PERKINELMER INC
Form 10-Q
August 05, 2014
Table of Contents

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 June 29, 2014

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 incorporation or organization)	(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 July 31, 2014, there were outstanding 112,919,479 shares of common stock, $1 par value per share.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands, except per share data)			
Product revenue	$381,609	$374,024	$747,093	$720,643
Service revenue	174,561	166,649	339,687	322,973
Total revenue	556,170	540,673	1,086,780	1,043,616
Cost of product revenue	201,649	195,748	390,933	376,870
Cost of service revenue	106,537	103,263	212,150	200,642
Total cost of revenue	308,186	299,011	603,083	577,512
Selling, general and administrative expenses	147,253	147,795	299,690	298,235
Research and development expenses	30,352	34,404	59,731	68,402
Restructuring and contract termination charges, net	742	19,247	2,877	22,557
Operating income from continuing operations	69,637	40,216	121,399	76,910
Interest and other expense, net	8,964	12,865	20,253	24,905
Income from continuing operations before income taxes	60,673	27,351	101,146	52,005
Provision for (benefit from) income taxes	8,670	77	14,192	(8,044)
Income from continuing operations	52,003	27,274	86,954	60,049
Loss from discontinued operations before income taxes	(2,084)	(552)	(3,114)	(1,345)
(Loss) gain on disposition of discontinued operations before income taxes	(302)	613	(374)	521
Income tax benefit from discontinued operations and dispositions	(873)	(590)	(1,248)	(916)
(Loss) gain on discontinued operations and dispositions	(1,513)	651	(2,240)	92
Net income	$50,490	$27,925	$84,714	$60,141
Basic earnings per share:				
Income from continuing operations	$0.46	$0.24	$0.77	$0.53
(Loss) gain on discontinued operations and dispositions	(0.01)	0.01	(0.02)	0.00
Net income	$0.45	$0.25	$0.75	$0.53
Diluted earnings per share:				
Income from continuing operations	$0.46	$0.24	$0.76	$0.53
(Loss) gain on discontinued operations and dispositions	(0.01)	0.01	(0.02)	0.00
Net income	$0.44	$0.25	$0.74	$0.53
Weighted average shares of common stock outstanding:				
Basic	112,788	111,575	112,671	112,515
Diluted	113,971	112,718	113,874	113,717

Cash dividends per common share	$0.07	$0.07	$0.14	$0.14

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

3

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Net income	$50,490	$27,925	$84,714	$60,141
Other comprehensive income:				
Foreign currency translation adjustments	2,706	(1,201)	3,340	(14,704)
Reclassification adjustments for losses on derivatives included in net income, net of tax	—	299	—	598
Unrealized gains (losses) on securities, net of tax	2	(41)	(30)	(30)
Other comprehensive income (loss)	2,708	(943)	3,310	(14,136)
Comprehensive income	$53,198	$26,982	$88,024	$46,005

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

Table of Contents

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

	June 29, 2014	December 29, 2013
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	$205,258	$173,242
Accounts receivable, net	443,722	466,749
Inventories, net	277,991	260,858
Other current assets	151,715	140,342
Current assets of discontinued operations	1,963	3,647
Total current assets	1,080,649	1,044,838
Property, plant and equipment, net:		
At cost	507,700	498,111
Accumulated depreciation	(328,024)	(314,923)
Property, plant and equipment, net	179,676	183,188
Marketable securities and investments	1,327	1,319
Intangible assets, net	417,308	460,430
Goodwill	2,141,819	2,143,120
Other assets, net	113,714	111,633
Long-term assets of discontinued operations	2,075	2,184
Total assets	$3,936,568	$3,946,712
Current liabilities:		
Short-term debt	$1,051	$2,624
Accounts payable	155,415	166,881
Accrued restructuring and contract termination charges	14,676	26,374
Accrued expenses and other current liabilities	404,322	403,678
Current liabilities of discontinued operations	3,135	3,239
Total current liabilities	578,599	602,796
Long-term debt	894,282	932,104
Long-term liabilities	407,696	417,325
Total liabilities	1,880,577	1,952,225
Commitments and contingencies (see Note 19)		
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 112,875,000 shares and 112,626,000 shares at June 29, 2014 and at December 29, 2013, respectively	112,875	112,626
Capital in excess of par value	108,962	119,906
Retained earnings	1,753,253	1,684,364
Accumulated other comprehensive income	80,901	77,591
Total stockholders' equity	2,055,991	1,994,487
Total liabilities and stockholders' equity	$3,936,568	$3,946,712

