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PerkinElmer's (PKI) CEO Rob Friel on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-30-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $1.06 beats by $0.05 | Revenue of $707.12M (4.84% Y/Y) misses by $-15.57M

Earning Call Audio

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PerkinElmer, Inc. (NYSE:PKI) Q3 2019 Earnings Conference Call October 30, 2019 5:00 PM ET

Company Participants

Bryan Kipp – Vice President-Investor Relations

Rob Friel – Chairman and Chief Executive Officer

Prahlad Singh – President and Chief Operating Officer

Jamey Mock – Senior Vice President and Chief Financial Officer.

Conference Call Participants

Derik DeBruin – Bank of America

Paul Knight – Janney

Steve Willoughby – Cleveland Research

Tycho Peterson – JP Morgan

Steve Beuchaw – Wolfe Research

Doug Schenkel – Cowen

Brandon Couillard – Jefferies

Vijay Kumar – Evercore ISI

Dan Brennan – UBS

Bill Quirk – Piper Jaffray

Operator

Good afternoon, ladies and gentlemen, and welcome to the Q3 2019 PerkinElmer Earnings Conference Call. At this time all participants are in a listen-only mode. [Operator Instructions]

I would now like to turn the conference over to your host, Mr. Bryan Kipp, Vice President of Investor Relations. Please go ahead.

Bryan Kipp

Thanks, Angella. Good afternoon, and welcome to the PerkinElmer's Third Quarter 2019 Earnings Conference Call. With me on the call are Rob Friel, Chairman and Chief Executive Officer; Prahlad Singh, President and Chief Operating Officer; and Jamey Mock, Senior Vice President and Chief Financial Officer.

If you have not received a copy of our earnings press release, you may get one from the Investors section of our website at www.perkinelmer.com. Please note this call is being webcast live and will be archived on our website until November 13, 2019.

Before we begin, we need to remind everyone of the Safe Harbor statements that I have outlined in our earnings press release issued earlier this afternoon and those in our SEC filings. Statements or comments made on this call may be forward-looking statements which may include but are not necessarily limited to financial projections or other statements of the Company's plans, objectives, expectations, or intentions.

These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested by any forward-looking statements due to a variety of factors, which are discussed in detail in our SEC filings. Any forward-looking statements made today represent our views only as of today.

We disclaim any obligation to update forward-looking statements in the future even if our estimates change. So you should not rely on any of today's forward-looking statements as representing our views as of any other date after today.

During this call, we will be referring to certain non-GAAP financial measures. A reconciliation of the non-GAAP financial measures we plan to use during this call to the most directly comparable GAAP measures is available as an attachment to our earnings press release. To the extent we use non-GAAP financial measures during this call that are not reconciled to GAAP in that attachment, we will provide reconciliations promptly.

I am now pleased to introduce the Chairman and Chief Executive Officer of PerkinElmer, Rob Friel. Rob?

Rob Friel

Thanks, Bryan, and good evening, everyone. The third quarter was a busy one for PerkinElmer in which we continued to take important steps to position the company for acceleration of our growth and profitability, while also delivering strong financial results.

Turning first to our financial results in the quarter, revenue was $707 million representing organic revenue growth of 5%. Adjusted EPS was $1.06, an increase of 18% over Q3 last year and significantly exceeding our forecast. As the benefits of our new operating model and increased contributions from our growth businesses delivered very significant operating leverage.

This strong margin expansion has given us the confidence to raise our full-year adjusted EPS growth to 13% despite stronger than anticipated headwinds from foreign exchange and a challenging macroeconomic environment.

While Prahlad and Jamey will discuss the specifics of our performance in the end markets overall market conditions for the majority of our portfolio are consistent with our previous outlook. And except for two areas we will discuss our businesses are performing well.

Importantly, our key growth areas are continuing to gain traction and scale and remain on track to achieve or exceed our previously communicated goals for 2019. At the start of this year, I discussed the opportunity we saw to increase our impact and growth by better leveraging the intersection in synergies of our technical and commercial capabilities across PerkinElmer.

During the third quarter, we completed a fairly significant organizational realignment to create a more unified approach to customers and better facilitate collaboration across the company. In addition, during the quarter, we announced the appointment of Prahlad as CEO effective the end of this year as well as several other business and functional leadership changes.

These actions are the final steps in the execution of a multi-year strategy to position the company organizationally for the next phase of its evolution and growth. During the quarter we also added a key strategic asset to our food capabilities with the addition of the Meizheng Group. Increasing our product and technology breadth as well as commercial resources in China.

Prahlad will go into the acquisition in more detail. However, strategically this deal is consistent with our recent Cisbio purchase as it is focused at an attractive end market, increases our consumable mix and expands our scientific and technological capabilities and adjacent technologies.

Also, similar to Cisbio, we believe Meizheng will provide very attractive financial returns given the natural channel and geographic synergies between our two companies. Additionally, during the third quarter, we issued an $850 million 10-year bond and extended the term of our revolving credit facility. These actions strengthen our financial position by securing long-term capital at very attractive rates while also increasing our capacity for both organic and inorganic investments.

The last item I will highlight for the third quarter is a significant operating leverage we experienced this quarter. As we outlined previously the key actions for 2019 and 2020 to meet our operating margin objectives were focused on increasing the incremental margin flow through on revenue growth to 28% with an emphasis on improving EUROIMMUN's margins and reducing our SG&A to 24% of revenue by 2020.

As many of you know, driving sustainable margin improvement often requires efforts to simplify processes and improve supply chains that must be implemented several quarters before they are evident in financial results. Consequently is great to see that the many actions we have taken over the prior several quarters are beginning to translate into improved profitability.

Specifically our incremental margins for the third quarter and full year are tracking significantly above our plan and in particular EUROIMMUN margins year-to-date are over a year ahead of our acquisition model.

Similarly in the third quarter adjusted SG&A as a percentage of revenue was below 24% and year-to-date we are trending ahead of our 2020 plan. And while we are proud of the progress we've made this year, we view this as a never ending journey to become a more efficient and streamlined organization.

However, the results this quarter further reinforce our belief that there is a significant opportunity to further increase operating margins of the company while maintaining ample capacity to appropriately invest in growth. So, to summarize both the third quarter and performance year-to-date, our organic revenue growth of 5% has been about a 100 basis points below our guidance due to market headwinds in the applied markets and some timing of revenue in diagnostics, neither of which we believe present mid or long term challenges to our high-single digit revenue growth model.

