PERKINELMER INC
Form 10-Q
November 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 4, 2015

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

940 Winter Street
Waltham, Massachusetts 02451
(Address of principal executive offices) (Zip code)
(781) 663-6900
(Registrant's telephone number, including area code)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 ý No ¨

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

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of November 5, 2015, there were outstanding 111,934,189 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, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands, except per share data)			
Product revenue	$378,325	$365,933	$1,126,356	$1,113,027
Service revenue	185,111	176,116	527,887	515,802
Total revenue	563,436	542,049	1,654,243	1,628,829
Cost of product revenue	193,375	190,041	579,659	580,974
Cost of service revenue	115,458	108,699	332,095	320,849
Total cost of revenue	308,833	298,740	911,754	901,823
Selling, general and administrative expenses	147,728	142,997	440,343	442,687
Research and development expenses	31,095	30,444	95,898	90,175
Restructuring and contract termination charges, net	(118)	11,092	4,838	13,969
Operating income from continuing operations	75,898	58,776	201,410	180,175
Interest and other expense, net	11,944	10,966	32,208	31,219
Income from continuing operations before income taxes	63,954	47,810	169,202	148,956
Provision for income taxes	9,057	4,912	24,998	19,104
Income from continuing operations	54,897	42,898	144,204	129,852
Gain (loss) from discontinued operations before income taxes	8	(1,091)	6	(4,205)
Loss on disposition of discontinued operations before income taxes	(3)	(7)	(26)	(381)
Provision for (benefit from) income taxes on discontinued operations and dispositions	39	(477)	13	(1,725)
Loss from discontinued operations and dispositions	(34)	(621)	(33)	(2,861)
Net income	$54,863	$42,277	$144,171	$126,991
Basic earnings per share:				
Income from continuing operations	$0.49	$0.38	$1.28	$1.15
Loss from discontinued operations and dispositions	(0.00)	(0.01)	(0.00)	(0.03)
Net income	$0.49	$0.38	$1.28	$1.13
Diluted earnings per share:				
Income from continuing operations	$0.48	$0.38	$1.27	$1.14
Loss from discontinued operations and dispositions	(0.00)	(0.01)	(0.00)	(0.03)
Net income	$0.48	$0.37	$1.27	$1.12
Weighted average shares of common stock outstanding:				
Basic	112,632	112,646	112,763	112,662
Diluted	113,422	113,759	113,565	113,836
Cash dividends per common share	$0.07	$0.07	$0.21	$0.21

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

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

	Three Months Ended		Nine Months Ended	
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Net income	$54,863	$42,277	$144,171	$126,991
Other comprehensive loss:				
Foreign currency translation adjustments	(46,629)	(32,936)	(58,055)	(29,596)
Unrealized losses on securities, net of tax	(80)	(12)	(143)	(42)
Other comprehensive loss	(46,709)	(32,948)	(58,198)	(29,638)
Comprehensive income	$8,154	$9,329	$85,973	$97,353

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

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

	October 4, 2015	December 28, 2014
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	$195,066	$174,821
Accounts receivable, net	414,193	470,563
Inventories	313,047	285,457
Other current assets	151,531	137,710
Total current assets	1,073,837	1,068,551
Property, plant and equipment:		
At cost	494,768	492,814
Accumulated depreciation	(330,591)	(316,620)
Property, plant and equipment, net	164,177	176,194
Marketable securities and investments	1,574	1,568
Intangible assets, net	424,239	490,265
Goodwill	2,253,943	2,284,077
Other assets, net	113,897	113,420
Total assets	$4,031,667	$4,134,075
Current liabilities:		
Current portion of long-term debt	$1,107	$1,075
Accounts payable	149,684	173,953
Accrued restructuring and contract termination charges	12,111	17,124
Accrued expenses and other current liabilities	389,274	403,021
Current liabilities of discontinued operations	2,100	2,137
Total current liabilities	554,276	597,310
Long-term debt	1,027,269	1,051,892
Long-term liabilities	395,798	442,771
Total liabilities	1,977,343	2,091,973
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 111,905,000 shares and 112,481,000 shares at October 4, 2015 and at December 28, 2014, respectively	111,905	112,481
Capital in excess of par value	44,791	94,276
Retained earnings	1,931,026	1,810,545
Accumulated other comprehensive (loss) income	(33,398)	24,800
Total stockholders' equity	2,054,324	2,042,102
Total liabilities and stockholders' equity	$4,031,667	$4,134,075

