised during the three and nine months ended October 4, 2020 was \$25.2 million and \$33.9 million, respectively. The total intrinsic value of options exercised during the three and nine months ended September 29, 2019 was \$0.6 million and \$17.3 million, respectively. Cash received from option exercises for the nine months ended October 4, 2020 and September 29, 2019 was \$27.5 million and \$17.6 million, respectively.

The total compensation expense recognized related to the Company's outstanding options was \$0.9 million and \$2.8 million for the three and nine months ended October 4, 2020, respectively, and \$3.1 million and \$5.7 million for the three and nine months ended September 29, 2019, respectively.

There was \$5.6 million of total unrecognized compensation cost related to nonvested stock options granted as of October 4, 2020. This cost is expected to be recognized over a weighted-average period of 2.0 years.

Restricted Stock Awards: The following table summarizes restricted stock award activity for the nine months ended October 4, 2020:

	Number of Shares	Weighted- Average Grant- Date Fair Value
	(In thousands)	
Nonvested at December 29, 2019	345	\$ 78.69
Granted	182	84.39
Vested	(190)	72.14
Forfeited	(34)	85.10
Nonvested at October 4, 2020	303	\$ 85.52

The fair value of restricted stock awards vested during the three and nine months ended October 4, 2020 was \$0.7 million and \$13.7 million, respectively. The fair value of restricted stock awards vested during the three and nine months ended September 29, 2019 was \$0.4 million and \$11.7 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was \$2.9 million and \$8.1 million for the three and nine months ended October 4, 2020, respectively, and \$4.7 million and \$10.2 million for the three and nine months ended September 29, 2019, respectively.

As of October 4, 2020, there was \$17.6 million of total unrecognized compensation cost related to nonvested restricted stock awards. This cost is expected to be recognized over a weighted-average period of 1.7 years.

Performance Restricted Stock Units: As part of the Company's executive compensation program, the Company granted 89,986 performance restricted stock units during the nine months ended October 4, 2020 that will vest based on performance of the Company. The weighted-average per-share grant date fair value of performance restricted stock units granted during the nine months ended October 4, 2020 was \$76.76. During the nine months ended October 4, 2020, 29,943 performance restricted stock units were forfeited. The total compensation expense recognized related to performance restricted stock units was \$1.1 million and \$3.7 million for the three and nine months ended October 4, 2020, respectively, and \$3.2 million and \$4.8 million for the three and nine months ended September 29, 2019, respectively. As of October 4, 2020, there were 121,759 performance restricted stock units outstanding.

Performance Units: No performance units were granted during the nine months ended October 4, 2020. During the nine months ended October 4, 2020, 1,948 performance units were forfeited. The total compensation expense recognized related to performance units was \$2.2 million and \$4.5 million for the three and nine months ended October 4, 2020, respectively, and \$1.3 million and \$3.7 million for the three and nine months ended September 29, 2019, respectively. As of October 4, 2020, there were 31,207 performance units outstanding and subject to forfeiture, with a corresponding liability of \$7.8 million recorded in accrued expenses and other current liabilities.

Stock Awards: The Company's stock award program provides an annual equity award to non-employee directors. During the nine months ended October 4, 2020, the Company awarded 8,333 shares to non-employee directors. The weighted-average per-share grant-date fair value of the stock awards granted during the nine months ended October 4, 2020 was \$91.75. The total compensation expense recognized related to the stock awards was \$0.8 million and \$0.7 million for the nine months ended October 4, 2020 and September 29, 2019, respectively.

Employee Stock Purchase Plan: During the nine months ended October 4, 2020, the Company issued 27,619 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$92.72 per share. During the nine months ended September 29, 2019, the Company issued 33,843 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$82.25 per share. At October 4, 2020, an aggregate of 0.8 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 the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. If the carrying value of the reporting unit exceeds its fair value, an impairment loss in an amount equal to that excess is recognized up to the amount of goodwill. The Company performed its annual impairment testing for its reporting units as of January 1, 2020, its annual impairment testing date for fiscal year 2020. The Company concluded that there was no goodwill impairment. The range of the long-term terminal growth rates for the Company's reporting units was 3% to 5% for the fiscal year 2020 impairment analysis. The range for the discount rates for the reporting units was 9.0% to 14.5%. Keeping all other variables constant, a 10% change in any one of these input assumptions for the various reporting units would still allow the Company to conclude 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.

Non-amortizing intangibles are also subject to an annual impairment test. 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 up to the amount of the amortizing intangible asset. In addition, the Company evaluates the remaining useful life of its non-amortizing intangible asset at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful life of the Company's non-amortizing intangible asset is no longer indefinite, the asset will be tested for impairment. This intangible asset will then be amortized prospectively over its estimated remaining useful life 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 1, 2020 and concluded that there was no impairment of its non-amortizing intangible asset. 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 nine months of fiscal year 2020.

The changes in the carrying amount of goodwill for the nine months ended October 4, 2020 were as follows:

	Discovery & Analytical Solutions	Diagnostics	Consolidated
	(In thousands)		
Balance at December 29, 2019	\$ 1,498,820	\$ 1,612,407	\$ 3,111,227
Foreign currency translation	25,283	27,265	52,548
Acquisitions, earn-outs and other	(1,777)	—	(1,777)
Balance at October 4, 2020	<u>\$ 1,522,326</u>	<u>\$ 1,639,672</u>	<u>\$ 3,161,998</u>

Identifiable intangible asset balances by category were as follows:

	October 4, 2020	December 29, 2019
	(In thousands)	
Patents	\$ 30,843	\$ 30,831
Less: Accumulated amortization	(28,445)	(27,423)
Net patents	2,398	3,408
Trade names and trademarks	90,290	87,997
Less: Accumulated amortization	(46,177)	(40,295)
Net trade names and trademarks	44,113	47,702
Licenses	58,512	58,496
Less: Accumulated amortization	(51,969)	(49,733)
Net licenses	6,543	8,763
Core technology	706,508	689,089
Less: Accumulated amortization	(372,258)	(320,926)
Net core technology	334,250	368,163
Customer relationships	1,200,214	1,161,526
Less: Accumulated amortization	(477,714)	(378,188)
Net customer relationships	722,500	783,338
In-process research and development	1,366	1,328
Net amortizable intangible assets	1,111,170	1,212,702
Non-amortizing intangible asset:		
Trade name	70,584	70,584
Total	\$ 1,181,754	\$ 1,283,286

Total amortization expense related to definite-lived intangible assets was \$48.9 million and \$142.9 million for the three and nine months ended October 4, 2020, respectively, and \$41.3 million and \$121.2 million for the three and nine months ended September 29, 2019, respectively. Estimated amortization expense related to amortizable intangible assets for each of the next five years is \$48.3 million for the remainder of fiscal year 2020, \$180.2 million for fiscal year 2021, \$163.2 million for fiscal year 2022, \$138.2 million for fiscal year 2023, and \$116.1 million for fiscal year 2024.

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.

A summary of warranty reserve activity is as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Balance at beginning of period	\$ 10,470	\$ 7,985	\$ 8,812	\$ 8,393
Provision charged to income	4,294	2,899	10,479	8,601
Payments	(3,876)	(3,999)	(10,031)	(10,536)
Adjustments to previously provided warranties, net	(248)	1,239	1,459	1,658
Foreign currency translation and acquisitions	180	(169)	101	(161)
Balance at end of period	\$ 10,820	\$ 7,955	\$ 10,820	\$ 7,955

Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic pension credit for the Company's various defined benefit employee pension and postretirement plans:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Service and administrative costs	\$ 1,708	\$ 1,698	\$ 19	\$ 22
Interest cost	3,150	4,136	23	29
Expected return on plan assets	(5,382)	(6,132)	(347)	(294)
Amortization of prior service costs	—	(38)	—	—
Net periodic pension credit	\$ (524)	\$ (336)	\$ (305)	\$ (243)

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Nine Months Ended			
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Service cost	\$ 5,303	\$ 4,960	\$ 55	\$ 66
Interest cost	9,432	12,445	70	87
Expected return on plan assets	(16,137)	(18,469)	(1,041)	(882)
Amortization of prior service costs	—	(115)	—	—
Net periodic benefit credit	\$ (1,402)	\$ (1,179)	\$ (916)	\$ (729)

During the nine months ended October 4, 2020 and September 29, 2019, the Company contributed \$5.2 million and \$6.1 million, respectively, in the aggregate, to pension plans outside of the United States.

The Company recognizes actuarial gains and losses, unless an interim remeasurement is required, 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 2019 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. Service costs for plans in active accrual are included in operating expenses.

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 70% 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 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 Chinese Yuan, Euro, British Pound, Swedish Krona, and Singapore Dollar. The Company held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$406.3 million, \$277.6 million and \$282.3 million at October 4, 2020, December 29, 2019 and September 29, 2019, 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 nine months ended October 4, 2020 and September 29, 2019.

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.

The outstanding forward exchange contracts designated as economic hedges, which were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included combined U.S. Dollar notional amounts of \$156.2 million as of October 4, 2020, combined Euro notional amounts of €105.8 million and combined U.S. Dollar notional amounts of \$5.6 million as of December 29, 2019, and combined Euro notional amounts of €14.9 million and combined U.S. Dollar notional amounts of \$8.7 million as of September 29, 2019. 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 and nine months ended October 4, 2020 and September 29, 2019. The Company paid \$2.1 million and \$1.6 million during the nine months ended October 4, 2020 and September 29, 2019, respectively, from the settlement of these hedges.

During fiscal year 2018, the Company designated a portion of the 2026 Notes to hedge its investments in certain foreign subsidiaries. Unrealized translation adjustments from a portion of the 2026 Notes were included in the foreign currency translation component of accumulated other comprehensive income ("AOCI"), which offsets translation adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign subsidiaries are liquidated or sold. As of October 4, 2020, the total notional amount of the 2026 Notes that was designated to hedge investments in foreign subsidiaries was €497.2 million. The unrealized foreign exchange losses (gains) recorded in AOCI related to the net investment hedge were \$23.4 million and \$24.8 million for the three and nine months ended October 4, 2020, respectively, and \$(5.8) million and \$(8.9) million for the three and nine months ended September 29, 2019, respectively.