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

5

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

	Six Months Ended	
	June 29, 2014	June 30, 2013
	(In thousands)	
Operating activities:		
Net income	$84,714	$60,141
Less: loss (gain) from discontinued operations and dispositions, net of income taxes	2,240	(92)
Income from continuing operations	86,954	60,049
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Restructuring and contract termination charges, net	2,877	22,557
Depreciation and amortization	57,907	61,980
Stock-based compensation	9,319	7,642
Amortization of deferred debt issuance costs, interest rate hedges and accretion of discounts	662	1,680
Amortization of acquired inventory revaluation	—	203
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	23,434	15,489
Inventories, net	(15,737)	(17,710)
Accounts payable	(11,867)	3,990
Accrued expenses and other	(30,979)	(115,955)
Net cash provided by operating activities of continuing operations	122,570	39,925
Net cash used in operating activities of discontinued operations	(464)	(1,132)
Net cash provided by operating activities	122,106	38,793
Investing activities:		
Capital expenditures	(14,447)	(22,852)
Proceeds from surrender of life insurance policies	425	220
Activity related to acquisitions and investments, net of cash and cash equivalents acquired	(350)	(49)
Net cash used in investing activities of continuing operations	(14,372)	(22,681)
Net cash (used in) provided by investing activities of discontinued operations	(213)	494
Net cash used in investing activities	(14,585)	(22,187)
Financing activities:		
Payments on revolving credit facility	(232,000)	(282,000)
Proceeds from revolving credit facility	193,000	340,000
Payments of debt issuance costs	(1,845)	—
Settlement of cash flow hedges	—	1,363
Net (payments on) proceeds from other credit facilities	(507)	5,264
Proceeds from issuance of common stock under stock plans	19,454	7,289
Purchases of common stock	(38,976)	(126,993)
Dividends paid	(15,809)	(15,892)
Net cash used in financing activities	(76,683)	(70,969)
Effect of exchange rate changes on cash and cash equivalents	1,178	(4,611)
Net increase (decrease) in cash and cash equivalents	32,016	(58,974)
Cash and cash equivalents at beginning of period	173,242	171,444

Cash and cash equivalents at end of period	$205,258	$112,470

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

Table of Contents

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 29, 2013, filed with the SEC (the “2013 Form 10-K”). The balance sheet amounts at December 29, 2013 in this report were derived from the Company’s audited 2013 consolidated financial statements included in the 2013 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 six months ended June 29, 2014 and June 30, 2013, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period. The Company has evaluated subsequent events from June 29, 2014 through the date of the issuance of these condensed consolidated financial statements and has determined that no material subsequent events have occurred that would affect the information presented in these condensed consolidated financial statements or would require additional disclosure.

Recently Adopted and Issued Accounting Pronouncements: From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board 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 April 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under this new guidance, only disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on an entity's operations and financial results will be presented as discontinued operations. The standard also requires new disclosures related to individually significant disposals that do not meet the definition of a discontinued operation. The provisions of this guidance are effective for interim and annual periods beginning after December 15, 2014. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company’s condensed consolidated financial position, results of operations and cash flows.

In May 2014, the Financial Accounting Standards Board 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, which depicts 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. The provisions of this guidance are effective for interim and annual periods beginning after

December 15, 2016. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company’s condensed consolidated financial position, results of operations and cash flows.

Note 2: Business Combinations

During fiscal year 2013, the Company completed the acquisition of four businesses for total consideration of $11.4 million, in cash. During the first six months of fiscal year 2014, the Company paid $0.4 million in additional deferred consideration for one of these acquisitions. As of the closing date of that acquisition, the Company potentially had to pay additional contingent consideration for the business of up to $2.2 million, which at closing had an estimated fair value of $1.1 million. 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, and have been allocated to goodwill, none of which is tax deductible. The Company reported the operations for these acquisitions within the results of the Company's operations from the acquisition dates. As of June 29, 2014, the purchase

Table of Contents

accounting allocations related to these acquisitions were preliminary, with the exception of those acquisitions completed during the first six months of fiscal year 2013.