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

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

	Nine Months Ended October 4, 2015	September 28, 2014
	(In thousands)	
Operating activities:		
Net income	$144,171	$126,991
Loss from discontinued operations and dispositions, net of income taxes	33	2,861
Income from continuing operations	144,204	129,852
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Restructuring and contract termination charges, net	4,838	13,969
Depreciation and amortization	83,757	86,833
Stock-based compensation	12,483	11,769
Amortization of deferred debt financing costs and accretion of discount	1,112	1,071
Amortization of acquired inventory revaluation	7,275	—
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	36,361	26,841
Inventories	(50,824)	(28,536)
Accounts payable	(19,916)	(4,009)
Accrued expenses and other	(57,361)	(52,133)
Net cash provided by operating activities of continuing operations	161,929	185,657
Net cash used in operating activities of discontinued operations	(70)	(624)
Net cash provided by operating activities	161,859	185,033
Investing activities:		
Capital expenditures	(17,814)	(22,214)
Proceeds from surrender of life insurance policies	757	490
Changes in restricted cash balances	59	—
Activity related to acquisitions and investments, net of cash and cash equivalents acquired	(18,735)	(1,879)
Net cash used in investing activities of continuing operations	(35,733)	(23,603)
Net cash used in investing activities of discontinued operations	—	(213)
Net cash used in investing activities	(35,733)	(23,816)
Financing activities:		
Payments on revolving credit facility	(371,000)	(305,000)
Proceeds from revolving credit facility	347,000	227,000
Payments of debt financing costs	—	(1,845)
Settlement of hedges	19,210	—
Net payments on other credit facilities	(800)	(1,225)
Payments for acquisition-related contingent consideration	(26)	(855)
Proceeds from issuance of common stock under stock plans	13,081	20,947
Purchases of common stock	(76,158)	(39,004)
Dividends paid	(23,737)	(23,713)
Net cash used in financing activities	(92,430)	(123,695)
Effect of exchange rate changes on cash and cash equivalents	(13,451)	(7,081)
Net increase in cash and cash equivalents	20,245	30,441

Cash and cash equivalents at beginning of period	174,821	173,242
Cash and cash equivalents at end of period	$195,066	$203,683

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

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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”), without audit, 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 28, 2014, filed with the SEC (the “2014 Form 10-K”). The balance sheet amounts at December 28, 2014 in this report were derived from the Company’s audited 2014 consolidated financial statements included in the 2014 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, 2015 and September 28, 2014, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period. The Company has evaluated subsequent events from October 4, 2015 through the date of the issuance of these condensed consolidated financial statements and has determined that other than the events the Company has disclosed within the footnotes to the financial statements, no material subsequent events have occurred that would affect the information presented in these condensed consolidated financial statements or would require additional disclosure.

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, 2016 ("fiscal year 2015") will include 53 weeks, while the fiscal year ended December 28, 2014 ("fiscal year 2014") included 52 weeks. The additional week in fiscal year 2015 has been reflected in the Company's third quarter, which consisted of 14 weeks as compared to the Company's third quarter of fiscal year 2014, which consisted of 13 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 condensed consolidated financial position, results of operations and cash flows or do not apply to the Company’s operations.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU No. 2015-16"). Under this new guidance, an acquirer should recognize adjustments to provisional amounts for items in a business combination that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer should record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The provisions of this guidance are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. During the third quarter of fiscal year 2015, the Company early adopted the new guidance and adjusted the provisional amounts recorded for acquisitions in which the purchase accounting allocations as of October 4, 2015 were preliminary. During the three and nine months ended October 4, 2015, there was an immaterial impact on the current period net income as a result of the change to the provisional amounts for items that would have been recognized in previous periods if the adjustments to provisional amounts had been recognized as of the acquisition date.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory. Under this new guidance, companies that use inventory measurement methods other than last-in, first-out or the retail inventory method should measure inventory at the lower of cost and net realizable value. The provisions of this guidance are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company’s consolidated financial position, results of operations and cash flows.

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In April 2015, the FASB issued Accounting Standards Update No. 2015-04, Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets. Under this new guidance, an entity with a fiscal year-end that does not coincide with a calendar month-end (for example an entity that has a 52/53 week fiscal year) has the ability, as a practical expedient, to measure its defined benefit retirement obligations and related plan assets as of the month-end that is closest to its fiscal year end. The guidance should be applied prospectively. During the second quarter of fiscal year 2015, the Company early adopted the new guidance. The adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs. Under this new guidance, debt issuance costs should be presented in the balance sheet as a reduction of the carrying value of the associated debt liability. The provisions of this guidance are to be applied retrospectively and are effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is expecting to early adopt this guidance in the fourth quarter of fiscal year 2015. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. Under this new guidance, an entity should use a five-step process to recognize revenue, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Subsequent to the issuance of the standard, the FASB decided to defer the effective date for one year to annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. The standard may be adopted either using a full retrospective approach or a modified retrospective approach. The Company is evaluating the requirements of this guidance and has not yet determined the transition method to use or the impact of its adoption on the Company’s consolidated financial position, results of operations and cash flows.

Note 2: Business Combinations

Acquisitions in fiscal year 2015

During the first nine months of fiscal year 2015, the Company completed the acquisition of three businesses for total consideration of $19.0 million in cash. The excess of the purchase prices over the fair values of each 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 workforce acquired. As a result of these acquisitions, the Company recorded goodwill of $13.2 million and intangible assets of $6.1 million. The Company has reported the operations for these acquisitions within the results of the Company's Human Health and Environmental Health segments from the acquisition dates. As of October 4, 2015, the purchase accounting allocations related to these acquisitions were preliminary.