During fiscal year 2018, the Company designated the 2021 Notes to hedge its investments in certain foreign subsidiaries. Unrealized translation adjustments from the 2021 Notes were included in the foreign currency translation component of AOCI, which offsets translation adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign subsidiaries are liquidated or sold. During the second quarter of fiscal year 2020, the Company removed the hedging relationship of the first €100.0 million of its 2021 Notes and investments in certain foreign subsidiaries. During the third quarter of fiscal year 2020, the Company removed the hedging relationship of the remaining €200.0 million of its 2021 Notes and investments in certain foreign subsidiaries. The unrealized foreign exchange losses (gains) recorded in AOCI related to the net investment hedge were \$3.7 million and \$1.8 million for the three and nine months ended October 4, 2020, respectively, and \$(12.8) million and \$(15.1) million for the three and nine months ended September 29, 2019, respectively.

During fiscal year 2019, the Company entered into a cross-currency swap designated as a net investment hedge to hedge the Euro currency exposure of the Company's net investment in certain foreign subsidiaries. This agreement is a contract to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. Changes in the fair value of this swap are recorded in equity as a component of AOCI in the same manner as foreign currency translation adjustments. In assessing the effectiveness of this hedge, the Company uses a method based on changes in spot rates to measure the impact of the foreign currency exchange rate fluctuations on both its foreign subsidiary net investment and the related swap. Under this method, changes in the fair value of the hedging instrument other than those due to changes in the spot rate are initially recorded in AOCI as a translation adjustment, and then are amortized into other (income) expense, net in the condensed consolidated statement of operations using a systematic and rational method over the instrument's term. Changes in the fair value associated with the effective portion (i.e. those changes due to the spot rate) are recorded in AOCI as a translation adjustment and are released and recognized in earnings only upon the sale or liquidation of the hedged net investment. The cross-currency swap has an initial notional value of €197.4 million, or \$220.0 million, and matures on November 15, 2021. Interest on the cross-currency swap is payable semi-annually, in Euro, on May 15th and November 15th of each year based on the Euro notional value and a fixed rate of 2.47%. The Company receives interest in U.S. dollars on May 15th and November 15th of each year based on the U.S. dollar equivalent of the Euro notional value and a fixed rate of 5.00%. At October 4, 2020, the fair value of the cross-currency swap was \$7.4 million, which was recorded in AOCI.

During the second and third quarter of fiscal year 2020, the Company entered into forward foreign exchange contracts, designated as cash flow hedges, to hedge the 2021 Notes. The effective portion of the gain or loss of the cash flow hedges will be reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. As of October 4, 2020, the total notional amount of the forward foreign exchange contracts that were designated as cash flow hedges was €300.0 million. The unrealized foreign exchange gains recorded in earnings related to the cash flow hedges were \$10.5 million and \$14.3 million for the three and nine months ended October 4, 2020, respectively.

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 October 4, 2020.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the nine months ended October 4, 2020. 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.

The following tables show the assets and liabilities carried at fair value measured on a recurring basis as of October 4, 2020 and December 29, 2019 classified in one of the three classifications described above:

	Fair Value Measurements at October 4, 2020 Using:			
	Total Carrying Value at October 4, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	\$ 2,911	\$ 2,911	\$ —	\$ —
Foreign exchange derivative assets	14,872	—	14,872	—
Foreign exchange derivative liabilities	(8,113)	—	(8,113)	—
Contingent consideration	(2,817)	—	—	(2,817)

	Fair Value Measurements at December 29, 2019 Using:			
	Total Carrying Value at December 29, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	\$ 2,906	\$ 2,906	\$ —	\$ —
Foreign exchange derivative assets	451	—	451	—
Foreign exchange derivative liabilities	(1,538)	—	(1,538)	—
Contingent consideration	(35,481)	—	—	(35,481)

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 October 4, 2020 and December 29, 2019, 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 Diagnostics AB. Under the terms of the acquisition, the initial purchase consideration was \$32.0 million, net of cash and the Company was 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 third quarter of fiscal year 2020, the Company achieved the last milestone. As of October 4, 2020, the Company had \$10.0 million recorded in other current liabilities in the consolidated balance sheet related to the remaining milestone payment.

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 achieving proof of concept, regulatory approvals and revenue targets 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 October 4, 2020, the Company may have to pay contingent consideration, related to acquisitions with open contingency periods, of up to \$7.3 million. The expected maximum earnout period for the acquisitions with open contingency periods does not exceed 2.2 years from October 4, 2020, and the remaining weighted average expected earnout period at October 4, 2020 was 1.2 years.

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

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Balance at beginning of period	\$ (13,726)	\$ (34,261)	\$ (35,481)	\$ (69,661)
Amounts paid and foreign currency translation	(144)	9,997	10,165	48,558
Reclassified to other current liabilities for achieved milestones	13,692	—	13,692	—
Change in fair value (included within selling, general and administrative expenses)	(2,639)	(1,238)	8,807	(4,399)
Balance at end of period	\$ (2,817)	\$ (25,502)	\$ (2,817)	\$ (25,502)

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 October 4, 2020, the Company's senior unsecured revolving credit facility had a carrying value of \$63.2 million, net of \$2.8 million of unamortized debt issuance costs. As of December 29, 2019, the Company's senior unsecured revolving credit facility had a carrying value of \$322.0 million, net of \$3.4 million of unamortized debt issuance costs. 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 nine months of fiscal year 2020. Consequently, the carrying value approximates fair value and were classified as Level 2.

The Company's 2026 Notes, with a face value of €500.0 million, had an aggregate carrying value of \$579.6 million, net of \$3.2 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs as of October 4, 2020. The 2026 Notes had an aggregate carrying value of \$552.2 million, net of \$3.5 million of unamortized original issue discount and \$3.3 million of unamortized debt issuance costs as of December 29, 2019. The 2026 Notes had a fair value of €532.1 million and €518.5 million as of October 4, 2020 and December 29, 2019, respectively. The fair value of the 2026 Notes is estimated using market quotes from brokers and is based on current rates offered for similar debt.

The Company's 2021 Notes, with a face value of €300.0 million, had an aggregate carrying value of \$351.0 million, net of \$30,000 of unamortized original issue discount and \$0.4 million of unamortized debt issuance costs as of October 4, 2020. The 2021 Notes had an aggregate carrying value of \$334.2 million, net of \$0.1 million of unamortized original issue discount and \$1.1 million of unamortized debt issuance costs as of December 29, 2019. The 2021 Notes had a fair value of €314.0 million and €301.9 million as of October 4, 2020 and December 29, 2019, 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 2029 Notes, with a face value of \$850.0 million, had an aggregate carrying value of \$840.4 million, net of \$2.5 million of unamortized original issue discount and \$7.0 million of unamortized debt issuance costs as of October 4, 2020. The 2029 Notes had an aggregate carrying value of \$839.9 million, net of \$2.7 million of unamortized original issue discount and \$7.4 million of unamortized debt issuance costs as of December 29, 2019. The 2029 Notes had a fair value of \$942.0 million and \$872.3 million as of October 4, 2020 and December 29, 2019, respectively. The fair value of the 2029 Notes is estimated using market quotes from brokers and is based on current rates offered for similar debt.

As of October 4, 2020, the 2021 Notes, 2026 Notes and 2029 Notes were classified as Level 2.

The Company's other debt facilities had an aggregate carrying value of \$18.6 million and \$25.7 million as of October 4, 2020 and December 29, 2019, respectively. As of October 4, 2020, these consisted of bank loans in the aggregate amount of \$18.5 million bearing fixed interest rates between 1.1% and 20.0% and a bank loan in the amount of \$0.1 million bearing a variable interest rate based on the Euribor rate plus a margin of 1.5%. The Company had no change in credit standing during the first nine months of fiscal year 2020. Consequently, the carrying value approximates fair value and were classified as Level 2.

As of October 4, 2020, 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.

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 \$12.7 million and \$7.7 million as of October 4, 2020 and December 29, 2019, 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 October 4, 2020 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.

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 for the diagnostics, life sciences and applied markets. Through our advanced technologies and differentiated solutions, we address critical issues that help to improve lives and the world around us.

The principal products and services of our two operating segments are:

- *Discovery & Analytical Solutions.* Provides products and services targeted towards the life sciences and applied markets.
- *Diagnostics.* Develops diagnostics, tools and applications focused on clinically-oriented customers, especially within the reproductive health, immunodiagnosics and applied genomics markets. The Diagnostics segment serves the diagnostics market.

Overview of the Third Quarter of Fiscal Year 2020

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 3, 2021 ("fiscal year 2020") will include 53 weeks, and the fiscal year ended December 29, 2019 ("fiscal year 2019") included 52 weeks.

Our overall revenue in the third quarter of fiscal year 2020 was \$964.0 million and increased \$257.1 million, or 36%, as compared to the third quarter of fiscal year 2019, reflecting an increase of \$260.4 million, or 93%, in our Diagnostics segment revenue partially offset by a decrease of \$3.3 million, or 1%, in our Discovery & Analytical Solutions segment revenue. The increase in our Diagnostics segment revenue for the third quarter of fiscal year 2020 was driven by increased demand for our immunodiagnosics and applied genomics COVID-19 product offerings as well as favorable changes in foreign exchange rates, partially offset by a decrease in revenue from our reproductive health franchise. The decrease in our Discovery & Analytical Solutions segment revenue for the third quarter of fiscal year 2020 was driven by a decrease in our applied markets revenue, partially offset by an increase in our life sciences market revenue and favorable changes in foreign exchange rates. The decrease in our applied markets revenue was driven by reduced demand as a result of the COVID-19 pandemic, resulting in a decrease in revenue from our industrial, environmental and food markets, partially offset by favorable changes in foreign exchange rates. The increase in our life sciences market revenue was the result of an increase in revenue in our pharmaceutical and biotechnology markets driven by continued growth of our Informatics and OneSource businesses, partially offset by a decrease in revenue from our academia and governmental markets.