In addition, despite the lower revenue operating margins and adjusted EPS are tracking ahead of plan as our margin improvement plans are yielding greater benefits than anticipated.

Therefore, as we put our plans together for the next several years, we are quite optimistic as our growth businesses like EUROIMMUN, Vanadis, our Genomics business, Service Informatics and Cannabis continue to do very well. Also the three bolt-on acquisitions completed this year, the completion of our commercial realignment as well as our improved operating leverage should further increase organic revenue growth and profitability.

I will now turn the call over to Prahlad who will discuss in more detail some of these specific items and our optimism about the future of PerkinElmer. However, before I introduce Prahlad, I did want to recognize that as I will be stepping down as Chairman and CEO at the end of this year this will be my last earnings call for PerkinElmer. Therefore, I would like to take this opportunity to thank all of you for your support of me and the Company over the years.

I feel very fortunate to have had the opportunity to get to know and work with all of you and wish you all continued success. I am now very happy to turn the call over to the next CEO of PerkinElmer, Prahlad Singh.

Prahlad Singh

Thank you Rob. Before I begin my prepared remarks, I wanted to take a few minutes to acknowledge and thank Rob for his leadership and service to PerkinElmer. As you know, Rob will be retiring from the company and this is his last quarterly earnings call. For those of us keeping tabs this is his 84th earnings call with PerkinElmer. Rob has evolved PerkinElmer into a strong company with a legacy of sustainable and profitable earnings growth and optimize the portfolio towards high-growth end markets.

The management team at PerkinElmer will build on his legacy to progress PerkinElmer to its next level as a growth focused company providing high-quality earnings. Today I'm excited to update everyone on the continued progress we have made on our strategic priorities during the third quarter. But to start off, I want to begin with some details of our recent acquisition of the Meizheng Group.

We are extremely excited to welcome the team from Meizheng to PerkinElmer. Meizheng is a highly attractive and strategic asset, one that will play a pivotal role in our domestic food strategy in China as well as our broader long-term food strategy across the globe. Meizheng has developed a reputation as a leading food safety testing company in China due to its current portfolio breadth, strong culture of innovation and unparalleled customer intimacy.

The Company is headquartered in Beijing and has a broad commercial presence in China, supported by over 140 direct sales and marketing feet on the street. Meizheng's comprehensive technology and product portfolio covers immunoassay, microbiology and molecular testing for food safety in prioritized end-markets grain, dairy, meat and seafood.

With the addition of Meizheng, we estimate that the total addressable market for our food portfolio in China is now $1 billion to $2 billion and we have the most extensive set of capabilities across the food testing value chain. For example, in dairy, we now have the broadest set of food quality and safety capabilities, which span from upstream herd management to midstream collection center testing to transportation and storage testing.

Additionally, we also now serve the QA and QC labs at processing facilities and third party safety and regulatory adherence testing customers. We estimate that the overall China food safety testing market has been growing at a low double-digit CAGR over the past five years, driven by increasing government regulation and enforcement changes in local dietary preference and a rising middle class.

And we expect that the market to continue to grow at a healthy high-single to low-double digit clip for the foreseeable future? Since Meizheng was founded in 2009, the company has grown its top-line revenues at a greater than 25% CAGR. More importantly, 75% of Meizheng's revenue comes from reagents and consumables and is resilient to macro cyclicality.

With the addition of Meizheng, we will now have more than $80 million food quality and food safety testing business in China. We see significant synergy opportunities from a portfolio, channel and regulatory standpoint. Meizheng has developed strong connections with major regulatory bodies and key opinion leaders and the company counts many of the leading local food companies as customers, all of which we view as critical in a country still in the early innings of establishing national and industry standards.

While the downstream food quality end-market has been soft globally this year, upstream food safety testing has been solid and we continue to view overall food quality and safety testing as one of the most attractive end-markets globally due to its long-term structural tailwinds, it's regulated nature and the fact that the market is highly fragmented with no dominant player across the value chain. We believe with the acquisition of Meizheng, we are now in a prime position to establish ourselves as a leader in food quality and safety testing over the coming years.

Switching over to the third quarter performance and an update on our strategic priorities. I echo Rob's enthusiasm, we continued to make tremendous progress, shaping our organization internally to leverage our capabilities across PerkinElmer and provide a better customer experience. On the customer experience front, the team has made good progress leveraging cross-functional expertise across PerkinElmer’s focused business segments, food, diagnostics, life sciences and applied markets as well as informatics.

For example, we are now able to provide turn key solution for cannabis customers that cover all testing, analytical lab management and data analytics need to ensure the quality and safety of their products and meet compliance requirements.

There are still some elements of these cannabis workflow solutions that will be rolled out over the coming quarters. But the team has had early success during the third quarter cross-selling additional PerkinElmer products. To share one example, recognizing that faster turnaround times and higher accuracy sample prep are increasingly important needs in the cannabis industry. Our internal cannabis team leaders connected customers with members of our applied genomics team, who in turn developed a cannabis-specific workflow to sell alongside a complete analytical offering.

The JANUS G3 liquid handling workstation was recently adopted by Anandia's new testing lab in Vancouver to automate the primary sample transfer and sample setup for the analysis of contaminates such as mold spores and pesticides in cannabis, which is extremely important for medical users who could potentially have compromised immune systems.

Turning to our priorities around people and culture, we finalized our commercial organizational realignment during the quarter. As I mentioned on our last earnings call, aligning a commercial structure by region has been a key initiative this year. We firmly believe that empowering the regions with decision-making closer to the customer is the right playbook as it puts the voice of the customer at the center of our commercial strategy.

Finally, on innovation, Vanadis continues to gain traction. Inbound inquiries have increased following the prenatal diagnostics publication in late August. There is significant interest in our technology as Vanadis' high sensitivity and specificity and low no call rate resonates with clinicians. Year-to-date, we have 19 systems installed or in the process of installation and we remain on track to achieve our year-end goal of 30 installations.

Our pipeline of opportunities over the next six months remains very healthy. Additionally, as we announced in the press release yesterday, our Pittsburgh and Malaysia labs can now receive samples to perform NIPT testing and support of our maternal and fetal health customers. In the U.S. the aim of the Pittsburgh lab is also to serve as a backup for clients requiring overflow capacity as well as an outsource service labs for small customers who need to scale before they bring technology in-house.

We also will be offering carrier screening and pre-eclampsia testing which along with Vanadis as a first to market combined offering will serve to further differentiate us in the U.S. market and provide a much better customer experience. As Vanadis is now up and running at our Pittsburgh lab, we are excited to announce that we will be hosting a tour at that facility in the near future.