Subsequent to October 4, 2015, the Company completed the acquisition of a business for total consideration of $23.0 million, in cash, as of the closing date. The operations for this acquisition will be reported within the results of the Company's Human Health segment.

Acquisitions in fiscal year 2014

Acquisition of Perten Instruments Group AB. In December 2014, the Company acquired all of the outstanding stock of Perten Instruments Group AB ("Perten"). Perten is a provider of analytical instruments and services for quality control of food, grain, flour and feed. The Company expects this acquisition to enhance its industrial, environmental and safety business by expanding the Company's product offerings to the academic and industrial end markets. The Company paid the shareholders of Perten $269.9 million in cash for the stock of Perten. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, none of which is tax deductible. The Company has reported the operations for this acquisition within the results of the Company’s Environmental Health segment from the acquisition date. Identifiable definite-lived intangible assets, such as core technology, customer relationships and trade names, acquired as part of this acquisition had weighted average amortization periods of approximately 5 to 10 years. As of October 4, 2015, the purchase accounting allocations related to the Perten acquisition was preliminary.

Other acquisitions in fiscal year 2014. In addition to the Perten acquisition, the Company completed the acquisition of two businesses in fiscal year 2014 for total consideration of $17.6 million in cash and $4.3 million of assumed debt. The excess of the purchase price over the fair value of each 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 workforce acquired, and has been allocated to goodwill, none of which is tax deductible. The Company reported the operations for these acquisitions within the

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results of the Human Health and Environmental Health segments from the acquisition dates. As of October 4, 2015, the purchase accounting allocations related to one of the acquisitions completed during fiscal year 2014 was finalized.

The total purchase price for the acquisitions in fiscal year 2014 has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	Perten (Preliminary)	2014 Other
	(In thousands)	
Fair value of business combination:		
Cash payments	$269,937	$17,898
Working capital and other adjustments	—	(294)
Less: cash acquired	(16,732)	(124)
Total	$253,205	$17,480
Identifiable assets acquired and liabilities assumed:		
Current assets	$32,578	$1,935
Property, plant and equipment	1,485	125
Other assets	—	364
Identifiable intangible assets:		
Core technology	17,000	1,705
Trade names	8,000	—
Customer relationships	87,000	6,800
IPR&D	—	1,266
Goodwill	163,816	15,518
Deferred taxes, net	(31,652)	(3,072)
Deferred revenue	—	(589)
Liabilities assumed	(17,422)	(2,285)
Debt assumed	(7,600)	(4,287)
Total	$253,205	$17,480

During the third quarter of fiscal year 2015, the Company obtained information to assist in determining the fair values of certain tangible and intangible assets acquired and liabilities assumed as part of its acquisitions and adjusted its purchase price allocations. Based on such information, for acquisitions completed during 2015, the Company recognized a decrease in deferred taxes of $0.5 million, with a corresponding decrease in goodwill. For the Perten acquisition, the Company recognized increases in intangible assets of $2.0 million, liabilities assumed of $1.2 million and deferred taxes of $0.2 million, which were partially offset by a decrease in other current assets of $0.2 million and a decrease in goodwill of $0.4 million. For other acquisitions completed during fiscal year 2014, the Company recognized a decrease in working capital and other adjustments of $0.5 million with a corresponding decrease in goodwill. In addition, during the third quarter of fiscal year 2015, in connection with updating the provisional purchase accounting for the Perten acquisition, the Company adjusted goodwill and intangible assets which had been preliminarily recorded in U.S. dollars to Swedish Krona. This resulted in a decrease in intangible assets and goodwill of $21.4 million and a corresponding increase in other comprehensive loss through increased foreign currency translation adjustments as a result of the change in the exchange rate between the acquisition date and June 28, 2015. Of the $21.4 million decrease, $8.2 million related to changes in the exchange rate from the acquisition date through December 28, 2014. During the three and nine months ended October 4, 2015, there was an immaterial impact on the current period net income as a result of the change to the provisional amounts for items that would have been recognized in previous periods if the adjustments to provisional amounts had been recognized as of the acquisition date.

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

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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. With the Company's adoption of ASU No. 2015-16 in the third quarter of fiscal year 2015, these adjustments will be made in the period in which the amounts are determined and the current period income effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. The effects of any such adjustments may cause changes in depreciation, amortization, or other income or expense. 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 or product development milestones during the earnout period.

The Company may have to pay contingent consideration, related to acquisitions with open contingency periods, of up to $2.4 million as of October 4, 2015. As of October 4, 2015, the Company had recorded contingent consideration obligations with an estimated fair value of $0.5 million. The earnout period for acquisitions with open contingency periods does not exceed three years from the respective acquisition date. 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 transaction costs related to acquisition activities for the three and nine months ended October 4, 2015 were $0.1 million and $0.5 million, respectively. Total transaction costs related to acquisition activities for the three and nine months ended September 28, 2014 were $0.04 million and $0.2 million, respectively. These transaction costs were expensed as incurred and recorded in selling, general and administrative expenses in the Company's condensed consolidated statements of operations.