Our consolidated gross margins increased 630 basis points in the third quarter of fiscal year 2020, as compared to the third quarter of fiscal year 2019, primarily due to higher sales volume, favorable shift in product mix and service productivity and pricing initiatives, partially offset by increased amortization expense. Our consolidated operating margins increased 1460 basis points in the third quarter of fiscal year 2020, as compared to the third quarter of fiscal year 2019, primarily due to higher sales volume, which was partially offset by increased costs related to amortization of acquired intangible assets, investments in new product development and growth initiatives.

We continue to believe that we are well positioned to take advantage of the spending trends in our end markets and to promote efficiencies in markets where current conditions may increase demand for certain services. Overall, we believe that our strategic focus on Diagnostics and Discovery and Analytical Solutions markets, 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, 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 December 29, 2019 (our “2019 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 nine months ended October 4, 2020.

Consolidated Results of Continuing Operations

Revenue

Revenue for the three months ended October 4, 2020 was \$964.0 million, as compared to \$706.9 million for the three months ended September 29, 2019, an increase of \$257.1 million, or approximately 36%, which includes an approximate 1% increase in revenue attributable to acquisitions and divestitures and a 1% increase in revenue attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment revenue for the three months ended October 4, 2020 as compared to the three months ended September 29, 2019 and includes the effect of foreign exchange rate fluctuations, acquisitions and divestitures. Our Diagnostics segment revenue was \$540.4 million for the three months ended October 4, 2020, as compared to \$280.0 million for the three months ended September 29, 2019, an increase of \$260.4 million, or 93%, primarily due to increased demand for our immunodiagnostics and applied genomics COVID-19 product offerings, as well as favorable changes in foreign exchange rates, partially offset by a decrease in revenue from our reproductive health franchise. Our Discovery & Analytical Solutions segment revenue was \$423.6 million for the three months ended October 4, 2020, as compared to \$426.9 million for the three months ended September 29, 2019, a decrease of \$3.3 million, or 1%, driven by a decrease in our applied markets revenue due to reduced demand as a result of the COVID-19 pandemic, resulting in lower sales volume in our product offerings in the industrial, environmental and food markets, partially offset by an increase in our life sciences market revenue and favorable changes in foreign exchange rates. 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 each of the three months ended October 4, 2020 and September 29, 2019 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

Revenue for the nine months ended October 4, 2020 was \$2,428.1 million, as compared to \$2,078.2 million for the nine months ended September 29, 2019, an increase of \$350.0 million, or approximately 17%, which includes an approximate 2% increase in revenue attributable to acquisitions and divestitures and a 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment revenue for the nine months ended October 4, 2020 as compared to the nine months ended September 29, 2019 and includes the effect of foreign exchange rate fluctuations, acquisitions and divestitures. Our Diagnostics segment revenue was \$1,215.1 million for the nine months ended October 4, 2020, as compared to \$828.5 million for the nine months ended September 29, 2019, an increase of \$386.6 million, or 47%, primarily due to increased demand for our immunodiagnostics and applied genomics COVID-19 product offerings, partially offset by a decrease in revenue from our reproductive health franchise and unfavorable changes in foreign exchange rates. Our Discovery & Analytical Solutions segment revenue was \$1,213.0 million for the nine months ended October 4, 2020, as compared to \$1,249.7 million for the nine months ended September 29, 2019, a decrease of \$36.7 million, or 3%, primarily driven by a decrease in our applied markets revenue due to reduced demand as a result of the COVID-19 pandemic, resulting in lower sales volume in our product offerings in the industrial, environmental and food markets, and unfavorable changes in foreign exchange rates, partially offset by an increase in our life sciences market revenue. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not

recognize \$0.6 million of revenue for each of the nine months ended October 4, 2020 and September 29, 2019 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 October 4, 2020 was \$436.6 million, as compared to \$364.6 million for the three months ended September 29, 2019, an increase of \$71.9 million, or approximately 20%. As a percentage of revenue, cost of revenue decreased to 45.3% for the three months ended October 4, 2020, from 51.6% for the three months ended September 29, 2019, resulting in an increase in gross margin of 630 basis points to 54.7% for the three months ended October 4, 2020, from 48.4% for the three months ended September 29, 2019. Amortization of intangible assets increased and was \$16.7 million for the three months ended October 4, 2020, as compared to \$15.2 million for the three months ended September 29, 2019. Stock-based compensation expense was \$0.5 million for each of the three months ended October 4, 2020 and September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions added an incremental expense of \$0.3 million for the three months ended October 4, 2020, as compared to \$7.7 million for the three months ended September 29, 2019. In addition to the above items, the overall increase in gross margin was primarily the result of higher volume, favorable shift in product mix and service productivity and pricing initiatives partially offset by increased amortization expense.

Cost of revenue for the nine months ended October 4, 2020 was \$1,145.3 million, as compared to \$1,080.3 million for the nine months ended September 29, 2019, an increase of \$65.0 million, or approximately 6%. As a percentage of revenue, cost of revenue decreased to 47.2% for the nine months ended October 4, 2020, from 52.0% for the nine months ended September 29, 2019, resulting in an increase in gross margin of 481 basis points to 52.8% for the nine months ended October 4, 2020, from 48.0% for the nine months ended September 29, 2019. Amortization of intangible assets increased and was \$48.8 million for the nine months ended October 4, 2020, as compared to \$45.6 million for the nine months ended September 29, 2019. Stock-based compensation expense was \$1.0 million for the nine months ended October 4, 2020, as compared to \$1.2 million for the nine months ended and September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions added an incremental expense of \$1.8 million for the nine months ended October 4, 2020, as compared to \$13.3 million for the nine months ended September 29, 2019. In addition to the above items, the overall increase in gross margin was primarily the result of higher volume, favorable shift in product mix and service productivity and pricing initiatives partially offset by increased amortization expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended October 4, 2020 were \$225.2 million, as compared to \$204.2 million for the three months ended September 29, 2019, an increase of \$21.1 million, or 10.3%. As a percentage of revenue, selling, general and administrative expenses decreased and were 23.4% for the three months ended October 4, 2020, as compared to 28.9% for the three months ended September 29, 2019. Amortization of intangible assets increased and was \$32.2 million for the three months ended October 4, 2020, as compared to \$26.1 million for the three months ended September 29, 2019. Stock-based compensation expense was \$6.3 million for the three months ended October 4, 2020 as compared to \$11.6 million for the three months ended September 29, 2019. Other purchase accounting adjustments added an incremental expense of \$2.6 million for the three months ended October 4, 2020, as compared to \$1.2 million for the three months ended September 29, 2019. Acquisition and divestiture-related expenses added an incremental expense of \$0.2 million for the three months ended October 4, 2020, as compared to an incremental expense of \$0.8 million for the three months ended September 29, 2019. Legal costs for significant litigation matters and settlements added an incremental expense of \$0.8 million for the three months ended September 29, 2019. Acceleration of executive compensation added an incremental expense of \$7.7 million for the three months ended September 29, 2019. 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 were partially offset by lower costs resulting from cost containment and productivity initiatives.

Selling, general and administrative expenses for the nine months ended October 4, 2020 were \$654.8 million, as compared to \$604.6 million for the nine months ended September 29, 2019, an increase of \$50.3 million, or 8.3%. As a percentage of revenue, selling, general and administrative expenses decreased and were 27.0% for the nine months ended October 4, 2020, as compared to 29.1% for the nine months ended September 29, 2019. Amortization of intangible assets increased and was \$94.1 million for the nine months ended October 4, 2020, as compared to \$75.6 million for the nine months ended September 29, 2019. Stock-based compensation expense was \$17.9 million for the nine months ended October 4, 2020 as compared to \$23.1 million for the nine months ended September 29, 2019. Other purchase accounting adjustments decreased expenses by \$8.8 million for the nine months ended October 4, 2020, as compared to increasing expenses by \$4.4 million for the nine months ended September 29, 2019. Acquisition and divestiture-related expenses added an incremental expense of \$7.4 million for the nine months ended October 4, 2020, as compared to \$3.3 million for the nine months ended September 29, 2019. Legal costs for significant litigation matters and settlements were \$3.6 million for the nine months ended October 4, 2020, as

compared to \$1.6 million for the nine months ended September 29, 2019. Costs for significant environmental matters added an incremental expense of \$5.2 million for the nine months ended October 4, 2020. Acceleration of executive compensation added an incremental expense of \$7.7 million for the nine months ended September 29, 2019. In addition to the above items, the increase in selling, general and administrative expenses was primarily the result of costs related to growth investments and the extra fiscal week, which were partially offset by lower costs resulting from cost containment and productivity initiatives.

Research and Development Expenses

Research and development expenses for the three months ended October 4, 2020 were \$50.1 million, as compared to \$45.4 million for the three months ended September 29, 2019, an increase of \$4.8 million, or 10.5%. As a percentage of revenue, research and development expenses decreased and were 5.2% for the three months ended October 4, 2020, as compared to 6.4% for the three months ended September 29, 2019. Stock-based compensation expense was \$0.3 million for the three months ended October 4, 2020, as compared to \$0.2 million for the three months ended September 29, 2019. The increase in research and development expenses was driven by our investments in new product development.

Research and development expenses for the nine months ended October 4, 2020 were \$148.6 million, as compared to \$141.7 million for the nine months ended September 29, 2019, an increase of \$6.9 million, or 4.8%. As a percentage of revenue, research and development expenses decreased and were 6.1% for the nine months ended October 4, 2020, as compared to 6.8% for the nine months ended September 29, 2019. Stock-based compensation expense was \$0.9 million for the nine months ended October 4, 2020, as compared to \$0.8 million for the nine months ended September 29, 2019. The increase in research and development expenses was driven by our investments in new product development.