The preliminary allocations of the purchase prices for these acquisitions were based upon initial valuations. The Company's estimates and assumptions underlying the initial valuations are subject to the collection of information necessary to complete the Company's valuations within the measurement periods, which are up to one year from the acquisition dates. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and related valuation allowances, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair values of the net assets acquired at the acquisition dates during the measurement periods. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition dates that, if known, would have resulted in the recognition of those assets and liabilities as of those dates. Adjustments to the preliminary allocations of the purchase prices during the measurement periods require the revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of adjustments to the allocations of the purchase prices made during the measurement periods would be as if the adjustments had been completed on the acquisition dates. The effects of any such adjustments, if material, may cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as adjustments made during the measurement periods are 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 all acquisitions with open contingency periods, of up to $28.6 million as of June 29, 2014. As of June 29, 2014, the Company has recorded contingent consideration obligations relating to its acquisitions of Dexela Limited, Haoyuan Biotech Co. and Tetra Teknolojik Sistemler Limited Sirketi, with an estimated fair value of $3.4 million. The earnout period for each of these acquisitions 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 consideration which would be expensed.

Total transaction costs related to acquisition activities for each of the three and six months ended June 29, 2014 were $0.1 million and $0.2 million, respectively. Total transaction costs related to acquisition activities were $0.1 million for each of the three and six months ended June 30, 2013. 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 the assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of June 29, 2014 and December 29, 2013.

Table of Contents

The Company recorded the following pre-tax gains and losses, which have been reported as a net gain or loss on disposition of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Loss on disposition of microarray-based diagnostic testing laboratory	$(257)	$—	$(257)	$—
Gain on disposition of Photoflash business	—	369	—	493
(Loss) gain on disposition of other discontinued operations	(45)	244	(117)	28
(Loss) gain on disposition of discontinued operations before income taxes	$(302)	$613	$(374)	$521

In May 2014, the Company's management approved the shutdown of its microarray-based diagnostic testing laboratory in the United States, which has 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 pre-tax loss related to the disposal of fixed assets and inventory during the three months ended June 29, 2014.

In June 2010, the Company sold its Photoflash business, which was included in the Company's Environmental Health segment, for $13.5 million, including an adjustment for net working capital, plus potential additional contingent consideration. During the six months ended June 30, 2013, the Company recognized a pre-tax gain of $0.5 million for contingent consideration related to this sale. This gain was recognized as a gain on disposition of discontinued operations.

During the first six months of both fiscal years 2014 and 2013, the Company settled various commitments related to the divestiture of other discontinued operations. The Company recognized pre-tax gains and losses in the first six months of both fiscal years 2014 and 2013. These gains and losses were recognized as a (loss) gain on disposition of discontinued operations.

Summary pre-tax operating results of the discontinued operations for the periods prior to disposition, which included a $1.0 million pre-tax 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		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Sales	$426	$2,624	$1,720	$5,059
Costs and expenses	2,510	3,176	4,834	6,404
Loss from discontinued operations before income taxes	$(2,084)	$(552)	$(3,114)	$(1,345)

The Company recorded a tax benefit of $0.9 million and a tax benefit of $1.2 million on discontinued operations and dispositions for the three and six months ended June 29, 2014, respectively. The Company recorded a tax benefit of $0.6 million and a tax benefit of $0.9 million on discontinued operations and dispositions for the three and six months ended June 30, 2013, respectively.

Note 4: Restructuring and Contract Termination Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with the Company's 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.
A description of the restructuring plans and the activity recorded for the six months ended June 29, 2014 is listed below. Details of the plans initiated in previous years, particularly those listed under “Previous Restructuring and Integration Plans,” are discussed more fully in Note 4 to the audited consolidated financial statements in the 2013 Form 10-K.

Table of Contents

The restructuring plans for the first and second quarters of fiscal year 2014 and the first quarter of fiscal year 2013 were principally intended to focus resources on higher growth end markets. The restructuring plans for the fourth and third quarters of fiscal year 2013 were principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation. The restructuring plan for the second quarter of fiscal year 2013 was principally intended to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources and production resources as a result of previous acquisitions.

A description of the restructuring plans and the activity recorded are as follows:

Q2 2014 Restructuring Plan
During the second quarter of fiscal year 2014, the Company’s management approved a plan to focus resources on higher growth end markets (the “Q2 2014 Plan”). As a result of the Q2 2014 Plan, the Company recognized a $0.5 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.3 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q2 2014 Plan, the Company reduced headcount by 22 employees. All employees were notified of termination under the Q2 2014 Plan by June 29, 2014.