Given the capacity constraints at the lab, we will only be hosting the cell side during the day, but we hope to be able to host investors at the facility down the road as well. We'll send out official invites in the coming weeks. As I said on our last call, I'm inspired to witness the immense talent in our organization rallying together to achieve the vision of becoming a truly differentiated player by leveraging our capabilities across our organization to provide a flawless customer experience.

I believe we are in a good position to close out 2019 on a solid footing which will set us up well heading into 2020. I look forward to sharing ongoing progress with you as we achieve our mission and accelerate profitable growth.

I will now turn the call over to Jamey.

Jamey Mock

Thanks Prahlad and good evening everyone. As always, I want to start with the highlights for the quarter. Next, I'll provide some additional color on our served end markets and detail on other financial metrics. Lastly, I'll finish by providing a brief update on how we're thinking about the fourth quarter. Overall, we are pleased with our third quarter results and year-to-date performance. To start, market conditions were largely in line with our expectations entering the quarter and our growth accelerators continued to perform well.

For example, EUROIMMUN continued to grow at a double-digit clip due to strong demand in China. Cannabis and genomics testing remain on pace to meet or exceed our initial goals for 2019. And Vanadis momentum continues to build following the prenatal diagnostics publication in late August. As Rob and Prahlad mentioned, we completed and are excited about the acquisition of Meizheng, which I will cover in greater detail later.

Additionally, prior actions to reduce our organizational complexity have made us a nimbler organization moving forward. Finally, we are raising our 2019 earnings estimate to the high end of our prior range or $4.07 per share, which represents $0.03 increase versus the midpoint of our prior range. In summary, the team has done a great job executing on our near and long-term priorities.

Turning into the third quarter results. We continue to be pleased with the strength in our business as organic revenue grew 5%. Reported revenue grew 5% to $707 million and included 2% foreign exchange headwind and a 2% net acquisition tailwind.

By business diagnostics, representing 40% of total sales grew 6% organically driven by our immunodiagnostics and reproductive health business lines. Discovering analytical solutions representing 60% of total sales grew 4% organically, highlighted by continued strength in life sciences and offset by ongoing tepid demand in the applied markets.

I will provide some additional color on both businesses in a moment. On a geographic basis, organic growth trends remained mix as they have throughout the year 2019. Asia-Pacific and Europe grew mid single-digits while the Americas grew low single-digits. Year-to-date, the Americas and Asia-Pacific are up mid single-digits while Europe is up low single-digits.

Operationally, we are extremely pleased with our performance in the third quarter and we continue to see significant potential to improve our profitability going forward. Adjusted operating margins expanded 250 basis points in the third quarter to 21.6%, driven by productivity, mix and cost out actions. Year-to-date, we have expanded adjusted operating margins by 150 basis points year-over-year.

As Rob mentioned, adjusted earnings per share of $1.06 was an increase of 18% versus the third quarter of 2018 and $0.05 ahead of our guidance. Looking further into the key drivers within our segments, let's start with our diagnostics business. As mentioned in my earlier remarks, organic revenue grew 6% driven primarily by our immunodiagnostics and reproductive health franchises.

On the immunodiagnostics front, EUROIMMUN and Tulip led the way as both grew at a healthy low double-digit organic growth rate. EUROIMMUN was broad-based with autoimmune, allergy and infectious disease testing, all growing double-digits during the quarter.

Geographically, China remains strong while EUROIMMUN’s U.S. business also continues to scale, rapidly growing at a very healthy double-digit rate. Testing went live during September at a large reference lab. Therefore, we continue to expect EUROIMMUN’s U.S. market share for AMA testing to reach 50% as testing ramps up moving forward.

Reproductive health grew mid single-digits organically driven by our genomics testing business and expanded coverage in Asia-Pacific. As one example from earlier this year, the Philippines implemented and expanded newborn screening program, the national insurance company, PhilHealth announced that it will provide 100% public insurance reimbursement for all newborns. Previously only 12% of newborns were screened and payment was all out of pocket. By the end of September and estimated 85% of newborns were screened under the new program were screened under the new program.

Applied genomics growth moderated versus the first half trends down mid single-digits in the third quarter. Comparisons in the business were difficult due to the timing of some high ASP, large automated workstation purchases last year. We continue to see healthy expansion in our opportunity funnel, which keeps us encouraged that this business will return to healthy growth.

Turning to Discovery & Analytical Solutions. Organic growth of 4% was a 2% uptick versus the first half performance. By end market, we experienced high single-digit organic revenue growth in pharma biotech, propelled by our imaging and detection and informatics product lines. Both were up double-digits in the quarter.

Our informatics business continues to perform well as leading pharma and biotech companies actively shift to modern future-proof workflow solutions like PerkinElmer signals to accelerate their R&D insights. The applied markets were flat in the quarter, driven primarily by softness in China and Europe, which were down mid single-digit and low single-digits respectively. Combined overall industrial and environmental was flat and improvement sequentially. However, we think the improvement is a function of easier comparisons on a sequential basis, not a fundamental improvement in the underlying market trends.

Food was up low single-digits bolstered by strong cannabis demand. Shifting to below the line items, adjusted net interest and other expense for the third quarter was approximately $15 million and our adjusted tax rate was approximately 14% driven by benefits from global tax planning actions.

Turning to the balance sheet, we finished the quarter with approximately $2.3 billion of debt and $393 million of free cash flow – of cash. Free cash flow in the quarter was $90 million and adjusted free cash flow in the quarter was $96 million. As a reminder, the difference between the reported and adjusted number as due to cash payments associated with prior acquisitions. Actions to improve working capital had been put in place and as a result, sequential usage has improved versus the first half performance.

We anticipate additional improvement in the fourth quarter and into 2020. As mentioned, we are excited about our Meizheng acquisition. The net purchase price was approximately $152 million. We expect a double-digit return on invested capital by year four. We estimate

Meizheng to approximately have $30 million of revenue in 2019 with accretive operating margins.

For the fourth quarter, we expect Meizheng to contribute less than 1% to PerkinElmer revenue growth and negligible EPS accretion. For modeling purposes, the acquisition officially closed October 17. Over the course of the last 45 days, we refinanced a substantial portion of our debt. We were pleased with the pricing of our new $850 million 10-year bond in the extension of our revolving credit facility. We reduced our cost of debt by 50 basis points, more than doubled our overall maturity profile and alleviated our 2021 maturity cliff risk. Finally, we exited the quarter with a net debt-to-adjusted EBITDA ratio of approximately 2.8 times and we expect to end the year at approximately that same level.