Note 3: Discontinued Operations

As part of the Company’s continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of October 4, 2015 and December 28, 2014.

In May 2014, the Company’s management approved the shutdown of its microarray-based diagnostic testing laboratory in the United States, which had been reported within the Human Health segment. The Company determined that, with the lack of adequate reimbursement from health care payers, the microarray-based diagnostic testing laboratory in the United States would need significant investment in its operations to reduce costs in order to effectively compete in the market. The shutdown of the microarray-based diagnostic testing laboratory in the United States resulted in a $0.3 million net pre-tax loss related to the disposal of fixed assets and inventory for the nine months ended September 28, 2014.

During the first nine months of each of fiscal years 2015 and 2014, the Company settled various commitments related to the divestiture of other discontinued operations and recognized net pre-tax losses. These losses were recognized as a loss on disposition of discontinued operations.

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Summary pre-tax operating results of the discontinued operations, which include the periods prior to disposition and a $1.0 million pre-tax restructuring charge related to workforce reductions in the microarray-based diagnostic testing laboratory in the United States during the second quarter of fiscal year 2014, were as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Sales	$10	$—	$93	$960
Costs and expenses	2	1,091	87	5,165
Gain (loss) from discontinued operations before income taxes	$8	$(1,091)	$6	$(4,205)

The Company recorded tax provisions of $0.04 million and $0.01 million on discontinued operations and dispositions for the three and nine months ended October 4, 2015, respectively. The Company recorded tax benefits of $0.5 million and $1.7 million on discontinued operations and dispositions for the three and nine months ended September 28, 2014, respectively.

Note 4: Restructuring and Contract Termination Charges, Net

The Company's management has approved 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 productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, and are included as a component of operating expenses from continuing operations.

The Company implemented restructuring plans in the second quarter of fiscal year 2015 and the third quarter of fiscal year 2014 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q2 2015 Plan" and the "Q3 2014 Plan", respectively). The Company implemented restructuring plans in the second and first quarters of fiscal year 2014 consisting of workforce reductions principally intended to focus resources on higher growth end markets (the "Q2 2014 Plan" and the "Q1 2014 Plan", respectively). Details of the plans initiated in previous years (“Previous Plans”) are discussed more fully in Note 4 to the audited consolidated financial statements in the 2014 Form 10-K. The Company also has terminated various contractual commitments in connection with certain disposal activities and has 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 the Company.

The following table summarizes the number of employees reduced, the initial restructuring or contract termination charges by operating segment, and the dates by which payments were substantially completed, or the expected dates by which payments will be substantially completed, for restructuring actions implemented during the nine months ended October 4, 2015 and fiscal year 2014:

		Initial Restructuring or Contract Termination Charges			
	Headcount Reduction	Human Health	Environmental Health	Total	Date or Expected Date Payments Substantially Completed by
	(In thousands, except headcount data)				
Q2 2015 Plan	97	$1,850	$4,160	$6,010	Q2 FY2016
2015 Contract Termination Charges	—	—	25	25	Q4 FY2015

Q3 2014 Plan	152	7,126	5,925	13,051	Q4 FY2015
Q2 2014 Plan	22	545	190	735	Q2 FY2015
Q1 2014 Plan	17	370	197	567	Q4 FY2014
2014 Contract Termination Charges	—	—	1,545	1,545	Q4 FY2015

The Company expects to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

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At October 4, 2015, the Company had $17.1 million recorded for accrued restructuring and contract termination charges, of which $12.1 million was recorded in short-term accrued restructuring and contract termination charges and $5.0 million was recorded in long-term liabilities. At December 28, 2014, the Company had $23.8 million recorded for accrued restructuring and contract termination charges, of which $17.1 million was recorded in short-accrued restructuring and $6.7 million was recorded in long-term liabilities. The following table summarizes the Company's restructuring and contract termination accrual balances and related activity by restructuring plan, as well as contract termination, during the nine months ended October 4, 2015:

	Balance at December 28, 2014	2015 Charges	2015 Changes in Estimates, Net	2015 Amounts Paid	Balance at October 4, 2015
	(In thousands)				
Severance:					
Q2 2015 Plan[1]	$—	$6,010	$(540)	$(3,166)	$2,304
Q3 2014 Plan	10,059	—	—	(5,257)	4,802
Q2 2014 Plan[2]	251	—	(179)	(8)	64
Q1 2014 Plan[3]	92	—	(92)	—	—
Previous Plans[4]	13,124	—	(386)	(2,961)	9,777
Restructuring	23,526	6,010	(1,197)	(11,392)	16,947
Contract Termination	304	25	—	(200)	129
Total Restructuring and Contract Termination	$23,830	$6,035	$(1,197)	$(11,592)	$17,076

(1) During the nine months ended October 4, 2015, the Company recognized pre-tax restructuring reversals of $0.2 million in the Human Health segment and $0.3 million in the Environmental Health segment related to lower than expected costs associated with workforce reductions for the Q2 2015 Plan.

