

PERKINELMER INC
Form 10-K
February 26, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2018

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

For the transition period from _____ to _____
Commission file number 001-5075

PerkinElmer, Inc.
(Exact name of registrant as specified in its charter)
Massachusetts 04-2052042
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

940 Winter Street, Waltham, Massachusetts 02451
(Address of Principal Executive Offices) (Zip Code)
(Registrant's telephone number, including area code): (781) 663-6900

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on Which Registered
Common Stock, \$1 Par Value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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.

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Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

The aggregate market value of the common stock, \$1 par value per share, held by non-affiliates of the registrant on June 29, 2018, was \$7,944,359,992 based upon the last reported sale of \$73.23 per share of common stock on June 29, 2018.

As of February 22, 2019, there were outstanding 110,800,020 shares of common stock, \$1 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of PerkinElmer, Inc.'s Definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 23, 2019 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

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.

We are a Massachusetts corporation, founded in 1947. Our headquarters are in Waltham, Massachusetts, and we market our products and services in more than 180 countries. As of December 30, 2018, we employed approximately 12,500 employees. Our common stock is listed on the New York Stock Exchange under the symbol “PKI” and we are a component of the S&P 500 Index.

We maintain a website with the address <http://www.perkinelmer.com>. We are not including the information contained in our website as part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, as soon as reasonably practicable after we electronically file these materials with, or otherwise furnish them to, the Securities and Exchange Commission.

Our Strategy

Our strategy is to develop and deliver innovative products, services and solutions in high-growth markets that utilize our knowledge and expertise to address customers’ critical needs and drive scientific breakthroughs. To execute on our strategy and accelerate revenue growth, we focus on broadening our offerings through both the acquisition of innovative technology and investment in research and development. Our strategy includes:

- Achieving significant growth in both of our core business segments, Discovery & Analytical Solutions and Diagnostics, through strategic acquisitions and licensing;
- Accelerating innovation through both internal research and development and third-party collaborations and alliances;
- Strengthening our position within key markets, by expanding our global product and service offerings and maintaining superior product quality;
- Utilizing our share repurchase programs to help drive shareholder value; and
- Attracting, retaining and developing talented and engaged employees.

Recent Developments

As part of our strategy to grow our core businesses, we have recently taken the following actions:

Acquisitions in Fiscal Year 2018:

We completed the acquisition of four businesses for aggregate consideration of \$106.0 million. We reported the operations of these acquisitions within the results of our Discovery & Analytical Solutions or Diagnostics segments, as applicable, from the acquisition dates.

Restructuring:

During fiscal year 2018, we recorded pre-tax restructuring charges of \$6.6 million in our Discovery & Analytical Solutions segment and \$1.5 million in our Diagnostics segment related to a workforce reduction from restructuring activities. Our management approved these plans to realign resources to emphasize growth initiatives. We also terminated various contractual commitments in connection with certain disposal activities and have recorded charges, to the extent applicable, for the costs of terminating these contracts before the end of their terms and the costs that will continue to be incurred for the remaining terms without economic benefit to us. We recorded pre-tax charges of \$5.0 million in the Discovery & Analytical Solutions segment during fiscal year 2018 as a result of these contract terminations.

This pre-tax restructuring activity has been reported as restructuring and contract termination charges and is included as a component of income from continuing operations. We expect no significant impact on future operating results or cash flows from the restructuring activities executed in fiscal year 2018.

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Business Segments and Products

We report our business in two segments: Discovery & Analytical Solutions and Diagnostics.

Discovery & Analytical Solutions Segment

Our comprehensive portfolio of technologies helps life sciences researchers better understand diseases and develop treatments. In addition, we enable scientists to detect, monitor and manage contaminants and toxic chemicals that impact our environment and food supply. Our Discovery & Analytical Solutions segment serves the life sciences and applied markets.

Life Sciences Market:

The life sciences market consists of the life sciences research market and laboratory services market. In the life sciences market, we provide a broad suite of solutions including reagents, informatics, and detection and imaging technologies that enable scientists to work smarter, make research breakthroughs and transform those breakthroughs to real-world outcomes. These products, solutions and services support pharmaceutical and biotech companies and academic institutions globally in discovering and developing better treatments and therapeutics to fight disease, faster and more efficiently.