Closing the books on the first nine months of 2019, we remain pleased with our performance including 5% organic growth, 13% growth in earnings per share and continued success of our growth accelerators. The additions of Meizheng and Cisbio will help accelerate our growth in coming years and improve our reagent portfolio and capabilities.

The new organizational structure will further strengthen our ability to execute on a consistent basis. For the year, we now expect 5% organic growth and reported revenue to be approximately $2.88 billion, including $68 million from foreign exchange headwinds and approximately $41 million of contributions from acquisitions and divestitures.

We are increasing our full year EPS guidance, adjusted EPS guidance to $4.07, which includes an incremental $0.02 headwind from foreign exchange compared to our prior guidance. Additionally, we now expect to expand our operating margins by 150 basis points. Finally, we anticipate $60 million in adjusted interest and other expenses, 14% to 14.5% tax rate and our share counts remain at slightly under 112 million for the year.

For the fourth quarter of 2019, we are forecasting reported revenue of $800 million, representing 5% organic revenue growth, including a foreign exchange headwind of approximately $11 million versus a comparable prior period. In terms of adjusted earnings per share guidance for Q4, we are forecasting $1.32.

Before I kind of call back to the operator, I'd also like to congratulate Rob on an enormously successful career. In addition to Prahlad’s remarks on Rob's transformation of the company, he's also positively impacted the lives of thousands of employees and their families along the way, including myself. From all of us, we thank you and wish you a relaxing and wonderful retirement. This concludes my prepared remarks.

Operator, at this time, we would like to open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Thank you. And your first question comes from the line of Derik DeBruin with Bank of America. Please go ahead.

Derik DeBruin

Hi. Good afternoon.

Prahlad Singh

Good afternoon.

Rob Friel

Hi, Derik.

Derik DeBruin

So I'm still not clear on the diagnostics slowdown in the quarter. I mean, you did 9% in the first half of the year, 6% this quarter and it was on easier comp. Can you just walk through what the sequential deceleration was in the quarter?

Rob Friel

Yes, the two aspects to it, Derik. One is as we are moving the genomics testing lab, we had two facilities, one in Branford and one in Pittsburgh. And we are consolidating that into Pittsburgh. So from the move that has resulted in a backlog of samples which were not read through and that contributed to some of the slow down on the diagnostics one.

The second one was around the applied genomics business. We had last year a lot of capital based systems on the automation side of it, which did not come through. And that has postponed over to the next few quarters. Again, these are things that we – it's not that we have lost these, but they have moved on into the next couple of quarters.

So that essentially has accounted for the slowdown that we saw on Q3. Again, coming back to it, our reproductive health franchises and immunodiagnostics, those continued to do very well despite the slowdown in birthrates.

Derik DeBruin

Right. So if you adjust for those two items, what was that about – what was the hit on organic revenue growth [indiscernible] it's about 3%?

Jamey Mock

Yes, that's right, Derik, so get you back to about the 9% run rate.

Derik DeBruin

Great. Thank you. And I think, I guess one follow-up question on this one, you look at the margin expansion, which is really impressive. I mean, is that SG&A number sustainable going forward?

Jamey Mock

Yes. Let me take that, Derik. Yes, I mean, when I think about margin expansion, I think this has been, as Rob mentioned in his prepared remarks, years of planning around this. And a lot of times it just takes some time to kind of show up in our margin line. And I think we talked about three general levers, all of them playing a role, SG&A to your point being one of them.

But I mean, I think mix has been better so a little bit more diagnostics. Even within DAS, our Life Sciences business is growing, informatics and reagents continued to grow. With regards to leverage, to your question, yes, I mean I think we have made the necessary investments in years prior and we anticipated that we'd be able to take down the SG&A as a percent of revenue. Obviously and we also had some improvements due to the synergies in our reorganization.

And so that helped a little bit here as well. And then on productivity, I think we've got a lot going on both from a shop perspective, services perspective as well as indirect as well so that we can elaborate more on those. But I think it is sustainable here. There might be a little bit of timing, but not much of it.

Derik DeBruin

Great. Thanks. Rob, happy trails and good luck.

Rob Friel

Thank you.

Operator

Your next question comes from the line of Paul Knight with Janney. Please go ahead.

Paul Knight

Hey Rob, congratulations. And when I first started covering you 19 years ago, 5% organic or mid-single wasn't even on the horizon for Perkin, could you kind of replay what you did as you became CEO and as you stand here today because you kind of reflect on where you think Perkin stands and kind of take a bow for what the investment you've done on R&D and M&A and divestiture. If you could – can summarize that up, it'd be awesome.

Rob Friel

Yes, I'd be happy to do that. And Paul, you're probably one of the few people that sort of remember the old days there in the early 2000s. But anyway, as you can imagine, not surprisingly, over the last couple of weeks, I've been a little bit more reflective on my tenure here. And I would say, I feel really good about what we've been able to accomplish at the company during sort of almost two decades. And I really want to emphasize the, we part of that statement is I've been extremely fortunate to work with really some outstanding people over the years.

As I think about the most important accomplishments, there's probably three or four I sort of just spike out quickly. One, obviously it's relevant for this audience is the value we've created for our shareholders. If I go back to when I started as CFO in 1999, the company had a little north of $1 billion in market cap when I became CEO in early 2008, it had grown to three. And today we sit at it just under 10 with an enterprise value of close to 12. So to put that in perspective, if you had invested $1 billion in the market in 1999, you'd be at about $3 billion, meaning, over that period of time we've created about $7 billion in incremental value, four of which was during my tenure as CEO.

And I think an important component of that value creation, as you mentioned, Paul, was the dramatic shift in the portfolio and capabilities of the company. And it's been particularly, I would say in the last six or seven years. And I feel particularly proud that we've been able to do that with fairly minimal disruption. And for those of you that have been around for awhile, it's really dramatic change of our end markets, our geographic footprint, our technological capabilities. While that not only provides, I would say, a better platform to accelerate the growth and profitability, it's created a more unifying mission and purpose for the company around improving health globally.

And that really takes me to the third area where I really feel great about the organizational capability we've built. And that sort of things like work environment and culture and why people would come to PerkinElmer. And in the past I would say, I felt like the company attracted people because more or less the job and it was sort of a transactional relationship, they came here to work and receive a paycheck. And that was sort of it.