(2) During the nine months ended October 4, 2015, the Company recognized pre-tax restructuring reversals of $0.1 million in each of the Human Health and Environmental Health segments related to lower than expected costs associated with workforce reductions for the Q2 2014 Plan.

(3) During the nine months ended October 4, 2015, the Company recognized a pre-tax restructuring reversal of $0.1 million in the Human Health segment related to lower than expected costs associated with workforce reductions for the Q1 2014 Plan.

(4) During the nine months ended October 4, 2015, the Company recognized a net additional pre-tax restructuring charge of $0.6 million in the Human Health segment primarily related to higher than expected costs associated with the closure of the excess facility space and a pre-tax restructuring reversal of $1.0 million in the Environmental Health segment related to lower than expected costs associated with workforce reductions for the Previous Plans.

Note 5: Interest and Other Expense, Net

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

	Three Months Ended		Nine Months Ended	
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Interest income	$(147)	$(130)	$(488)	$(375)
Interest expense	9,874	8,909	28,564	27,207
Other expense, net	2,217	2,187	4,132	4,387
Total interest and other expense, net	$11,944	$10,966	$32,208	$31,219

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Note 6: Inventories

Inventories as of October 4, 2015 and December 28, 2014 consisted of the following:

	October 4, 2015	December 28, 2014
	(In thousands)	
Raw materials	$104,743	$96,169
Work in progress	22,088	18,783
Finished goods	186,216	170,505
Total inventories	$313,047	$285,457

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.

At October 4, 2015, the Company had gross tax effected unrecognized tax benefits of $29.9 million, of which $26.1 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 $4.1 million of its uncertain tax positions at October 4, 2015, 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 2007 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as China, Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

During the first nine months of fiscal years 2015 and 2014, the Company recorded net discrete income tax benefits of $5.2 million and $5.8 million, respectively, primarily for reversals of uncertain tax position reserves and resolution of other tax matters.

Note 8: Debt

Senior Unsecured Revolving Credit Facility. On January 8, 2014, the Company refinanced its debt held under a previous senior unsecured revolving credit facility and entered into a new senior unsecured revolving credit facility. The Company's senior unsecured revolving credit facility provides for $700.0 million of revolving loans and has an initial maturity of January 8, 2019. As of October 4, 2015, undrawn letters of credit in the aggregate amount of $11.5 million were treated as issued and outstanding under the senior unsecured revolving credit facility. As of October 4, 2015, the Company had $196.5 million available for additional borrowing under the facility. The Company uses 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 under the senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) one-month Libor plus 1.00%. At October 4, 2015, borrowings under the senior unsecured revolving credit facility were accruing interest primarily based on the Eurocurrency rate. The Eurocurrency margin as of October 4, 2015 was 108 basis points. The weighted average Eurocurrency interest rate as of October 4, 2015 was 0.25%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 1.33%. At October 4, 2015 and December 28, 2014, the Company had $492.0 million and $516.0 million, respectively, of borrowings in

U.S. dollars outstanding under the senior unsecured revolving credit facility. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default similar to those contained in the credit agreement for the Company's previous facility. The financial covenants in the Company's senior unsecured revolving credit facility include a debt-to-capital ratio, and two contingent covenants, a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, applicable if the Company's credit rating is downgraded below investment grade.

5% Senior Unsecured Notes due in 2021. On October 25, 2011, the Company issued $500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the “2021 Notes”) in a registered public offering and received $496.9 million of

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net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of $3.1 million. As of October 4, 2015, the 2021 Notes had an aggregate carrying value of $497.9 million, net of $2.1 million of unamortized original issue discount. As of December 28, 2014, the 2021 Notes had an aggregate carrying value of $497.7 million, net of $2.3 million of unamortized original issue discount. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 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 2021 Notes to be redeemed, plus accrued and unpaid interest, 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 a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus 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, each holder of 2021 Notes will have the right to require the Company to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.
Financing Lease Obligations. In fiscal year 2012, the Company entered into agreements with the lessors of certain buildings that the Company is currently occupying and leasing to expand those buildings. The Company provided a portion of the funds needed for the construction of the additions to the buildings, and as a result the Company was considered the owner of the buildings during the construction period. At the end of the construction period, the Company was not reimbursed by the lessors for all of the construction costs. The Company is therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for the Company and non-cash investing and financing activities. As a result, the Company capitalized $29.3 million in property and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. The Company has also capitalized $11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At October 4, 2015, the Company had $38.5 million recorded for these financing lease obligations, of which $1.1 million was recorded as short-term debt and $37.4 million was recorded as long-term debt. At December 28, 2014, the Company had $39.3 million recorded for these financing lease obligations, of which $1.1 million was recorded as short-term debt and $38.2 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

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, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Number of common shares—basic	112,632	112,646	112,763	112,662
Effect of dilutive securities:				
Stock options	580	870	633	964
Restricted stock awards	210	243	169	210

Number of common shares—diluted	113,422	113,759	113,565	113,836
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	521	482	649	480

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.

