



# PerkinElmer Q2 Revenues Up 2 Percent; Discloses Bioo Scientific Acquisition

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*This article has been updated to include a downgrade note from Mizuho Securities.*

NEW YORK (GenomeWeb) – PerkinElmer reported after the close of the market on Thursday that its second quarter revenues rose 2 percent year over year thanks to a 4 percent increase in its human health business which offset a 1 percent dip in environmental health revenues.

"I am pleased to report that PerkinElmer had a strong second quarter and year-to-date financial performance, as improved execution drove substantial margin expansion and cash flow generation while also funding a number of strategic growth investments," said Chairman and CEO Robert Friel in a statement. "We believe these investments, coupled with the strength of our productivity and efficiency initiatives, position us well to deliver solid financial results for the balance of 2016."

In addition, during a conference call recapping the company's earnings, Friel said PerkinElmer has acquired Bioo Scientific, a company that specializes in next-generation sequencing for life science research and food safety testing. The deal expands PerkinElmer's NGS capabilities, and although it's a small deal from a revenue perspective, the company is "excited" about the opportunities it presents, Friel said. He did not disclose an acquisition price.

For the three months ended July 3, the firm reported total revenues of \$572.7 million, up from \$563.9 million a year ago, but missing the consensus Wall Street estimate for revenues of \$574.8 million. Its human health business unit reported revenues of \$353.5 million, up from \$341.5 million a year ago, while the environmental health segment reported revenues of \$219.2 million, down from \$222.4 million.

On the conference call, CFO Frank Wilson said the company saw double-digit organic revenue growth in Asia, low single-digit growth in Europe, and low single-digit declines in the Americas. PerkinElmer saw a strong performance in China, and emerging market demand remains resilient overall, though the quarter saw some weakness in Brazil. When asked if the Zika crisis has affected the company's prenatal screening business in that country, Friel said there's been "significant impact," adding "the [prenatal screening] business [in Brazil] is getting so small it's practically irrelevant."

Friel said a majority of the company's efforts this year were focused on collaborations with customers to create new solutions, on investing in significant opportunities to improve share position, and on driving operational effectiveness to enhance competitiveness and profitability.

He specifically noted a joint laboratory collaboration the company is undertaking with the Genome Institute of Singapore to develop a state-of-the-art high-throughput screening platform to predict therapeutic sensitivity in next-generation patient-derived tumor models in real time. PerkinElmer is also working with several states in the US to facilitate screening of tests for lysosomal storage diseases. And Friel noted that the company launched new products during the quarter, including a new spectrometer, new assays for drug discovery, and an NGS 3K assay for high-sensitivity analysis of samples with low DNA concentration.

The firm reported net income for the quarter of \$63.9 million, or \$.58 per share, compared to \$49.0 million, or \$.43 per share, a year ago. On an adjusted basis, the company reported EPS of \$.67, beating analysts' average estimate of \$.66.

Its R&D costs rose 7 percent to \$35.0 million from \$32.7 million in Q2 2015, and its SG&A costs rose 5 percent to \$154.0 million from \$146.7 million.

PerkinElmer ended the quarter with \$248.1 million in cash, cash equivalents, and \$1.4 million in marketable investments and securities.

For 2016, the company reiterated its previous guidance of adjusted earnings per share of \$2.75 to \$2.85. Analysts on average are expecting EPS of \$2.80 for the year. For the third quarter, Wilson said the company expects to report revenues of \$570 million to \$575 million, and adjusted EPS of \$.65 to \$.67. Analysts expect Q3 revenues of \$575.3 million and EPS of \$.67.

The company also announced that its board had authorized a share repurchase program for 8 million shares.

On Friday, Mizuho Securities issued a downgrade of PerkinElmer to Neutral from Buy. Although there is nothing wrong with the business, Mizuho analyst Eric Criscuolo wrote, "we can't justify an increase in EPS or multiple needed to get our [price target] 10 percent above current levels. We'll await a better re-entry point or clearer path to higher EPS estimates and margins before becoming more constructive again."

PerkinElmer is currently trading at 18 times its 2017 EPS, at a discount from its peers. But the company's shares have climbed 20 percent over the past six months and valuation is near peak levels, Criscuolo wrote. "While all the life science tools peers have enjoyed multiple expansion and are generally trading between average and peak values, we favor [Thermo Fisher Scientific] in the space, with its ability to leverage a huge cash flow," he added.

Mizuho is also concerned about PerkinElmer's industrial exposure, and said further contraction in the industrial segment could hurt the company more than its peers. "We continue to like the company, but for now we pause and see how 2017 starts to shape up," Criscuolo added.

The company's shares were down a fraction of a percent at \$55.59 in morning trading on the New York Stock Exchange.