We also provide services designed to help customers in the laboratory services market increase efficiencies and production time while reducing lab maintenance costs. Our OneSource[®] laboratory service business is aligned with customers' needs, enabling them to accelerate scientific progress and commercial opportunities.

Applied Markets:

The applied markets consist of environmental, food and industrial markets. For the environmental markets, we develop and provide analytical technologies, solutions and services that enable our customers to understand the characterization and health of many aspects of our environment, including air, water and soil. Our solutions are used to detect and help reduce the impact products and industrial processes have on our environment. For example, our solutions help ensure compliance with regulatory standards that protect the purity of the world's water supply by detecting harmful substances, including trace metals such as lead, and organic pollutants such as pesticides and benzene. We provide the tools needed to test functionality, meet quality specifications and safety standards, and innovate for next generation products.

We also offer a variety of solutions that help farmers and food producers provide a growing population with food that is safe, nutritious and appealing, and assist manufacturers with product consistency and maximizing production yield. Our instruments confirm food quality, including the level of moisture in grain or the level of fat in butter, as well as detect the presence of potentially dangerous contaminants, such as lead and mercury in milk. Our solutions can also be used to identify the origin of food products such as olive oil, which helps prevent counterfeiting. Our methods and analyses are transferable throughout the supply chain to enable customers to keep pace with industry standards as well as governmental regulations and certifications.

We also provide analytical instrumentation for the industrial market which includes the chemical, semiconductor and electronics, energy, lubricant, petrochemical and polymer industries. Our technologies for this market are primarily used by customers focusing on quality assurance standards.

Principal Products:

Our principal products and services for Discovery & Analytical Solutions applications include the following:

Life Sciences Market:

Radiometric detection solutions, including over 1,100 radiochemicals and the Tri-carb[®] and Quantulus[™]GCT families of liquid scintillation analyzers, Wizard²[®] Gamma counters and MicroBeta²[®] plate based LSA, which are used for beta, gamma and luminescence counting in microplate and vial formats utilized in research, environmental and drug discovery applications.

• The Opera Phenix[®] high content screening system, which is used for sensitive and high speed phenotypic drug screening of complex cellular models.

• The Operetta[®] CLS[™] high content analysis system, which enables scientists to reveal fine sub-cellular details from everyday assays as well as more complex studies, for example using live cells, 3D and stem cells.

• The EnSight[®] multimode plate reader benchtop system, offering well plate imaging alongside labeled detection technologies for target-based and phenotypic assays.

- The EnVision[®] multimode plate reader, designed for high-throughput screening laboratories, including those using AlphaScreen[®], AlphaLISA[®] and/or AlphaPlex[®] technologies.

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A wide range of homogeneous biochemical and cell based assay reagents, including LANCE® Ultra™ and Alpha™ technology assay platforms used for the detection of drug discovery targets such as G-protein coupled receptors (“GPCR”), kinases, biomarkers and the modification of epigenetic enzymes.

A broad portfolio of recombinant GPCR and ion channel cell lines, including over 300 products and 120 ready-to-use frozen cell lines for a wide range of disease areas.

AlphaScreen®, AlphaLISA® and AlphaPlex® research assays, including over 500 no-wash biomarker detection kits for both biotherapeutics and small molecule drug discovery and development in a variety of therapeutic areas including cancer, inflammation, metabolic disorders, neurodegeneration and virology.

TSA™ Plus biotin kits, which can increase sensitivity of histochemistry and cytochemistry as much as 10 to 20 times.

In vivo imaging technologies and reagents for preclinical research, including the IVIS® Spectrum™ Series for 2D and 3D optical imaging, the FMT® series for 3D optical tomography and the IVIS® Lumina™ Series for 2D imaging, along with a suite of bioluminescent and fluorescent imaging agents, cell lines and dyes. These technologies are designed to provide non-invasive longitudinal monitoring of disease progression, cell trafficking and gene expression patterns in living animals and are complemented by a broad portfolio of fluorescent and bioluminescent in vivo imaging reagents that can be useful for identifying, characterizing and quantifying a range of disease biomarkers and therapeutic efficacy in living animal models.

The G8 PET/CT preclinical imaging system, delivering PET imaging with an intuitive user interface and efficient workflows, ensuring subject monitoring throughout preparation and imaging.