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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 Company’s management reviews the results of the Company’s operations by the Human Health and Environmental Health operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2014 Form 10-K.

The Company realigned its organization at the beginning of fiscal year 2015 to enable the Company to both deliver complete solutions targeted towards certain end markets and develop value-added applications and solutions to foster further expansion of those markets. OneSource, the multivendor service offering business that serves the life sciences end market, was moved from the Environmental Health segment into the Human Health segment. The results reported for the three and nine months ended October 4, 2015 reflect this new alignment of the Company's operating segments. Financial information in this report relating to the three and nine months ended September 28, 2014 and the fiscal year ended 2014 have been retrospectively adjusted to reflect the changes to the operating segments. The principal products and services of the Company's two operating segments are:

- Human Health. Develops diagnostics, tools and applications to help detect diseases earlier and more accurately and to accelerate the discovery and development of critical new therapies. The Human Health segment serves both the diagnostics and research markets.
- Environmental Health. Provides products, services and solutions to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental, industrial and laboratory services markets.

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.

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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, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Human Health				
Product revenue	$238,553	$237,312	$712,207	$721,449
Service revenue	105,083	99,637	298,970	288,076
Total revenue	343,636	336,949	1,011,177	1,009,525
Operating income from continuing operations	63,147	48,089	179,560	149,979
Environmental Health				
Product revenue	139,772	128,621	414,149	391,578
Service revenue	80,028	76,479	228,917	227,726
Total revenue	219,800	205,100	643,066	619,304
Operating income from continuing operations	22,838	18,540	53,606	65,725
Corporate				
Operating loss from continuing operations[1]	(10,087)	(7,853)	(31,756)	(35,529)
Continuing Operations				
Product revenue	378,325	365,933	1,126,356	1,113,027
Service revenue	185,111	176,116	527,887	515,802
Total revenue	563,436	542,049	1,654,243	1,628,829
Operating income from continuing operations	75,898	58,776	201,410	180,175
Interest and other expense, net (see Note 5)	11,944	10,966	32,208	31,219
Income from continuing operations before income taxes	$63,954	$47,810	$169,202	$148,956

(1) In 2002, Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, “Enzo”) filed a complaint that alleged that the Company separately and together with other defendants breached distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology. The Company entered into a settlement agreement with Enzo dated June 20, 2014 and during fiscal year 2014 paid $7.0 million into a designated escrow account to resolve this matter, of which $3.7 million had been accrued in previous years and $3.3 million was recorded in the second quarter of fiscal year 2014. In addition, the Company incurred $3.4 million of expenses in preparation for the trial during the six months ended June 29, 2014.

Note 11: Stockholders’ Equity

Comprehensive Income:

The components of accumulated other comprehensive (loss) income consisted of the following:

	October 4, 2015	December 28, 2014
	(In thousands)	
Foreign currency translation adjustments	$(34,723)	$23,332
Unrecognized prior service costs, net of income taxes	1,575	1,575
Unrealized net losses on securities, net of income taxes	(250)	(107)
Accumulated other comprehensive (loss) income	$(33,398)	$24,800

Stock Repurchases:

On October 23, 2014, the Board of Directors (the "Board") authorized the Company to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 23, 2016 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the nine months ended October 4, 2015, the Company repurchased 1.5 million shares of common stock in the open market at an

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aggregate cost of $72.0 million, including commissions, under the Repurchase Program. As of October 4, 2015, 5.9 million shares remained available for repurchase under the 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 nine months ended October 4, 2015, the Company repurchased 89,558 shares of common stock for this purpose at an aggregate cost of $4.2 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 2015 and in each quarter of fiscal year 2014. At October 4, 2015, the Company has accrued $7.8 million for dividends declared on July 22, 2015 for the third quarter of fiscal year 2015, payable in November 2015. On October 29, 2015, the Company announced that the Board had declared a quarterly dividend of $0.07 per share for the fourth quarter of fiscal year 2015 that will be payable in February 2016. 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

In addition to the Company's Employee Stock Purchase Plan, the Company utilizes one stock-based compensation plan, the 2009 Incentive Plan (the "2009 Plan"). Under the 2009 Plan, 10.0 million shares of the Company's common stock are authorized for stock option grants, restricted stock awards, performance units and stock grants as part of the Company's compensation programs. In addition to shares of the Company's common stock originally authorized for issuance under the 2009 Plan, the 2009 Plan includes shares of the Company's common stock previously granted under the Amended and Restated 2001 Incentive Plan and the 2005 Incentive Plan that were canceled or forfeited without the shares being issued.
The following table summarizes total pre-tax compensation expense recognized related to the Company's stock options, restricted stock, restricted stock units, performance units and stock grants, net of estimated forfeitures, included in the Company's condensed consolidated statements of operations for the three and nine months ended October 4, 2015 and September 28, 2014:

	Three Months Ended		Nine Months Ended	
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Cost of product and service revenue	$323	$386	$964	$1,056
Research and development expenses	119	39	419	400
Selling, general and administrative expenses	3,848	2,025	11,100	10,313
Total stock-based compensation expense	$4,290	$2,450	$12,483	$11,769

The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $1.4 million and $4.1 million for the three and nine months ended October 4, 2015, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $0.8 million and $4.2 million for the three and nine months ended September 28, 2014, respectively. Stock-based compensation costs capitalized as part of inventory were $0.4 million as of both October 4, 2015 and September 28, 2014.
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, 2015		September 28, 2014	
Risk-free interest rate	1.3	%	1.5	%
Expected dividend yield	0.6	%	0.7	%
Expected term	5 years		5 years	
Expected stock volatility	26.5	%	30.9	%

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The following table summarizes stock option activity for the nine months ended October 4, 2015:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Total Intrinsic Value
	(In thousands)		(In years)	(In millions)
Outstanding at December 28, 2014	2,828	$26.11		
Granted	490	46.25		
Exercised	(751)	17.42		
Canceled	(3)	22.49		
Forfeited	(83)	31.43		
Outstanding at October 4, 2015	2,481	$32.54	3.8	$42.4
Exercisable at October 4, 2015	1,599	$26.48	2.7	$37.0
Vested and expected to vest in the future	2,413	$32.28	3.7	$41.9

The weighted-average per-share grant-date fair value of options granted during the three and nine months ended October 4, 2015 was $11.44 and $11.00, respectively. The weighted-average per-share grant-date fair value of options granted during the three and nine months ended September 28, 2014 was $12.78 and $11.86, respectively. The total intrinsic value of options exercised during the three and nine months ended October 4, 2015 was $0.7 million and $22.6 million, respectively. The total intrinsic value of options exercised during the three and nine months ended September 28, 2014 was $1.9 million and $19.6 million, respectively. Cash received from option exercises for the nine months ended October 4, 2015 and September 28, 2014 was $13.1 million and $20.9 million, respectively.

The total compensation expense recognized related to the Company's outstanding options was $1.2 million and $3.2 million for the three and nine months ended October 4, 2015, respectively, and $1.0 million and $3.9 million for the three and nine months ended September 28, 2014, respectively.

There was $6.8 million of total unrecognized compensation cost related to nonvested stock options granted as of October 4, 2015. This cost is expected to be recognized over a weighted-average period of 1.9 years.

Restricted Stock Awards: The following table summarizes restricted stock award activity for the nine months ended October 4, 2015:

	Number of Shares	Weighted-Average Grant-Date Fair Value
	(In thousands)	
Nonvested at December 28, 2014	558	$35.51
Granted	224	46.63
Vested	(232)	30.55
Forfeited	(30)	40.38
Nonvested at October 4, 2015	520	$42.23

The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and nine months ended October 4, 2015 was $48.77 and $46.63, respectively. The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and nine months ended September 28, 2014 was $45.42 and $42.69, respectively. The fair value of restricted stock awards vested during the three and nine months ended October 4, 2015 was $0.2 million and $7.1 million, respectively. The fair value of restricted stock awards vested during the three and nine months ended September 28, 2014 was $0.1 million and $7.1 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was $2.2 million and $6.5 million for the three and nine months ended October 4, 2015, respectively, and $1.6 million and $5.5 million for the three and nine months ended September 28, 2014, respectively.

As of October 4, 2015, there was $12.7 million of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.5 years.

Performance Units: The Company granted 66,509 and 79,463 performance units during the nine months ended October 4, 2015 and September 28, 2014, respectively, as part of the Company's executive incentive program. The weighted-average per-share grant-date fair value of performance units granted during the nine months ended October 4, 2015 and September 28, 2014 was $46.83 and $42.84, respectively. During the nine months ended October 4, 2015 and September 28, 2014, 8,860 and 19,667 performance units were forfeited, respectively. The total compensation expense recognized related to performance units was $0.8 million and $2.1 million for the three and nine months ended October 4, 2015, respectively, and a reversal of an expense of $0.2 million and an expense of $1.6 million for the three and nine months ended September 28, 2014, respectively. As of October 4, 2015, there were 201,415 performance units outstanding and subject to forfeiture, with a corresponding liability of $4.0 million recorded in accrued expenses and other current liabilities.

Stock Awards: The Company generally grants stock awards only to non-employee members of the Board. The Company granted 1,953 shares and 2,373 shares to each non-employee member of the Board during the nine months ended October 4, 2015 and September 28, 2014, respectively. The Company also granted 544 shares to a new non-employee member of the Board during the three months ended March 29, 2015. The weighted-average per-share grant-date fair value of the stock awards granted during the nine months ended October 4, 2015 and September 28, 2014 was $51.01 and $42.14, respectively. The total compensation expense recognized related to these stock awards was $0.7 million for each of the nine months ended October 4, 2015 and September 28, 2014.