I now think people come to PerkinElmer as a place to participate in a mission at the same time, pursue a sort of a career. And as a result, I think what really starts to differentiate us is how our employees take a more caring and longer term approach to what they do and how they do it. And then the last thing I just mentioned is, so we sort of reached this transition point.

I feel extremely proud of the condition of the company. I think we're fortunate to have Prahlad as our next CEO. He knows the company well. He's been part of the significant changes at the company over the last five years. I feel like he'll be supported by an excellent leadership team. And as Jamey and Prahlad talked about the recent commercial realignment, I think it allow us to better serve our customers and in fact infuse more simplicity in how we operate.

So feel like when you look at the company from a financial perspective, strategic position or operation, it's just never been in a better place. And so it's an exciting time for the company and it should be for our shareholders, customers and employees. So anyway, I apologize for the long answer, but I feel like I've been here a long time and there's a lot of good things to talk about. So anyway, it's been a good run and I feel like it's turning over to some great hands and excited about the future.

Paul Knight

Thanks Rob and thanks for the incremental $7 billion and it’s been a great run. Thank you.

Rob Friel

Thanks.

Operator

And your next question comes from the line of Steve Willoughby with Cleveland Research. Please go ahead.

Steve Willoughby

Hi, good evening. Thanks for taking my question. And Rob, I wish you a wonderful retirement. A couple of questions for you. I guess first, Jamey, could you talk a little bit there was some larger onetime charge this quarter. The one that stuck out to me was the accelerated executive comp, just kind of any color on that. And then just also if you could talk within the DAS business kind of how your instruments business versus services grew in the quarter?

Jamey Mock

Jamey Mock

Instruments versus services, is that what you said on the second one there, Steve?

Steve Willoughby

Yes, exactly. Yes, exactly.

Jamey Mock

So with regards to the accelerated CEO charge, in conjunction with Rob's announced retirement, the board agreed to accelerate the best thing of a portion of his equity awards. And so the accounting typically spent that over the required service period in the future. So let's say three years if that's what the vesting period is and since Rob is now retired, we accelerated that and the board granted that and that's the additional charge for, some of those equity awards and that increased compensation. Does that make sense?

Steve Willoughby

It does. Yes. Thank you.

Jamey Mock

And with regards to DAS instruments versus services, I mean, I think we've saw good mix. I kind of mentioned it earlier in DAS. So greater pharm biotech, greater reagents, software was great. So our informatics business did extremely well, Cisbio continues to do very well. So the mix in that business was positive. The applied markets were flat. So overall we're seeing an improved mixed change to greater service software and reagents in that business, which helped contribute to if you see the gross or the margin expansion in DAS of 340 basis points in the quarter.

Steve Willoughby

Okay. And then if I could just squeeze in one last one, just Jamey, how are you thinking about, it seems like there are a couple of different moving pieces within the earnings guidance for this year. Have you broken out or could you walk through how you're thinking about kind of the EPS bridge versus your old guidance to guidance today? Just seems like tax rate is moving around, organic growth is moving around, margins are moving around, et cetera.

et cetera.

Jamey Mock

Yes, I mean, if I were to simplify it, going up $0.03 is largely on the back of extra margin expansion. So I'd call that kind of up $0.06 to $0.07 versus our prior guidance for the rest of the year. Organic growth is coming down, so 5% versus kind of a 5% to 6% organic guidance range, so that's maybe down $0.04 to $0.05, so up $0.02 margin versus organic growth. And then really all the other items, FX is a headwind of $0.02 and tax and interest expense is probably better by $0.03, so that gives you maybe an extra penny as well. So greater margin expansion, more than offsetting organic growth shortage here, and a little bit extra tax benefit more than offsetting foreign exchange.

Steve Willoughby

Perfect. Thanks Jamey.

Jamey Mock

Thank you.

Operator

And your next questions comes from the line of Tycho Peterson with JP Morgan. Please go ahead.

Tycho Peterson

Hey, thanks. I want to dive into the margins a little bit more, you did have a restructuring during the quarter. Can you just talk on how much of that was from kind of the riff versus stuff that had been in the works ahead of the quarter. And then as we think about next year you're sticking with the high single-digit organic growth targets by the lower base this year. I just wondering how you think about the comfort level and hitting that?

Rob Friel

Yes, so maybe I'll touch on restructuring first. So I mean, much of this has been planned. So it's really in two broad areas. One is our services organization. I've mentioned in the past that we've invested in software platform called ServiceMax, which basically allows us to schedule and dispatch our field service engineers better, control contracts, control pricing, et cetera.

So we've known that that's been invested in over the last couple of years and up and running well. So we were able to do a little bit of right-sizing in our services organization. And then the other part was also related to the reorganization of a company. So we think of the company transformation much more is a growth oriented change, but it definitely provided a little bit of synergy as well. And that those two things really comprised the restructuring charge.

In terms of high single-digit growth next year, I mean 5% this year is still strong. We still think a lot of the organic growth accelerators will come next year. And some of these things that are going on right now is timing. So I think we mentioned, applied genomics is still a strong market. Some of that backlog we see visibility to in 2009 or 2020. The PerkinElmer genomics testing item is a short-term issue as we transfer from one facility to a different facility, it's not a demand issue. In fact, we’re having the turn away demand.

And DAS, we expect, it did improve quite a bit. So DAS came from 2% to 4%. We'd said 5%, academic government came through, OneSource came through. But the applied markets were still a little bit softer than we anticipated. I think it'd be headed into next year, Vanadis hasn't contributed a lot this year. Cannabis and all of our growth accelerators we think will kick in even more. So we're still quite confident in the future trajectory here.

Tycho Peterson

And then a question on the China strategy here around food, there's obviously a lot of turmoil, you alluded to that in your comments. Can you just talk to your visibility into that market? And how – what's the strength of upstream versus downstream for you guys and what's your comfort level that you want to run into some of the problems with the privatization that we've heard about from some of the other tool peers.

Jamey Mock

Yes. Tycho, I mean I think the number one thing that to point out is that from Meizheng's perspective, they have a very strong hold on the local customers. And 70% to 75% of their revenue comes from consumables. So it's not playing in like a very capital intensive market. The installed base is already there. They are providing more of the consumables and the reagents.

So that trajectory is one that we haven't seen slowing down while we've been talking to Meizheng. And again the strategy that we have used for this acquisition was not dissimilar to what we've done with the EUROIMMUN and Cisbio, we've worked with the principal owner for more than a year and a half and understood and studied the market. So we feel really good about it.