Restructuring and Other Costs, 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 activities associated with these plans have been reported as restructuring and other costs, net, as applicable, and are included as a component of income from continuing operations. The current portion of restructuring and other costs is recorded in short-term accrued restructuring and other costs, accrued expense and other current liabilities, and operating lease right-of-use-assets. The long-term portion of restructuring and other costs is recorded in long-term liabilities and operating lease liabilities.

We implemented a restructuring plan in the third quarter of fiscal year 2020 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q3 2020 Plan"). We implemented a restructuring plan in the first quarter of fiscal year 2020 consisting of workforce reductions and closure of excess facilities principally intended to realign resources to emphasize growth initiatives (the "Q1 2020 Plan"). We implemented a restructuring plan in each quarter of fiscal year 2019 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q1 2019 Plan", "Q2 2019 Plan", "Q3 2019 Plan" and "Q4 2019 Plan", respectively). Details of the plans initiated in previous years (the "Previous Plans") are discussed more fully in Note 5 to the audited consolidated financial statements in the 2019 Form 10-K.

The following table summarizes the reductions in headcount, the initial restructuring or contract termination charges by reporting segment, and the dates by which payments were substantially completed, or the dates by which payments are expected to be substantially completed, for restructuring actions implemented during fiscal years 2020 and 2019 in continuing operations:

	Workforce Reductions			Closure of Excess Facility			(Expected) Date Payments Substantially Completed by	
	Headcount Reduction	Discovery & Analytical Solutions	Diagnostics	Discovery & Analytical Solutions	Diagnostics	Total	Severance	Excess Facility
	(In thousands, except headcount data)							
Q3 2020 Plan	23	\$ 2,080	\$ 901	\$ —	\$ —	\$ 2,981	Q2 FY2021	—
Q1 2020 Plan	32	2,312	1,134	92	682	4,220	Q4 FY2020	Q1 FY2022
Q4 2019 Plan	22	177	2,404	—	—	2,581	Q3 FY2020	—
Q3 2019 Plan	259	11,156	2,641	—	—	13,797	Q2 FY2020	—
Q2 2019 Plan	44	4,461	1,129	—	—	5,590	Q1 FY2020	—
Q1 2019 Plan	105	6,001	1,459	—	—	7,460	Q4 FY2019	—

We do not currently expect to incur any future charges for these plans. We expect to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

In connection with the termination of various contractual commitments, we recorded additional pre-tax charges of \$0.2 million and \$0.1 million during the nine months ended October 4, 2020 in the Discovery & Analytical Solutions segment and Diagnostics segment, respectively.

We recorded pre-tax charges of \$0.9 million and \$3.1 million associated with relocating facilities during the three and nine months ended October 4, 2020, respectively, in the Discovery & Analytical Solutions segment. We recorded pre-tax charges of \$0.4 million associated with relocating facilities during the nine months ended October 4, 2020, in the Diagnostics segment. We expect to make payments on these relocation activities through fiscal year 2021.

At October 4, 2020, we had \$15.5 million recorded for accrued restructuring and other costs, of which \$10.3 million was recorded in short-term accrued restructuring and other costs, \$0.5 million was recorded in operating lease right-of-use assets, \$1.3 million was recorded in operating lease liabilities and \$3.3 million was recorded in long-term liabilities. At December 29, 2019, we had \$13.9 million recorded for accrued restructuring and other costs, of which \$11.6 million was recorded in short-term accrued restructuring and other costs, \$0.4 million was recorded in accrued expenses and other current liabilities, \$0.8 million was recorded in long-term liabilities, and \$1.1 million was recorded in operating lease liabilities. The following table summarizes our restructuring accrual balances and related activity by restructuring plan, as well as other accrual balances and related activity, during the nine months ended October 4, 2020:

	Balance at December 29, 2019	2020 Charges	2020 Changes in Estimates, Net	2020 Amounts Paid	Balance at October 4, 2020
	(In thousands)				
Severance:					
Q3 2020 Plan	\$ —	\$ 2,981	\$ —	\$ (566)	\$ 2,415
Q1 2020 Plan	—	3,446	—	(2,239)	1,207
Q4 2019 Plan	889	—	(69)	(454)	366
Q3 2019 Plan	6,311	—	—	(2,654)	3,657
Q2 2019 Plan	1,889	—	—	(1,241)	648
Q1 2019 Plan	2,129	—	—	(669)	1,460
Facility:					
Q1 2020 Plan	—	774	—	(95)	679
Previous Plans	1,647	—	269	(511)	1,405
Restructuring	12,865	7,201	200	(8,429)	11,837
Contract Termination	188	—	212	(68)	332
Other Costs	827	3,462	—	(981)	3,308
Total Restructuring and Other Liabilities	\$ 13,880	\$ 10,663	\$ 412	\$ (9,478)	\$ 15,477

Interest and Other Expense, Net

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

	Three Months Ended		Nine Months Ended	
	October 4, 2020	September 29, 2019	October 4, 2020	September 29, 2019
	(In thousands)			
Interest income	\$ (205)	\$ (292)	\$ (662)	\$ (925)
Interest expense	12,057	16,149	37,308	49,206
Loss on disposition of businesses and assets, net	—	—	—	2,469
Debt extinguishment costs	—	471	—	471
Other expense (income), net	2,397	(922)	(1,592)	658
Total interest and other expense, net	\$ 14,249	\$ 15,406	\$ 35,054	\$ 51,879

Interest and other expense, net, for the three months ended October 4, 2020 was \$14.2 million, as compared to \$15.4 million for the three months ended September 29, 2019, a decrease of \$1.2 million. The decrease in interest and other expense, net, for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, was primarily due to a decrease in interest expense by \$4.1 million which was partially offset by an increase in other expense (income), net of \$3.3 million and a decrease in interest income by \$0.1 million. The decrease of \$4.1 million in interest expense for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, was primarily the result of the lower interest rate environment that allowed us to refinance our fixed-rate debt at a more favorable level in the third quarter of fiscal year 2019. The increase of \$3.3 million in other expense (income), net for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, consisted primarily of higher foreign exchange loss related to foreign currency transactions and translation. The other components of net periodic pension credit were \$1.6 million and \$1.4 million for the three months ended October 4, 2020 and September 29, 2019, respectively. These amounts were included in other expense (income), net.

Interest and other expense, net, for the nine months ended October 4, 2020 was \$35.1 million, as compared to \$51.9 million for the nine months ended September 29, 2019, a decrease of \$16.8 million. The decrease in interest and other expense, net, for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019, was primarily due to a decrease in interest expense by \$11.9 million, a decrease in other expense (income), net by \$2.3 million, and a decrease in loss on disposition of businesses and assets, net by \$2.5 million, which were partially offset by a decrease in interest income by \$0.3 million. The decrease of \$11.9 million in interest expense for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019 was primarily the result of the lower interest rate environment that allowed us to refinance our fixed-rate debt at a more favorable level in the third quarter of fiscal year 2019, and also the favorable impact of the cross-currency interest rate swap that we executed in the second quarter of fiscal year 2019. The decrease of \$2.3 million in other expense (income), net for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019 consisted primarily of reduced expenses related to foreign currency transactions and translation. The other components of net periodic pension credit were \$4.9 million and \$4.4 million for the nine months ended October 4, 2020 and September 29, 2019, respectively. These amounts were included in other expense (income), net.

Provision for Income Taxes

For the three months ended October 4, 2020, the provision for income taxes from continuing operations was \$57.0 million, as compared to \$4.6 million for the three months ended September 29, 2019. For the nine months ended October 4, 2020, the provision for income taxes from continuing operations was \$85.6 million, as compared to \$8.6 million for the nine months ended September 29, 2019.

The effective tax rate from continuing operations was 24.4% and 19.8% for the three and nine months ended October 4, 2020, respectively, as compared to 7.3% and 5.0% for the three and nine months ended September 29, 2019, respectively. The higher effective tax rate during the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, was due to certain higher tax rate jurisdictions projected to have higher income in fiscal year 2020 as compared to fiscal year 2019, a \$15.2 million accrual for a foreign filing position, and lower tax benefits related to other discrete items which were \$2.3 million for the three months ended October 4, 2020, as compared to \$3.5 million of net tax benefit for the three months ended September 29, 2019. The higher effective tax rate during the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019, was due to certain higher tax jurisdictions projected to have higher income in fiscal year 2020 as compared to fiscal year 2019, an accrual for a foreign filing position and lower tax benefits related to discrete items. For the first nine months of fiscal years 2020 and 2019, we recorded a net discrete income tax expense of \$7.4 million and a net discrete income tax benefit of \$12.7 million, respectively. The discrete tax expense in the first nine months of fiscal year 2020 primarily consisted of a \$15.2 million accrual related to a foreign filing position, partially offset by recognition of excess tax benefits on stock compensation of \$7.6 million and a valuation allowance release of \$3.8 million. We also provided for interest on uncertain tax positions of \$1.5 million and \$1.2 million related to foreign tax rate changes. The discrete tax benefits recorded in the first nine months of fiscal year 2019 primarily consisted of excess tax benefits on stock compensation of \$4.6 million, U.S. federal return to provision adjustments of \$6.5 million and \$3.7 million associated with a tax election made during fiscal year 2019, partially offset by tax expense of \$2.7 million related to a change in tax reform transition tax.