The Quantum™ GX2 system, which enables in vivo imaging of multiple species across multiple disease areas by delivering industry leading high resolution imaging. Low dose scanning allows subjects to be imaged over time to evaluate disease progression while minimizing the harmful effects of radiation that could impact the biology of the animal. With the Quantum™ GX2 system, data from the IVIS® and FMT® imaging platforms can be seamlessly co-registered with microCT to deliver more information on the disease state.

OneSource® laboratory services, a comprehensive portfolio of multivendor instrument management, QA/QC, lab relocation and regulatory compliance services. OneSource® programs are tailored to the specific needs and goals of individual customers and offer a series of informatics-based consulting, planning and management offerings to assist in laboratory productivity and the optimization of complex Information Technology platforms.

OneSource® Dashboard, a TIBCO® Spotfire® technology driven interactive graphical platform, providing visibility to a customer’s global asset population, service event and downtime distribution, as well as key performance indicators to assist in asset operation.

OneSource® Insights as a Service™, which leverages comprehensive OneSource® analytics and industry data to develop and deliver customer-need driven recommendations to optimize, integrate and accelerate lab operations.

PerkinElmer Signals Medical Review™ software, empowering medical monitors to detect safety signals faster and reduce overall time to submission by combining innovative medical review workflow with advanced analytics.

PerkinElmer Signals Lead Discovery™ software, which enables researchers to quickly gain new insights into chemical and biomolecular research data, featuring guided search and analysis workflows and dynamic data visualizations for on-the-fly exploration.

PerkinElmer Signals™ Notebook, a scientific research data management solution, allowing researchers to record research data and experiments in digital notebooks, drag & drop, store, organize, share, find and filter data easily.

PerkinElmer Signals™ Translational data management, aggregation and analysis platform, which offers out-of-the-box support for the complete precision medicine workflow from data acquisition to biomarker discovery and validation.

Applied Markets:

The Clarus® series of gas chromatographs, gas chromatographs/mass spectrometers and the TurboMatrix™ family of sample-handling equipment, which are used to identify and quantify compounds in the environmental, forensics, food and beverage, hydrocarbon processing/biofuels, materials testing, pharmaceutical and semiconductor industries.

The Flexar™ ultra-high performance liquid chromatography (UHPLC) and Flexar advanced liquid chromatography systems, which provide high throughput and resolution chromatographic separations.

• The QSight® Triple Quad LC/MS/MS, a flow-based mass spectrometry system that provides high sensitivity and enables high levels of efficiency and productivity to meet both standard and regulatory requirements.

• The Torion® T-9 portable GC/MS, a fast person-portable GC/MS system, enabling rapid detection and actionable results to potentially hazardous and emergency environmental conditions.

• Our atomic spectroscopy family of instruments, including the PinAAcle® family of atomic absorption spectrometers, the Avio® family of inductively coupled plasma (“ICP”) optical emission spectrometers and the

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NexION® family of ICP mass spectrometers, which are used in the environmental and chemical industries, among others, to determine the elemental content of a sample.

Our infrared spectroscopy (IR) family of instruments, the Spectrum Two™ IR & NIR spectrometers, which are compact and portable and used for high-speed infrared analysis for unknown substance identification, material qualification or concentration determination in fuel and lubricant analysis, polymer analysis and pharmaceutical and environmental applications. This includes the Frontier™ IR and NIR spectrometers designed to provide high sensitivity and flexibility to address a range of sample types. Spotlight™ IR systems are designed for scientists whose samples demand higher sensitivity and simpler analysis and workflows.

The LAMBDA™ UV/Vis, a series of spectrophotometers that provide sampling flexibility to enable measurement of a wide range of sample types, including liquids, powders and solid materials, both in regulated industries as well as QC/QA and research applications.

The 2400 Series II CHNS/O Elemental Analyzer, one of the leading organic elemental analyzers. It is ideal for the rapid determination of carbon, hydrogen, nitrogen, sulfur, and oxygen content in organic and other types of materials. Our thermal analysis family, including our Differential Scanning Calorimetry (DSC) series that offers exclusive HyperDSC™ capability for unparalleled sensitivity and new insights into material processes, our Thermogravimetric (TGA) and Simultaneous Thermal Analysis (STA) instruments, which can be coupled to Fourier Transform Infrared (FT-IR), Mass Spectrometry (MS), or Gas Chromatography/Mass Spectrometry (GC/MS) to provide greater analysis power and knowledge.