Tycho Peterson

All right. And then one last one for Jamey, just on cash flow, $95 million or so year-to-date, can you just talk on where you think that that could be headed as we think in the next year? I'm just curious if there's an opportunity to improve on that?

Jamey Mock

Yes, I mean if I step back and just talk about cash flow a little bit. I mean, if you go back a few years, I think it's clear that the company has been focused on improving our revenue growth and expanding our margins. I think we've done a lot of things to do that. We've changed incentive plans. We've leaned into working capital to better serve our customers. We've invested in capital expenditures in EUROIMMUN and other parts of PKI.

And we felt that during that time period, it was important to change the trajectory of the company and it also happen to coincide with the low interest rate environment. So we thought it was a good trend. As we look forward, I mean certainly we understand that all three metrics have to go well together. So increasing our growth rate, increasing our margins, I think we've been able to prove that over the last couple of years. And I think cash flow will come along well.

So I'm competent in an improving but I think it's going to take a little bit of time. It's not going to be an overnight change. We've got some things underway and some process improvements underway, largely in the areas of receivables and inventory. I think if you look year-to-date, CapEx is down 10%. So that was an easy one to help fix or invested a little bit differently I'd say. So I think it's confident, I won't guide on next year, but very confident that we will get this up to a 90% plus business.

Tycho Peterson

Okay. Thanks and best of luck with everything, Rob. Good working with you.

Rob Friel

Thank you.

Operator

And we have a question for the line of Steve Beuchaw with Wolfe Research. Please go ahead.

Steve Beuchaw

Hi, thanks for the time here. I'd echo the well-wishers, Rob. It's been great working with you.

Rob Friel

Great, thanks.

Steve Beuchaw

One, I might like to do, first is just probably for Prahlad, if you could give us a little bit of an update on some of the commercialization efforts around Vanadis. And I think it's a two-parter. One is, have you seen progress on Vanadis reimbursement in Europe? And if not, can you talk about like when you might be ready to talk about progress there?

And then we saw of course, the news about the Vanadis strategy in the U.S. and Asia. You mentioned it in the prepared remarks. I just want to clarify, I mean, do you still intend to seek FDA approval, CFDA approval for Vanadis to work on that as a system that goes into both of those markets as something that people run on site. And then between now and then are you taking a meaningful number of samples as something of an LDT? And then I have one follow-up.

Prahlad Singh

Let me start with the regulatory strategy in the U.S. and China. So in the U.S. our strategy is not going to be dissimilar to our peers. It's going to be an RUO, under a CLIA, it will be an LDT. Just like most of the other tests out there. Currently, we do not have any plans to go under a PMA or get a regulatory approval in the U.S. In China, we are pursuing CFDA, our regulatory approval, we’re done with type testing. We are in the process of our clinical trials and that will take its due course in time.

So from a regulatory perspective, that's our strategy. In the U.S. the benefit that we have is we will be able to differentiate in terms of providing pre-eclampsia and carrier screening and providing it as one test. So it results in a better customer experience as there is only one prick and one report out in a simplistic manner to our customers. So that's from a regulatory perspective. In terms of EU reimbursement strategy that is mostly controlled by the countries where it is operated. As you know, some countries initially where we have already put the system in – there is government approval around EUR 250. So that is already available and it's out there. It's not a specific Vanadis code, but it is available for NIPT reimbursement.

So that's from a EU perspective, feedback that we continue to get from our customers is the ease-of-use, workflow, automation and obviously, cost is an important factor. And again, Steve, as we've said earlier, our focus this year is to ensure that we get 30 installations, make sure that they work flawlessly and well and our customers present and publish from there.

Steve Beuchaw

Okay. So sorry if I'm being a little dense, but is it the case that you don't believe there's any additional work you need to do to get reimbursement in Europe?

Prahlad Singh

In Europe? No.

Steve Beuchaw

Okay, great. And then my follow-up is actually going back to a point that came up on last quarter's call where there was a discussion around some, some back and forth in China dynamics that that popped up there where some tenders were pulled away. Just wondered if I could get an update on how those dynamics were progressing and if you've got any of that back. And then maybe as a corollary to that, more on the diagnostic side in China how you're seeing that sort of pricing competitive dynamics there. Thanks again.

Prahlad Singh

So let me take the first one on the tender. Again, the tender was a very small one. It was really not that material. It probably got a little much more attention than it should have. So, I don't think it is significant enough for us to talk about and it did not materially impact what we are. What our business is in China.

Specifically, now switching to your second part around diagnostics in China, despite low birth rates in China, our reproductive health franchise continues to do well. Our immuno diagnostics franchise continues to do well. So I don't know, Jamey, what was our Q3 diagnostic

Jamey Mock

Yes, up mid-single digits.

Prahlad Singh

It was up mid-single digits. So we, Steve from a diagnostics perspective, China continues to do well for us.

Steve Beuchaw

Okay, great. Again, thanks. Really appreciate it.

Prahlad Singh

Yes.

Operator

And your next question comes from the line as Doug Schenkel with Cowen. Please go ahead.

Doug Schenkel

Thank you. And Rob, thanks for all your efforts and good luck in your next chapter.

Rob Friel

Thank you

Doug Schenkel

I guess three or four questions starting on DAS, how impactful were the three transitory dynamics you pointed to in Q2 that you expected to reverse in the third quarter? One of those is the one that Steve just asked about the $4 million in revenue. You didn't book in Q2 due to the China import approvals. I think you expected half of that to come back. The second was expected changes you made in the academic government leadership team is having the potential reverse, what was a headwind in the first half where revenue decline 10% year-over-year. And the third was enterprise services backlog converting. You thought that could give you 50 basis points to 100 hundred basis points of growth this quarter. So, I'm curious if you could just provide updates on those things within DAS.

On diagnostics, I think you attributed the Q3 moderation in diagnostic growth relative to trend to a couple things you positioned as one-timer such as lab consolidation. I'm just wondering if they are one-timers, what is in the full year guidance implied if that that comes back in the fourth quarter.

The third is on 2020 targets. Prahlad, I know you're not new to PKI but you're going to be new to the CEO role. Based on Jamey’s response to one to Tycho’s questions it looks like you're good with the 2020 financial targets that Rob outlined a few years ago. I just want to make sure that's right.

And my last question is on free cash flow conversion. Last quarter you set new adjusted free cash flow conversion guidance to around 80% is that still the case? Thank you.

Rob Friel

So since we are furiously writing down to make sure we didn't forget the list.

Doug Schenkel

Yes, I’ll chime back in, if I went too fast. Sorry about that.