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 \$12.7 million and \$7.7 million as of October 4, 2020 and December 29, 2019, 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 2010 remain open to examination by certain jurisdictions in which we have significant business operations, such as Finland, Germany, China, Netherlands, Singapore, the United Kingdom, Luxembourg 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 October 4, 2020 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

Discovery & Analytical Solutions

Revenue for the three months ended October 4, 2020 was \$423.6 million, as compared to \$426.9 million for the three months ended September 29, 2019, a decrease of \$3.3 million, or 1%, which includes an approximate 1% increase in revenue attributable to acquisitions and divestitures and a 1% increase in revenue attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected revenue by end market for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The decrease in revenue in our Discovery & Analytical Solutions segment was a result of a decrease of \$12.0 million in our applied markets revenue, partially offset by an increase of \$8.8 million in our life sciences market revenue. The decrease in our applied markets revenue was driven by reduced demand as a result of the COVID-19 pandemic, resulting in a decrease in revenue from our industrial, environmental and food markets, partially offset by favorable changes in foreign exchange rates. The increase in our life sciences market revenue was the result of an increase in revenue in our pharmaceutical and biotechnology markets driven by continued growth in our Informatics and OneSource businesses, partially offset by a decrease in revenue from our academia and governmental markets.

Revenue for the nine months ended October 4, 2020 was \$1,213.0 million, as compared to \$1,249.7 million for the nine months ended September 29, 2019, a decrease of \$36.7 million, or 3%, which includes an approximate 2% increase in revenue attributable to acquisitions and divestitures and a 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected revenue by end market for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The decrease in revenue in our Discovery & Analytical Solutions segment was a result of a decrease of \$69.1 million in our applied markets revenue, partially offset by an increase of \$32.4 million in our life sciences market revenue. The decrease in our applied markets revenue was driven by reduced demand as a result of the COVID-19 pandemic, resulting in a decrease in revenue from our industrial, environmental and food markets, partially offset by favorable changes in foreign exchange rates. The increase in our life sciences market revenue was primarily the result of an increase in revenue in our pharmaceutical and biotechnology markets driven by continued growth in our Informatics and OneSource businesses, which were partially offset by a decrease in revenue from our academia and governmental markets.

Operating income from continuing operations for the three months ended October 4, 2020 was \$42.7 million, as compared to \$52.3 million for the three months ended September 29, 2019, a decrease of \$9.7 million, or 18%. Amortization of intangible assets was \$17.6 million for the three months ended October 4, 2020, as compared to \$13.7 million for the three months ended September 29, 2019. Restructuring and other charges, net, were \$2.0 million for the three months ended October 4, 2020, as compared to \$11.4 million for the three months ended September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$7.4 million for the three months ended September 29, 2019. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$0.2 million for the three months ended October 4, 2020, as compared to \$0.4 million for the three months ended September 29, 2019. Legal costs for significant litigation matters and settlements was \$0.8 million for the three months ended September 29, 2019. In addition to the factors noted above, operating income decreased for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, primarily as a result of lower sales volume and increased investments in new product development and growth initiatives, partially offset by pricing initiatives and services productivity.

Operating income from continuing operations for the nine months ended October 4, 2020 was \$110.6 million, as compared to \$147.0 million for the nine months ended September 29, 2019, a decrease of \$36.3 million, or 25%. Amortization of intangible assets was \$58.8 million for the nine months ended October 4, 2020, as compared to \$37.1 million for the nine months ended September 29, 2019. Restructuring and other charges, net, were \$6.7 million for the nine months ended October 4, 2020, as compared to \$22.4 million for the nine months ended September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$1.0 million for the nine months ended October 4, 2020, as compared to \$12.5 million for the nine months ended September 29, 2019. Acquisition and divestiture-related expenses, contingent consideration and other costs decreased expenses by \$5.3 million for the nine months ended October 4, 2020, as compared to increasing expense by \$1.4 million for the nine months ended September 29, 2019. Legal costs for significant litigation matters and settlements were \$2.4 million for the nine months ended October 4, 2020, as compared to \$1.6 million for the nine months ended September 29, 2019. In addition to the factors noted above, operating income decreased for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019, primarily as a result of lower sales volume and increased investments in new product development and growth initiatives, partially offset by pricing initiatives and services productivity.

Diagnostics

Revenue for the three months ended October 4, 2020 was \$540.4 million, as compared to \$280.0 million for the three months ended September 29, 2019, an increase of \$260.4 million, or 93%, which includes an approximate 1% increase in revenue attributable to favorable changes in foreign exchange rates. 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 Diagnostics segment for each of the three months ended October 4, 2020 and September 29, 2019 that otherwise would have been recorded by the acquired businesses during each of the respective periods. The increase in our Diagnostics segment revenue for the three months ended October 4, 2020 was driven by increased demand resulting in higher sales volume in our immunodiagnostics and applied genomics COVID-19 product offerings, as well as favorable changes in foreign exchange rates, which were partially offset by a decrease in revenue from our reproductive health franchise.

Revenue for the nine months ended October 4, 2020 was \$1,215.1 million, as compared to \$828.5 million for the nine months ended September 29, 2019, an increase of \$386.6 million, or 47%, which includes an approximate 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.6 million of revenue in our Diagnostics segment for each of the nine months ended October 4, 2020 and September 29, 2019 that otherwise would have been recorded by the acquired businesses during each of the respective periods. The increase in our Diagnostics segment revenue for the nine months ended October 4, 2020 was driven by increased demand for our immunodiagnostics and applied genomics COVID-19 product offerings, partially offset by a decrease in revenue from our reproductive health and unfavorable changes in foreign exchange rates.

Operating income from continuing operations for the three months ended October 4, 2020 was \$223.8 million, as compared to \$47.4 million for the three months ended September 29, 2019, an increase of \$176.4 million, or 372%. Amortization of intangible assets increased and was \$31.3 million for the three months ended October 4, 2020, as compared to \$27.5 million for the three months ended September 29, 2019. Restructuring and other charges, net, were \$2.1 million for the three months ended October 4, 2020, as compared to \$2.6 million for the three months ended September 29, 2019. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$2.9 million for the three months ended October 4, 2020, as compared to \$1.8 million for the three months ended September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.3 million for each of the three months ended October 4, 2020 and September 29, 2019. In addition to the factors noted above, operating income

increased for the three months ended October 4, 2020, as compared to the three months ended September 29, 2019, primarily as a result of higher sales volume and favorable product mix, partially offset by increased investments in new product development and growth initiatives.

Operating income from continuing operations for the nine months ended October 4, 2020 was \$413.7 million, as compared to \$128.2 million for the nine months ended September 29, 2019, an increase of \$285.5 million, or 223%. Amortization of intangible assets decreased and was \$84.0 million for the nine months ended October 4, 2020, as compared to \$84.1 million for the nine months ended September 29, 2019. Restructuring and other charges, net, were \$4.3 million for the nine months ended October 4, 2020, as compared to \$5.4 million for the nine months ended September 29, 2019. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$4.4 million for the nine months ended October 4, 2020, as compared to \$6.9 million for the nine months ended September 29, 2019. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.8 million for each of the three months ended October 4, 2020 and September 29, 2019. Legal costs for significant litigation matters and settlements were \$1.2 million for the nine months ended October 4, 2020. In addition to the factors noted above, operating income increased for the nine months ended October 4, 2020, as compared to the nine months ended September 29, 2019, primarily as a result of higher sales volume and favorable product mix, partially offset by increased investments in new product development and growth 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 and fund 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 and capital expenditures.

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, including as a result of the COVID-19 pandemic.

At October 4, 2020, we had cash and cash equivalents of \$258.3 million, of which \$241.2 million was held by our non-U.S. subsidiaries, and we had \$922.6 million of additional borrowing capacity available under our senior unsecured revolving credit facility. We had no other liquid investments at October 4, 2020.

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. The Tax Cuts and Jobs Act required us to pay a one-time transition tax on the unremitted earnings of foreign subsidiaries. Based on available information, we estimated the tax on the deemed repatriation of our foreign earnings and recorded a tax expense of \$85.0 million in continuing operations at December 31, 2017. During the fiscal years 2019 and 2018, we refined our calculations of the one-time transition tax based on newly issued guidance from the Internal Revenue Service and recorded a tax expense (benefit) of \$2.7 million and \$(4.6) million, respectively, in continuing operations related to the one-time transition tax. In addition, during fiscal year 2018, we determined that previously undistributed earnings of certain international subsidiaries no longer met the requirements of indefinite reinvestment and therefore recognized \$2.9 million of

income tax expense. Our intent is to continue to reinvest the remaining undistributed earnings of our international subsidiaries indefinitely. No additional income tax expense has been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, contains numerous income tax provisions. We do not expect that any of the provisions of the CARES Act will result in a material impact to our consolidated financial statements or related disclosures.

On July 23, 2018, our Board of Directors (the "Board") authorized us to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a stock repurchase program (the "Repurchase Program"). The Repurchase Program expired on July 23, 2020, and no shares remain available for repurchase under the Repurchase Program due to its expiration. On July 31, 2020, the Board authorized us to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a new stock repurchase program (the "New Repurchase Program"). The New Repurchase Program will expire on July 27, 2022 unless terminated earlier by the Board and may be suspended or discontinued at any time. During the nine months ended October 4, 2020, we had no stock repurchases under either the Repurchase Program or the New Repurchase Program. As of October 4, 2020, \$250.0 million remained available for aggregate repurchases of shares under the New Repurchase Program.

In addition, the 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 October 4, 2020, we repurchased 1,416 shares of common stock for this purpose at an aggregate cost of \$0.2 million. During the nine months ended October 4, 2020, we repurchased 71,350 shares of common stock for this purpose at an aggregate cost of \$6.8 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 senior unsecured revolving credit facility.

The full impact of the ongoing COVID-19 pandemic on global financial markets is not yet known, but 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 nine months of fiscal year 2020, we contributed \$5.2 million, in the aggregate, to our defined benefit pension plans outside of the United States and expect to contribute an additional \$1.4 million by the end of fiscal year 2020. 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 2020. These adjustments are primarily 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 2020. 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 2020.