Perten's Falling Number® and Glutomatic® instruments, which determine the bread baking quality of wheat and flour, and Perten's DA NIR bench and in process analyzer determine constituent content for use across the food segment from meat to animal feed.

The Delta™ range of milk quality analyzers, which help ensure the quality of dairy products and are used at Central Milk Testing labs as well as dairy processing facilities around the world.

The Bioo Scientific® test kits for detection of toxins, veterinary drug residues and contaminants, which enable rapid and easy testing at different steps in the food value chain.

New Products:

New products introduced or acquired for Discovery & Analytical Solutions applications in fiscal year 2018 include the following:

Life Sciences Market:

- A range of new AlphaLISA®, Alpha SureFire® Ultra and LANCE® reagents and assay kits across key research and therapeutic areas, including cell signaling, inflammation, oncology, and biotherapeutics.

ChemDraw® 18 chemical structure drawing and visualization application, which is now available on the cloud.

Lead Discovery Premium software, which allows scientists to import, filter by, analyze and interpret chemical structures and biosequences alongside other related data in a highly visual and interactive environment for faster insights and better decisions.

- OneSource® Asset Genius™ Monitoring Solution, part of the Asset Genius family, which offers a 360° view of PC-driven laboratory instruments regardless of the manufacturer, correlating instrument usage, age and service data, allowing customers to visually pinpoint under-performing, ideally-performing and over-burdened assets, and to make informed decisions.

Applied Markets:

The FL 6500™ and FL 8500™ fluorescence spectrophotometers, which address the challenges of bioscience, industrial, chemical, environmental, pharmaceutical, agricultural and academic application. They are designed to improve lab productivity and ensure standard compliance regulations are met. The FL 6500™ provides a high-energy pulsed Xenon light source that preserves sample integrity and the FL 8500™ provides a high-sensitivity source for testing diluted or small samples.

The QSight® 400 series is a robust, powerful ready-to-implement triple quad LC/MS/MS system providing higher sensitivity and throughput that regulated food, cannabis and environmental testing labs need to meet their most stringent requirements.

Brand Names:

Our Discovery & Analytical Solutions segment offers additional products under various brand names, including:

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Life Sciences Market:

AlphaLISA[®], AlphaPlex[™], AlphaScreen[®], Alpha[™] SureFire[®] AngioSense[®], Annexin-Vivo[™], Cell carrier[®], cell::explorer[®], Chem3D[®], ChemDraw[®], ChemOffice[®], Columbus Elements[™], EnLite[™], EnSight[®], EnVision[®], FMT[®], FolateRSense[™], High Content Profiler[™], IntegriSense[™], IVIS[®], LANCE[®], Living Image[®], Lumina[™], MicroBeta²[®], MMPSense[®], NEN[™], OneSource[®], Opera Phenix[®], Operetta[®] CLS[™], OsteoSense[®], PerkinElmer Signals[™] for Translational, ProSense[®], Quantulus[™] GCT, RediJect[™], Spectrum[™], Transferrin-Vivo[™] Carb[®], VICTOR Nivo[™], ViewLux[™], VivoTag Wizard²[®], and Xenolight[™].

Applied Markets:

Altus[®], Aquamatic[™], Avio[®], AxION[®], Clarus[®], DairyGuard[™], Falling Number[®], Frontier[™], Glutomatic[®], Honigs Regression[™], HyperDSC[®], Inframatic[™], LAMBDA[™], NexION[®], OilExpress[™], OilPrep[™], Optima[®], Perten[®], Perten Instruments[®], PinAAcle[®], QSight[®], Spectrum[™], Spectrum Two[™], Spotlight[™], Supra-clean[®], Supra-d[™], Supra-poly[®], Syngistix[™], Torion[®], TurboMatrix[™] and Ultraspray[®].

Diagnostics Segment

We offer instruments, reagents, assay platforms, and software to hospitals, medical labs, clinicians, and medical research professionals to help improve the health of families. Our Diagnostics segment is especially focused on reproductive health, emerging market diagnostics, and applied genomics.

We provide early detection for genetic disorders from pregnancy to early childhood, and infectious disease testing for the diagnostics