Prahlad Singh

Let me go with the one that was for me because the other three were for Jamey, so let me take the one around 2020 CEO. Look, as to Tycho’s question I don't want to give guidance on 2020. We'll be happy to do that as we get to our Q1 call. But I will look forward to Tycho’s conference in San Francisco and be able to give more of an update on our strategy and how we see next year and the next several years coming in. But what I will say that our thesis holds, our growth accelerators continue to do very well and we are very confident in what we have talked about earlier in the year.

Jamey Mock

Yes. So first one with regards to DAS bridge from the first half to the second half year, so I would say two to three of those came through as expected. So academic and government did turn around as anticipated, we definitely saw a significant uptick versus the first half being down over double digits as you mentioned.

OneSource I had mentioned that we definitely had visibility to a lot of this backlogs, so that did see an uptick as well. And in the applied markets did not though. So that's why we're at 4% versus 5%, applied markets continues to be soft. So probably, we did mention some of our food NPIs, those actually are performing pretty well or better than the first half. That said, the overall market is just not where we see it to be.

And I think you call it out the China items on MOFCOM or maybe the tenders or whatnot, but I think that's such a small amount. Now, we'll just talk to the overall applied markets and that has not recovered as we talked about earlier.

Second on the Dx bridge in the third quarter versus the fourth quarter with regards to lab consolidations. So, late in the third quarter we did start our move into a different facility that will impact the fourth quarter as well, which we, that's why we're guiding, a similar organic growth rate heading into the fourth quarter.

This is not a demand issue. As I mentioned earlier, we have plenty of demands and we are actually having to turn away samples just as we kind of pulled through this. So it will impact the fourth quarter, but we anticipate heading into 2020, we'll be fine.

Now, the last one around free cash flow, yes, we called out 80% not coming off that I would say, if you look at the fourth quarter there's really two areas that we've got a lot of focus on. One is it's our highest sales quarter, so inventory does normally deplete through the quarter here. And we fully expect that as well.

We've also done a lot of work around demand planning to make that better. And then receivables, receivables needs a lot of focus as I mentioned earlier, it is not a turn of the switch here, but we've got a lot of good actions in place, both from a billing process perspective, additional resources, calling on customers, engaging our commercial teams. So, we're still hoping that 80% is still the right answer here, but we are it's a lot to do in the fourth quarter here.

Doug Schenkel

Okay. Thank you very much.

Jamey Mock

Thanks Doug

Operator

And your next question is coming from the line of Brandon Couillard with Jefferies. Please go ahead.

Brandon Couillard

Thanks. Good afternoon. Maybe for Prahlad just on the amazing acquisition, can you talk about what technologies they have that you didn't already have in the Perkin portfolio? And what's proprietary about any of the technology, if anything, and when they're, what timeline do you have to perhaps take some of those outside of China for the export market?

Prahlad Singh

Yes, good question Brandon. I think from a technology perspective more than the uniqueness in the technology that they provide what was important for us that they had the regulatory approvals and they already had the products in the marketplace. So it was not that there was significantly, a unique technology or differentiated, it was the ability to have a broad product portfolio that they had taken through the regulatory approvals and it was entrenched in the marketplace.

I think the more important fact was the second point that you pointed out, Brandon, the ability for us now to take this product portfolio and combine it with our existing product assets of food assets from [indiscernible] Delta and the Perten acquisitions allows us to present a more comprehensive workflow solutions to our customers, not just in China but also in other markets.

Brandon Couillard

Thanks, then a two part question for Jamey. The corporate expense stepped down quite a bit to about 13 million in the third quarter, is that a good run rate to kind of assume going forward. And then could you give us the impact of FX on the gross and operating margin lines in the period? Thanks.

Jamey Mock

Yes, I mean I think in general our overall cost bases are pretty similar. Cost base we expect moving forward into the fourth quarter. I mentioned there's a little bit of timing. So I don't know the exact split off the top of my head between corporate or the divisions, but we had a little bit of timing in R&D, which probably shouldn't hit the corporate milestone, a little bit of extra marketing expense that launched. So there's probably a slight uptick there in the fourth quarter. Maybe some of that comes through the corporate.

And with regards to that foreign exchange, I think it was 20 basis points on the gross margin line in the quarter, which flowed through to the same amount on the operating margin line as well.

Brandon Couillard

Great, thanks.

Jamey Mock

Thanks.

Operator

And your next question comes from the line of Vijay Kumar with Evercore ISI. Please go ahead.

Vijay Kumar

Hey guys, thanks for taking my question. Rob, congrats on your career.. It's coincidental that this is my first call and it happens to be your last and Prahlad maybe this is going to be a journey for us. This being your I guess first call coming in as the inbound CEO.

So maybe I'll start with the 2020 outlook questions. So, if the base business here, we're looking at doing mid-singles is it right to thing that the key to get to high-singles for next year's Vanadis in the food business and the cannabis side? And between those two drivers, if I'm on the right track is there one versus the other, which is going to be a more significant driver from a 2020 perspective. And for 2020, should we be assuming some of these applied markets or macro any of those end-markets maybe improving or should they be stable where they are right now?

Prahlad Singh

So, Vijay I look forward hopefully to a long journey together. But I think, the answer to your question without specific guidance is that the resilience now as we have realigned our portfolio is that there is not one growth driver. There are about seven growth accelerators that we have, but we are not now becoming dependent on any one thing clicking. It's Vanadis, EUROIMMUN, our enterprise business, genomics, cannabis, we've got several growth levers that gives us the level of confidence that we – those will continue to act as growth accelerators for us.

Vijay Kumar

Gotcha. And then maybe one on the balance sheet, inventories seems like it's ticked-up and maybe up, this is not some of this as timing issues given the acquisitions. Maybe comment on inventories.

Jamey Mock

Yes. So you're right, some of that is M&A related, but I think year-to-date it's about a $45 million cash flow usage. I think. And a lot of that is seasonal. So if you look at the last few years, it's similar where we build in the first half and kind of get ready for a larger second half. So a large part of that is seasonable. Some of that is choice, I mentioned that, we've invested in working capital to improve our customer experience. So Vijay, on prior calls I've talked about our distribution center strategy, which we think is going well. And I think, as we turn into 2020, that's something that hopefully we can start to depress the level of finished goods that we have on hand. But some of that's the choice in terms of how the fill rate and how quickly we service our customers and but overall that number that you're seeing year-to-date should come down substantially in the fourth quarter.