Cash Flows

Operating Activities. Net cash provided by continuing operations was \$410.1 million for the nine months ended October 4, 2020, as compared to net cash provided by continuing operations of \$148.3 million for the nine months ended September 29, 2019, an increase in cash provided in operating activities of \$261.8 million. The cash provided by operating activities for the nine months ended October 4, 2020 was principally a result of income from continuing operations of \$347.7

million, and non-cash charges, including depreciation and amortization of \$182.5 million, stock-based compensation expense of \$19.8 million, restructuring and other costs, net of \$11.1 million, amortization of deferred debt financing costs and accretion of discount of \$2.6 million, loss on disposition of businesses and assets, net of \$0.9 million and a net cash increase of \$17.8 million in accrued expenses, other assets and liabilities and other items, including the change in fair value of contingent consideration. The change in accrued expenses, other assets and liabilities and other items increased cash provided by operating activities by \$17.8 million for the nine months ended October 4, 2020, whereas the changes in accrued expenses, other assets and liabilities and other items decreased cash provided by operating activities by \$126.2 million for the nine months ended September 29, 2019. These changes primarily related to the timing of payments for pensions, taxes, restructuring, and salary and benefits, including the amortization of purchase accounting adjustments to record the inventory from certain acquisitions of \$1.8 million for the nine months ended October 4, 2020 as compared to \$13.3 million for the nine months ended September 29, 2019. For the nine months ended October 4, 2020, the change in fair value of contingent consideration resulted in a decrease to cash provided by operating activities of \$8.8 million, as compared to a \$4.4 million increase in cash provided for the nine months ended September 29, 2019. These items were partially offset by a net cash decrease in working capital of \$172.2 million. Contributing to the net cash decrease in working capital for the nine months ended October 4, 2020, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of \$120.9 million and an increase in accounts receivable of \$67.7 million, which were partially offset by an increase in accounts payable of \$16.4 million. The increase in inventory was primarily due to the ramp up of COVID-19 product offerings and seasonal inventory builds as well as lower than expected sales in our Discovery & Analytical Solutions segment during the first nine months of fiscal year 2020. The increase in accounts receivable was a result of higher sales volume in our Diagnostics segment during the first nine months of fiscal year 2020. The increase in accounts payable was primarily the result of term extensions and timing of disbursements during the first nine months of fiscal year 2020. For the nine months ended October 4, 2020, \$4.8 million of contingent consideration payments were included in operating activities, as compared to \$20.3 million for the nine months ended September 29, 2019. In addition, we paid \$11.8 million of stay bonuses associated with our acquisition of Tulip Diagnostics Private Limited for the nine months ended September 29, 2019.

Investing Activities. Net cash used in investing activities was \$68.1 million for the nine months ended October 4, 2020, as compared to \$315.5 million for the nine months ended September 29, 2019, a decrease of \$247.4 million. For the nine months ended October 4, 2020, the net cash used in investing activities was principally a result of cash used for capital expenditures of \$57.4 million, purchases of investments of \$9.6 million and cash used for acquisitions of \$3.7 million. These items were partially offset by \$2.4 million in proceeds from disposition of businesses and assets and \$0.1 million in proceeds from surrender of life insurance policies. Cash used for capital expenditures was \$53.1 million for the nine months ended September 29, 2019. The capital expenditures in each period were primarily for manufacturing, software and other capital equipment purchases. During the nine months ended September 29, 2019, we used \$252.6 million for acquisitions, \$5.4 million for purchases of investments and \$5.0 million for purchases of licenses. Proceeds from disposition of businesses and assets were \$0.6 million for the nine months ended September 29, 2019.

Financing Activities. Net cash used in financing activities was \$276.3 million for the nine months ended October 4, 2020, as compared to net cash provided by financing activities of \$401.3 million for the nine months ended September 29, 2019, an increase in cash used in financing activities of \$677.6 million. The cash used in financing activities during the nine months ended October 4, 2020 was principally a result of debt payments, payments of dividends, repurchase of our common stock pursuant to our equity incentive plans and net payments on other credit facilities. During the nine months ended October 4, 2020, our debt payments totaled \$515.2 million which were partially offset by debt borrowings of \$257.0 million. This compares to debt payments of \$1,419.5 million and payments of debt issuance costs of \$7.9 million, which were partially offset by our debt borrowings of \$1,034.4 million and proceeds from the sale of senior unsecured notes of \$847.2 million during the nine months ended September 29, 2019. During the nine months ended October 4, 2020, we paid \$23.4 million in dividends as compared to \$23.3 million for the nine months ended September 29, 2019. During the nine months ended October 4, 2020, we had net payments on other credit facilities of \$8.1 million as compared to \$11.2 million for the nine months ended September 29, 2019. During the nine months ended October 4, 2020, we repurchased 71,350 shares of our 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, for a total cost of \$6.8 million. This compares to repurchases of 67,222 shares of our common stock pursuant to our equity incentive plans for the nine months ended September 29, 2019, for a total cost of \$6.2 million. During the nine months ended October 4, 2020, we paid \$5.2 million for acquisition-related contingent consideration as compared to \$28.2 million for the nine months ended September 29, 2019. In addition, during the nine months ended October 4, 2020, we paid \$2.1 million for the settlement of forward foreign exchange contracts, as compared to \$1.6 million for the nine months ended September 29, 2019. This cash used in financing activities during the nine months ended October 4, 2020 was partially offset by proceeds from the issuance of common stock under our stock plans of \$27.5 million during the nine months ended October 4, 2020 as compared to \$17.6 million for the nine months ended September 29, 2019.

Borrowing Arrangements

Senior Unsecured Revolving Credit Facility. Our senior unsecured revolving credit facility provides for \$1.0 billion of revolving loans that may be either US Dollar Base Rate loans or Eurocurrency Rate loans, as those terms are defined in the credit agreement, and has an initial maturity of September 16, 2024. As of October 4, 2020, undrawn letters of credit in the aggregate amount of \$11.4 million were treated as issued and outstanding when calculating the borrowing availability under the facility. As of October 4, 2020, we had \$922.6 million available for additional borrowing under the facility. We plan to 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 on the Eurocurrency Rate loans are based on the Eurocurrency Rate at the time of borrowing, plus a percentage spread based on the credit rating of our debt. The interest rates on the US Dollar Base Rate loans are based on the US Dollar Base Rate at the time of borrowing, plus a percentage spread based on the credit rating of our debt. The base rate is the higher of (i) the Federal Funds Rate (as defined in the credit agreement) plus 50 basis points (ii) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," or (iii) the Eurocurrency Rate plus 1.00%. The Eurocurrency margin as of October 4, 2020 was 101.5 basis points. The weighted average Eurocurrency interest rate as of October 4, 2020 was 0.15%, resulting in a weighted average effective Eurocurrency Rate, including the margin, of 1.16%, which was the interest applicable to the borrowings outstanding as of October 4, 2020. As of October 4, 2020, the senior unsecured revolving credit facility had outstanding borrowings of \$66.0 million, and \$2.8 million of unamortized debt issuance costs. As of December 29, 2019, the senior unsecured revolving credit facility had outstanding borrowings of \$325.4 million, and \$3.4 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 include a debt-to-capital ratio that remains applicable for so long as our debt is rated as investment grade. In the event that our debt is not rated as investment grade, the debt-to-capital ratio covenant is replaced with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant. We were in compliance with all applicable debt covenants as of October 4, 2020.

1.875% Senior Unsecured Notes due 2026. On July 19, 2016, we issued €500.0 million aggregate principal amount of senior unsecured notes due in 2026 (the "2026 Notes") in a registered public offering and received approximately €492.3 million of net proceeds from the issuance. The 2026 Notes were issued at 99.118% of the principal amount, which resulted in a discount of €4.4 million. The 2026 Notes mature in July 2026 and bear interest at an annual rate of 1.875%. Interest on the 2026 Notes is payable annually on July 19th each year. The proceeds from the 2026 Notes were used to pay in full the outstanding balance of our previous senior unsecured revolving credit facility. As of October 4, 2020, the 2026 Notes had an aggregate carrying value of \$579.6 million, net of \$3.2 million of unamortized original issue discount and \$2.9 million of unamortized debt issuance costs. As of December 29, 2019, the 2026 Notes had an aggregate carrying value of \$552.2 million, net of \$3.5 million of unamortized original issue discount and \$3.3 million of unamortized debt issuance costs.

Prior to April 19, 2026 (three months prior to their maturity date), we may redeem the 2026 Notes in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2026 Notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2026 Notes being redeemed, discounted on an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2026 Notes) plus 35 basis points; plus, in each case, accrued and unpaid interest. In addition, at any time on or after April 19, 2026 (three months prior to their maturity date), we may redeem the 2026 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2026 Notes due to be redeemed plus accrued and unpaid interest.

Upon a change of control (as defined in the indenture governing the 2026 Notes) and a contemporaneous downgrade of the 2026 Notes below investment grade, we will, in certain circumstances, make an offer to purchase the 2026 Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest.

0.6% Senior Unsecured Notes due in 2021. On April 11, 2018, we issued €300.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received approximately €298.7 million of net proceeds from the issuance. The 2021 Notes were issued at 99.95% of the principal amount, which resulted in a discount of €0.2 million. As of October 4, 2020, the 2021 Notes had an aggregate carrying value of \$351.0 million, net of \$30 thousand of unamortized original issue discount and \$0.4 million of unamortized debt issuance costs. As of December 29, 2019, the 2021 Notes had an aggregate carrying value of \$334.2 million, net of \$0.1 million of unamortized original issue discount and \$1.1 million of unamortized debt issuance costs. The 2021 Notes mature in April 2021 and bear interest at an annual rate of 0.6%. Interest on the 2021 Notes is payable annually on April 9th each year. Prior to the maturity date of the 2021 Notes, we may redeem them in whole at any time or in part from time to time, 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, 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 an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2021 Notes) plus 15 basis points; plus, in each case, 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, we will, in certain circumstances, make an offer to purchase the 2021 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest.