Employee Stock Purchase Plan: During the nine months ended October 4, 2015, the Company issued 54,374 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of $45.41 per share. During the nine months ended September 28, 2014, the Company issued 60,870 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of $41.71 per share. At October 4, 2015, an aggregate of 1.0 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 a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 1, 2015, its annual impairment date for fiscal year 2015. The Company concluded based on the first step of the process that there was no goodwill impairment, and the fair value exceeded the carrying value by more than 20.0% for each reporting unit. The long-term terminal growth rates for the Company's reporting units ranged from 4.0% to 6.5% for the fiscal year 2015 impairment analysis. The range for the discount rates for the reporting units was 9.5% to 12.5%. Keeping all other variables constant, a 10.0% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

Subsequent to the 2015 annual impairment test, the Company realigned its organization, as discussed in Note 10. While the realignment did not have a significant impact on the fair values of the reporting units as discussed above, the realignment did result in a change in the composition of the Company's reportable segments. OneSource, the multivendor service offering business that serves the life sciences end market, was moved from the Environmental Health segment into the Human Health segment. As a result of the new alignment, the Company reallocated goodwill from the Environmental Health segment to the Human Health segment based on the relative fair value, determined using the income approach, of the business. During the second quarter of 2015, the Company updated its preliminary analysis and the realignment resulted in $41.2 million of goodwill being reallocated from the Environmental Health segment into the Human Health segment as of December 28, 2014.

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

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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.

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. In addition, the Company evaluates the remaining useful lives of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful lives 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, 2015, and concluded that there was no impairment of non-amortizing intangible assets. 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 2015.

The changes in the carrying amount of goodwill for the period ended October 4, 2015 from December 28, 2014 were as follows:

	Human Health	Environmental Health	Consolidated
	(In thousands)		
Balance at December 28, 2014	$1,662,755	$621,322	$2,284,077
Foreign currency translation	(19,018)	(23,557)	(42,575)
Acquisitions and other	33	12,408	12,441
Balance at October 4, 2015	$1,643,770	$610,173	$2,253,943

Identifiable intangible asset balances at October 4, 2015 and December 28, 2014 by category were as follows:

	October 4, 2015	December 28, 2014
	(In thousands)	
Patents	$39,923	$39,953
Less: Accumulated amortization	(29,141)	(27,200)
Net patents	10,782	12,753
Trade names and trademarks	40,381	40,069
Less: Accumulated amortization	(19,768)	(16,936)
Net trade names and trademarks	20,613	23,133
Licenses	59,058	59,631
Less: Accumulated amortization	(44,386)	(41,792)
Net licenses	14,672	17,839
Core technology	295,694	298,491
Less: Accumulated amortization	(204,499)	(184,697)
Net core technology	91,195	113,794
Customer relationships	393,240	402,185
Less: Accumulated amortization	(182,535)	(156,994)
Net customer relationships	210,705	245,191
IPR&D	9,572	10,103
Less: Accumulated amortization	(3,884)	(3,132)
Net IPR&D	5,688	6,971
Net amortizable intangible assets	353,655	419,681
Non-amortizing intangible assets:		
Trade names and trademarks	70,584	70,584

Total	$424,239	$490,265

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Total amortization expense related to definite-lived intangible assets was $18.8 million and $58.5 million for the three and nine months ended October 4, 2015, respectively, and $20.6 million and $61.9 million for the three and nine months September 28, 2014, respectively. Estimated amortization expense related to definite-lived intangible assets for each of the next five years is $21.5 million for the remainder of fiscal year 2015, $70.9 million for fiscal year 2016, $61.1 million for fiscal year 2017, $50.1 million for fiscal year 2018, and $38.3 million for fiscal year 2019.

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 for the three and nine months ended October 4, 2015 and September 28, 2014 is as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Balance at beginning of period	$10,810	$10,786	$10,783	$10,534
Provision charged to income	4,240	4,187	12,728	12,596
Payments	(4,412)	(4,154)	(12,158)	(12,509)
Adjustments to previously provided warranties, net	129	(130)	(342)	44
Foreign currency translation and acquisitions	(155)	(293)	(399)	(269)
Balance at end of period	$10,612	$10,396	$10,612	$10,396

Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic benefit (credit) cost for the Company's various defined benefit employee pension and postretirement plans for the three and nine months ended October 4, 2015 and September 28, 2014:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Service cost	$1,083	$1,030	$27	$24
Interest cost	5,176	5,914	36	39
Expected return on plan assets	(6,513)	(6,277)	(265)	(241)
Amortization of prior service costs	(59)	(72)	—	—
Net periodic benefit (credit) cost	$(313)	$595	$(202)	$(178)

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	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Nine Months Ended			
	October 4, 2015	September 28, 2014	October 4, 2015	September 28, 2014
	(In thousands)			
Service cost	$3,274	$3,094	$81	$72
Interest cost	15,602	17,761	108	