The following table summarizes the Q2 2014 Plan activity for the six months ended June 29, 2014:

	Severance (In thousands)
Provision	$735
Amounts paid and foreign currency translation	(228)
Balance at June 29, 2014	$507

The Company anticipates that the remaining severance payments of $0.5 million for workforce reductions will be substantially completed by the end of the second quarter of fiscal year 2015.

Q1 2014 Restructuring Plan
During the first quarter of fiscal year 2014, the Company’s management approved a plan principally intended to focus resources on higher growth end markets (the “Q1 2014 Plan”). As a result of the Q1 2014 Plan, the Company recognized a $0.4 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.2 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q1 2014 Plan, the Company reduced headcount by 17 employees. All employees were notified of termination under the Q1 2014 Plan by March 30, 2014.

The following table summarizes the Q1 2014 Plan activity for the six months ended June 29, 2014:

	Severance (In thousands)
Provision	$567
Amounts paid and foreign currency translation	(345)
Balance at June 29, 2014	$222

The Company anticipates that the remaining severance payments of $0.2 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014.

Q4 2013 Restructuring Plan
During the fourth quarter of fiscal year 2013, the Company’s management approved a plan principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation (the “Q4 2013

Plan”). As a result of the Q4 2013 Plan, the Company recognized an $8.2 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space and recognized a $3.0 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q4 2013 Plan, the Company reduced headcount by 73 employees. All employees were notified of termination under the Q4 2013 Plan by December 29, 2013.

Table of Contents

The following table summarizes the Q4 2013 Plan activity for the six months ended June 29, 2014:

	Severance	Closure of Excess Facility Space	Total
	(In thousands)		
Balance at December 29, 2013	$1,987	$6,854	$8,841
Amounts paid and foreign currency translation	(1,456)	(900)	(2,356)
Balance at June 29, 2014	$531	$5,954	$6,485

The Company anticipates that the remaining severance payments of $0.5 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014. The Company also anticipates that the remaining payments of $6.0 million, net of estimated sublease income, for the closure of the excess facility space will be paid through fiscal year 2019, in accordance with the terms of the applicable leases.

Q3 2013 Restructuring Plan

During the third quarter of fiscal year 2013, the Company’s management approved a plan principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation (the “Q3 2013 Plan”). As a result of the Q3 2013 Plan, the Company recognized a $0.5 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. As part of the Q3 2013 Plan, the Company reduced headcount by 29 employees. All employees were notified of termination under the Q3 2013 Plan by September 29, 2013.

The following table summarizes the Q3 2013 Plan activity for the six months ended June 29, 2014:

	Severance
	(In thousands)
Balance at December 29, 2013	$137
Amounts paid and foreign currency translation	(133)
Balance at June 29, 2014	$4

The severance payments for workforce reductions were substantially completed by the end of the second quarter of fiscal year 2014.

Q2 2013 Restructuring Plan

During the second quarter of fiscal year 2013, the Company’s management approved a plan principally intended to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources, and production resources as a result of previous acquisitions (the “Q2 2013 Plan”). As a result of the Q2 2013 Plan, the Company initially recognized a $9.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space, and recognized a $8.8 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. Subsequent to the initial charge, during fiscal year 2013, the Company recorded an additional $0.6 million pre-tax restructuring charge in the Human Health segment for services that were provided for one-time benefits in which the employee was required to render service beyond the legal notification period. During the six months ended June 29, 2014, the Company recorded additional pre-tax restructuring charges of $0.1 million in each of the Human Health and Environmental Health segments due to higher than expected costs associated with the closure of the excess facility space. As part of the Q2 2013 Plan, the Company reduced headcount by 264 employees. All employees were notified of termination under the Q2 2013 Plan by June 30, 2013.

Table of Contents

The following table summarizes the Q2 2013 Plan activity for the six months ended June 29, 2014:

	Severance	Closure of Excess Facility Space	Total
	(In thousands)		
Balance at December 29, 2013	$12,750	$—	$12,750
Change in estimates	—	184	184
Amounts paid and foreign currency translation	(7,798)	(137)	(7,935)
Balance at June 29, 2014	$4,952	$47	$4,999

The Company anticipates that the remaining severance payments of $5.0 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014, as local law requires some severance to be paid in monthly installments through the fourth quarter of fiscal year 2014. The Company also anticipates that the remaining payments of $0.05 million for the closure of the excess facility space will be paid through the third quarter of 2014, in accordance with the terms of the applicable lease.