3.3% Senior Unsecured Notes due in 2029. On September 12, 2019, we issued \$850.0 million aggregate principal amount of senior unsecured notes due in 2029 (the "2029 Notes") in a registered public offering and received \$847.2 million of net proceeds from the issuance. The 2029 Notes were issued at 99.67% of the principal amount, which resulted in a discount of \$2.8 million. As of October 4, 2020, the 2029 Notes had an aggregate carrying value of \$840.4 million, net of \$2.5 million of unamortized original issue discount and \$7.0 million of unamortized debt issuance costs. As of December 29, 2019, the 2029 Notes had an aggregate carrying value of \$839.9 million, net of \$2.7 million of unamortized original issue discount and \$7.4 million of unamortized debt issuance costs. The 2029 Notes mature in September 2029 and bear interest at an annual rate of 3.3%. Interest on the 2029 Notes is payable semi-annually on March 15th and September 15th each year. Proceeds from the 2029 Notes were used to repay all outstanding borrowings under our previous senior unsecured revolving credit facility with the remaining proceeds used in the redemption of the 5% senior unsecured notes that were due in November 2021. Prior to June 15, 2029 (three months prior to their maturity date), we may redeem the 2029 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 2029 Notes to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2029 Notes being redeemed (not including any portion of such payments of interest accrued but unpaid as of the date of redemption) assuming that such 2029 Notes matured on June 15, 2029, discounted at the date of redemption on a semi-annual basis (assuming a 360-day year of twelve 30-day months), at the Treasury Rate (as defined in the indenture governing the 2029 Notes) plus 25 basis points, plus accrued and unpaid interest. At any time on or after June 15, 2029 (three months prior to their maturity date), we may redeem the 2029 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2029 Notes) and a contemporaneous downgrade of the 2029 Notes below investment grade, each holder of 2029 Notes will have the right to require us to repurchase such holder's 2029 Notes for 101% of their principal amount, plus accrued and unpaid interest.

Other Debt Facilities. Our other debt facilities include Euro-denominated bank loans with an aggregate carrying value of \$17.8 million (or €15.2 million) and \$23.8 million (or €21.3 million) as of October 4, 2020 and December 29, 2019, respectively. These bank loans are primarily utilized for financing fixed assets and are required to be repaid in monthly or quarterly installments with maturity dates extending to 2028. Of these bank loans, loans in the aggregate amount of \$17.7 million bear fixed interest rates between 1.1% and 4.3% and a loan in the amount of \$0.1 million bears a variable interest rate based on the Euribor rate plus a margin of 1.5%. An aggregate amount of \$5.0 million of the bank loans are secured by mortgages on real property and the remaining \$12.8 million are unsecured. Certain credit agreements for the unsecured bank loans include financial covenants which are based on an equity ratio or an equity ratio and minimum interest coverage ratio. We were in compliance with all applicable debt covenants as of October 4, 2020.

In addition, we had secured bank loans in the aggregate amount of \$0.8 million and \$1.9 million as of October 4, 2020 and December 29, 2019, respectively. The secured bank loans of \$0.8 million bear fixed annual interest rates between 1.95% and 20.0% and are required to be repaid in monthly installments until 2027.

Dividends

Our Board declared a regular quarterly cash dividend of \$0.07 per share for each of the first three quarters of fiscal year 2020 and for each quarter of fiscal year 2019. At October 4, 2020, we had accrued \$7.8 million for dividends declared on July 23, 2020 for the third quarter of fiscal year 2020 that were paid on November 6, 2020. On October 22, 2020, we announced that the Board had declared a quarterly dividend of \$0.07 per share for the fourth quarter of fiscal year 2020 that will be payable in February 2021. 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.

Contractual Obligations

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" in the 2019 Form 10-K have not changed materially.

Effects of Recently Adopted and Issued Accounting Pronouncements

See Note 1, *Basis of Presentation*, in the Notes to Condensed Consolidated Financial Statements for a summary of recently adopted and issued accounting pronouncements.

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 2019 Form 10-K.

Foreign Exchange Risk. The potential change in foreign currency exchange rates offers a substantial risk to us, as approximately 70% 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 Chinese Yuan, Euro, British Pound, Swedish Krona, and Singapore Dollar. We held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$406.3 million, \$277.6 million and \$282.3 million at October 4, 2020, December 29, 2019 and September 29, 2019, 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 nine months ended October 4, 2020 and September 29, 2019.

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.

The outstanding forward exchange contracts designated as economic hedges, which were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included combined U.S. Dollar notional amounts of \$156.2 million as of October 4, 2020, combined Euro notional amounts of €105.8 million and combined U.S. Dollar notional amounts of \$5.6 million as of December 29, 2019, and combined Euro notional amounts of €14.9 million and combined U.S. Dollar notional amounts of \$8.7 million as of September 29, 2019. 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 and nine months ended October 4, 2020 and September 29, 2019. We paid \$2.1 million and \$1.6 million during the nine months ended October 4, 2020 and September 29, 2019, respectively, from the settlement of these hedges.

During fiscal year 2018, we designated a portion of the 2026 Notes to hedge our investments in certain foreign subsidiaries. Unrealized translation adjustments from a portion of the 2026 Notes were included in the foreign currency translation component of accumulated other comprehensive income (“AOCI”), which offsets translation adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign

subsidiaries are liquidated or sold. As of October 4, 2020, the total notional amount of the 2026 Notes that was designated to hedge investments in foreign subsidiaries was €497.2 million. The unrealized foreign exchange losses (gains) recorded in AOCI related to the net investment hedge were \$23.4 million and \$24.8 million for the three and nine months ended October 4, 2020, respectively, and \$(5.8) million and \$(8.9) million for the three and nine months ended September 29, 2019, respectively.

During fiscal year 2018, we designated the 2021 Notes to hedge our investments in certain foreign subsidiaries. Unrealized translation adjustments from the 2021 Notes were included in the foreign currency translation component of AOCI, which offsets translation adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign subsidiaries are liquidated or sold. During the second quarter of fiscal year 2020, we removed the hedging relationship of the first €100.0 million of our 2021 Notes and investments in certain foreign subsidiaries. During the third quarter of fiscal year 2020, we removed the hedging relationship of the remaining €200.0 million of our 2021 Notes and investments in certain foreign subsidiaries. The unrealized foreign exchange losses (gains) recorded in AOCI related to the net investment hedge were \$3.7 million and \$1.8 million for the three and nine months ended October 4, 2020, respectively, and \$(12.8) million and \$(15.1) million for the three and nine months ended September 29, 2019, respectively.

During fiscal year 2019, we entered into a cross-currency swap designated as a net investment hedge to hedge the Euro currency exposure of our net investment in certain foreign subsidiaries. This agreement is a contract to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. Changes in the fair value of this swap are recorded in equity as a component of AOCI in the same manner as foreign currency translation adjustments. In assessing the effectiveness of this hedge, we use a method based on changes in spot rates to measure the impact of the foreign currency exchange rate fluctuations on both our foreign subsidiary net investment and the related swap. Under this method, changes in the fair value of the hedging instrument other than those due to changes in the spot rate are initially recorded in AOCI as a translation adjustment, and then are amortized into other (income) expense, net in the condensed consolidated statement of operations using a systematic and rational method over the instrument's term. Changes in the fair value associated with the effective portion (i.e. those changes due to the spot rate) are recorded in AOCI as a translation adjustment and are released and recognized in earnings only upon the sale or liquidation of the hedged net investment. The cross-currency swap has an initial notional value of €197.4 million, or \$220.0 million, and matures on November 15, 2021. Interest on the cross-currency swap is payable semi-annually, in Euro, on May 15th and November 15th of each year based on the Euro notional value and a fixed rate of 2.47%. We receive interest in U.S. dollars on May 15th and November 15th of each year based on the U.S. dollar equivalent of the Euro notional value and a fixed rate of 5.00%. At October 4, 2020, the fair value of the cross-currency swap was \$7.4 million, which was recorded in AOCI.

During the second and third quarter of fiscal year 2020, we entered into forward foreign exchange contracts, designated as cash flow hedges, to hedge the 2021 Notes. The effective portion of the gain or loss of the cash flow hedges will be reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. As of October 4, 2020, the total notional amount of the forward foreign exchange contracts that were designated as cash flow hedges was €300.0 million. The unrealized foreign exchange gains recorded in earnings related to the cash flow hedges were \$10.5 million and \$14.3 million for the three and nine months ended October 4, 2020, respectively.

We do 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.

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 2019 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

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 2019 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 2019 Form 10-K for our sensitivity disclosure.

Item 4. Controls and Procedures

Evaluation of Disclosure 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 October 4, 2020. 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 provide reasonable assurance that information required to be disclosed by the 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 October 4, 2020, 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.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended October 4, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the effect of the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

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 October 4, 2020 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.

The pandemic caused by coronavirus disease 2019 ("COVID-19") is having, and may continue to have, a negative effect on the demand for certain of our products and our global operations including our manufacturing capabilities, logistics and supply chain that may materially and adversely impact our business, financial conditions, results of operations and cash flows.

We face risks related to public health crises and pandemics, including the COVID-19 pandemic that was first reported in China in December 2019 and has since spread to all geographic regions where our products are produced and sold. The global impact of COVID-19 has resulted in an adverse impact on our operations, supply chains and distribution systems, as significant global mitigation measures, including government-directed quarantines, social distancing and shelter-in-place mandates, travel restrictions and/or bans, have been implemented, and in some areas relaxed, and then implemented again. Continued uncertainty with respect to the severity and duration of the COVID-19 pandemic has contributed to the volatility of financial markets. The probability that the COVID-19 pandemic will cause an extended global economic slowdown is high, and a global recession is possible.

We have experienced significant reductions in demand for certain of our products in our Discovery & Analytical Solutions segment due to the COVID-19 pandemic and although the severity and duration of the COVID-19 pandemic cannot be reasonably estimated at this time, additional impacts that we may experience include, but are not limited to: fluctuations in our stock price due to market volatility; further decreases in demand for certain of our products; reduced profitability; large-scale supply chain disruptions impeding our ability to ship and/or receive product; potential interruptions or limitations to manufacturing operations imposed by local, state or federal governments; shortages of key raw materials; workforce absenteeism and distraction; labor shortages; customer credit concerns; cybersecurity and data accessibility disruptions due to remote working arrangements; reduced sources of liquidity; increased borrowing costs; fluctuations in foreign currency markets; potential impairment in the carrying value of goodwill; other asset impairment charges; increased obligations related to our pension and other postretirement benefit plans; and deferred tax valuation allowances.

The rapid and continually evolving development of the COVID-19 situation, and the extent to which ongoing mitigation measures will be effective, precludes any prediction as to its ultimate impact. However, we currently anticipate that business disruptions and market volatility resulting from the COVID-19 pandemic will continue to have a material adverse impact on the

growth rate of certain of our businesses, particularly within the Discovery & Analytical Solutions segment, and may also have a material adverse impact on our overall financial condition, results of operations and cash flows.

Our Diagnostics segment has experienced an increase in revenue resulting from increased demand for our immunodiagnostics and applied genomics COVID-19 product offerings. The increased demand for these products is expected to continue into the fourth quarter of our fiscal year 2020, but the overall sustainability of the increase in associated revenue remains largely contingent upon consumer demand for COVID-19 testing.

Our growth is subject to global economic and political conditions, and operational disruptions at our facilities.

Our business is affected by global economic and political conditions as well as 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 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,
- receive regulatory approvals in a timely manner,
- 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 divestitures, license technologies, integrate acquired businesses or licensed technologies into our existing businesses, or make acquired businesses or licensed technologies profitable.

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 recent acquisition of the Meizheng Group. 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 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, or incur losses for

failing to comply with our contractual obligations. 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 in the short term, 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, including as a result of global health crises or pandemics, including COVID-19,
- 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,
- contract termination and litigation costs,
- 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,
- 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 commercial airlines, freight carriers, 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, including a service disruption as a result of the COVID-19 pandemic, 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. In addition, a global health crisis or pandemic such as the COVID-19 pandemic could have a significant adverse effect on our supply chain.

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) that 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 and other liability claims for which we could have substantial liability.

We face an inherent business risk of exposure to product and other liability claims if our products, services or product candidates are alleged or found to have caused injury, damage or loss. We may 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 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 or standards, we could be subject to fines, penalties, criminal prosecution or other sanctions. Some of our products 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 fiscal year 2019. 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,
- a global health crisis of unknown duration, such as the COVID-19 pandemic,
- 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,
- trade protection measures including embargoes and tariffs, such as the tariffs recently implemented by the U.S. government on certain imports from China and by the Chinese government on certain imports from the U.S., the extent and impact of which have yet to be fully determined,
- import or export licensing requirements and the associated potential for delays or restrictions in the shipment of our products or the receipt of products from our suppliers,
- 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,
- differing protection of intellectual property and changes in that protection,
- expanded enforcement of laws related to data protection and personal privacy,
- 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 those of our customers, suppliers or other third parties, or cybercrime, resulting in inappropriate access to or inadvertent transfer of information or assets, 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, suppliers or other third parties, 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 cybercrime, resulting in inappropriate access to or inadvertent transfer of information or assets, could result in losses or misappropriation of assets 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.

We have a substantial amount of debt and other financial obligations. 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;
- exposing us to interest rate risk as a portion of our debt obligations are at variable rates;
- increasing our foreign currency risk as a portion of our debt obligations are in denominations other than the US dollar; and
- increasing the chances of a downgrade of our debt ratings due to the amount or intended purpose of our debt obligations.

We may incur additional indebtedness in the future to meet future financing needs. If we add new debt, the risks described above could increase. In addition, the market for both public and private debt offerings could experience liquidity concerns and increased volatility as a result of the COVID-19 pandemic, which could ultimately increase our borrowing costs and limit our ability to obtain future financing.

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

Our senior unsecured revolving credit facility, senior unsecured notes due in 2021 ("2021 Notes"), senior unsecured notes due in 2026 ("2026 Notes") and senior unsecured notes due in 2029 ("2029 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.

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, the 2021 Notes, the 2026 Notes, the 2029 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.

Discontinuation, reform, or replacement of LIBOR may adversely affect our variable rate debt.

Our indebtedness under our senior unsecured revolving credit facility bears interest at fluctuating interest rates, primarily based on the London Interbank Offered Rate (“LIBOR”) for deposits of U.S. dollars. In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. The Alternative Reference Rates Committee in the United States has proposed that the Secured Overnight Financing Rate (“SOFR”) is the rate that represents best practice as the alternative to U.S. dollar LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. If LIBOR is discontinued, reformed or replaced, we expect that our indebtedness under our senior unsecured revolving credit facility will be indexed to a replacement benchmark based on SOFR. Any such change could cause the effective interest rate under our senior unsecured revolving credit facility and our overall interest expense to increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected.

The United Kingdom's withdrawal from the European Union could adversely impact our results of operations.

Nearly 3% of our net sales from continuing operations in fiscal year 2019 came from the United Kingdom. Following the referendum vote in the United Kingdom in June 2016 in favor of leaving the European Union, on January 31, 2020, the country formally withdrew from the European Union (commonly referred to as “Brexit”). Brexit has involved a process of lengthy negotiations between the United Kingdom and European Union member states to determine the future terms of the United Kingdom’s relationship with the European Union. These negotiations remain ongoing and the potential effects of Brexit are uncertain. Brexit has caused, and may continue to create, volatility in global stock markets and regional and global economic uncertainty particularly in the United Kingdom financial and banking markets. Weakening of economic conditions or economic uncertainties tend to harm our business, and if such conditions worsen in the United Kingdom or in the rest of Europe, it may have a material adverse effect on our operations and sales.

Any significant weakening of the Great Britain Pound to the U.S. dollar will have an adverse impact on our European revenues due to the importance of our sales in the United Kingdom. Currency exchange rates in the pound sterling and the euro with respect to each other and the U.S. dollar have already been adversely affected by Brexit and that may continue to be the case. In addition, if the United Kingdom is unable to negotiate trade agreements with terms as beneficial to the United Kingdom as those previously in place under global trade agreements negotiated by the European Union on behalf of its members, the United Kingdom could face increased trade barriers which could make our doing business in United Kingdom more difficult.

Our results of operations will be adversely affected if we fail to realize the full value of our intangible assets.

As of October 4, 2020, our total assets included \$4.3 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 and in-process research and development, 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 Discovery & Analytical Solutions and Diagnostics 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,
- 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, and
- changes to economic conditions arising from global health crises such as the COVID-19 pandemic.

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

On July 23, 2020, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the third quarter of fiscal year 2020 that was paid on November 6, 2020. On October 22, 2020, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the fourth quarter of fiscal year 2020 that will be payable in February 2021. 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.

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.

<u>Period</u>	<u>Issuer Repurchases of Equity Securities</u>			
	<u>Total Number of Shares Purchased⁽¹⁾</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾</u>	<u>Maximum Number (or Approximate Dollar Value) Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 6, 2020—August 2, 2020	937	\$ 108.89	—	\$ 250,000,000
August 3, 2020—August 30, 2020	96	118.25	—	250,000,000
August 31, 2020—October 4, 2020	383	119.64	—	250,000,000
Activity for quarter ended October 4, 2020	1,416	\$ 112.43	—	\$ 250,000,000

- (1) Our Board of Directors (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 October 4, 2020, we repurchased 1,416 shares of common stock for this purpose at an aggregate cost of \$0.2 million. During the nine months ended October 4, 2020, we repurchased 71,350 shares of common stock for this purpose at an aggregate cost of \$6.8 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.

- (2) On July 23, 2018, our Board authorized us to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a stock repurchase program (the "Repurchase Program"). The Repurchase Program expired on July 23, 2020, and no shares remain available for repurchase under the Repurchase Program due to its expiration. On July 31, 2020, our Board authorized us to repurchase shares of common stock for an aggregate amount up to \$250.0 million under a new stock repurchase program (the "New Repurchase Program"). The New Repurchase Program will expire on July 27, 2022 unless terminated earlier by the Board and may be suspended or discontinued at any time. During the nine months ended October 4, 2020, we had no stock repurchases under either the Repurchase Program or the New Repurchase Program. As of October 4, 2020, \$250.0 million remained available for aggregate repurchases of shares under the New Repurchase Program.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Name</u>
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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

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

(i) Cover Page, Form 10-Q, Quarterly Report for the quarterly period ended October 4, 2020 (ii) Condensed Consolidated Statements of Operations for the three and nine months ended October 4, 2020 and September 29, 2019, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended October 4, 2020 and September 29, 2019, (iv) Condensed Consolidated Balance Sheets at October 4, 2020 and December 29, 2019, (v) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended October 4, 2020 and September 29, 2019, (vi) Condensed Consolidated Statements of Cash Flows for the nine months ended October 4, 2020 and September 29, 2019, and (vii) Notes to Condensed Consolidated Financial Statements.

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.

November 10, 2020

By: _____ /s/ JAMES M. MOCK

James M. Mock
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

PERKINELMER, INC.

November 10, 2020

By: _____ /s/ ANDREW OKUN

Andrew Okun
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

CERTIFICATION

I, Prahlad Singh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PerkinElmer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ PRAHLAD SINGH, PhD

Prahlad Singh, PhD
President and Chief Executive Officer

CERTIFICATION

I, James M. Mock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PerkinElmer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ JAMES M. MOCK

James M. Mock
Senior Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PerkinElmer, Inc. (the "Company") for the period ended October 4, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Prahlad Singh, President and Chief Executive Officer of the Company, and James M. Mock, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Based on my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Based on my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2020

/s/ PRAHLAD SINGH, PhD

**Prahlad Singh, PhD
President and Chief Executive Officer**

Dated: November 10, 2020

/s/ JAMES M. MOCK

**James M. Mock
Senior Vice President and
Chief Financial Officer**