Vijay Kumar

Gotcha. Thanks guys.

Operator

And your next question comes from the line of Dan Brennan with UBS. Please go ahead.

And your next question comes from the line of Dan Brennan with UBS. Please go ahead.

Dan Brennan

Great. Thank you. Rob, congrats, it's been great spending time with you working with you through the years.

Rob Friel

Thanks Dan, appreciate it.

Dan Brennan

Yes. So maybe Prahlad just maybe an early question, I know it's, first quarter in here or really first call. I am just interested in any early insight about the type of different perspectives that you might bring to the CEO role.

Prahlad Singh

I think the, I mean I would say rather than say different, I would say you would probably look on building on what Rob has done. And there are two areas I think in, if you were to look at this from a differentiation perspective, is the focus on bringing the organization together. Bringing the commercial alignment, which has already happened now gives us more wherewithal to push our workflow solutions across end markets, leveraging a combined commercial organization.

So I think that's a big, I would say a differentiation that we are implementing in and which has been completed now. And the second aspect I would say is as we look forward is a lot more focused on technology and continue to build on innovation. I would say those are the two areas where you probably will see some differentiation.

Dan Brennan

Great. Thank you for that. So maybe, I don't know Jamey, I guess just on DAS, I know, it's come up a few times, but just on the applied weakness, I guess what gives you the confidence that you captured this in the trend with the new guide and anything we should look at to help us assess kind of, when maybe some of this weakness will turn, whether it's PMIs or any end market indicators you can help us with?

Jamey Mock

I think the, I mean I think what we're guiding here is pretty similar to those, the last three quarters really it's been 5% every quarter. I think applied markets in general has been flattish for the entire year and so we aren't embedding really at this point any additional uptick on the DAS side. I think it kind of be more of the same in the fourth quarter here, really it is the way to answer that.

Dan Brennan

Great. And then maybe final one just on the deal, on the Meizheng deal, I guess. I apologize if I missed this, but was this a competitive deal, any color how long you've known the company for? See I think you mentioned 25% growth in the prepared remarks back to 09. But how should we think about, what's a reasonable level of growth going forward?

And then the final one is I think post the deal now your China exposure is close to maybe 25% or so, at a time when the countries, the relations are showering a bit and the country seems to be getting more inward looking. So I guess, how do you think about from a control perspective, just having such a big portion of your business over there? Like any changes or additions you need to make sure you're staying on top of things over there. Thank you.

Prahlad Singh

Yes, so maybe I'll talk about the deal piece first. Again, it is very similar to the ones that, and I think I mentioned it earlier, very similar to what we have done with Cisbio on EUROIMMUN is, it was not competitive. In fact the principal was not looking at divesting the company, but we worked with him for about 18 months to 24 months and convinced him that partnership with us is probably the best interest for him and for his business. So that's to that.

In terms of China per se sorry, going back to the growth aspects, we expect this to continue to grow at a healthy pace off about 20% plus over the next few years because it's really got a unique product portfolio, lot more focused on consumables and that gives us, really got a unique product portfolio, lot more focused on consumables and that gives us,

the confidence that will continue to have traction.

On the third aspect around China and, the noise around it, look, I feel, and then we feel very confident that, this is essentially, eventually when the noise slows down, things are going to go back to being normal. From our perspective again, we have not seen any discernible change in our business there. There might be one or two noises here or there, but there is no discernible change.

Our strategy in China is in China for China and that has worked well for us over the past decade, with the SYM-BIO and Haoyuan acquisition and we see it to be no different for Meizheng.

Dan Brennan

Great.

Jamey Mock

So the Meizheng business is $30 million in revenue, so that should increase it by about 1% and we're right around now about 20%.

Dan Brennan

Excellent. Okay. Thanks Jamie. Appreciate it.

Operator

And our final question from the line of Bill Quirk with Piper Jaffray, please go ahead.

Bill Quirk

Great, thanks. Good afternoon, Rob obviously the best of luck to you in the future and congratulations to Prahlad.

Rob Friel

Thank you.

Bill Quirk

So I guess a couple of questions. First off with respect to the, I think the couple of comments Jamey has made about turning down business on the diagnostic lab side of things, can you just give us a little comfort that as you consolidate into Pittsburgh help us think about any sort of capacity expansion that you'll have there, such that you're not turning down volume? And if so, when is that? And then I'd have follow-up for that. Thanks.

Prahlad Singh

Yes, maybe I can take that one Bill. As we look at, as we look in our, I mean, just talking more specifically, we had two or three NOVA six, which were in Branford. Just getting them packed up, moving them, revalidating them and getting them up and running. It's the process more than anything else. From a funnel perspective, the issue here is not about having a, making sure that we have a strong funnel.

The issue here is to just getting those NOVA six back in installing them, validating them and getting them up and running. From a capacity perspective, I don't think that, from a 2020 till 2021, we are going to have an issue that from off capacity utilization. And you know, Bill, as a we do the Vanadis tour in Pittsburgh, you will have an opportunity to see the infrastructure and lab there yourself.

Bill Quirk

Okay, perfect. Now, I appreciate the clarification. And then I guess just staying in diagnostics, can you remind us where we are on a EUROIMMUN FDA approvals? In other words, kind of what percent of the portfolio at this point is through FDA and if you know, we're not all the way there. Again, maybe you can give us a roadmap in terms of when your organization has effectively an equivalent portfolio in the U.S. to what they have in Europe. Thank you.

Prahlad Singh

Well, I think it'll probably take a couple of years before it has the same level of approvals in the U.S. that it has from C-Mark perspective. But at this point, we initially if you recall post the close when new approvals would come through, we would send out a trade post the close when new approvals would come through, we would send out a trade

release, but now these happen every, a couple every quarter or three or four every six months. So we have stopped doing that? And we've essentially stopped tracking and the business there is a small base. It's growing, it's doubling every year. And we continue to see it as a, one of the fastest growing markets for EUROIMMUN. And I don't think that's going to slow down in the near future.

Bill Quirk

Got it. Thank you very much.

Prahlad Singh

Yes.

Operator

And we've reached the top of the hour. I will now hand the call back to Rob Friel for closing remarks.

Rob Friel

Great. Well first of all, thanks everyone for your questions and continued interest in PerkinElmer. It's been a genuine privilege to lead the company over the last 12 years and I'm proud of what we've achieved, but proud of still the people who carry our mission forward in the years to come. As I mentioned before, I think the Company is very well positioned from a financial perspective, but also to provide important solutions that help create healthier families and improve the health and longevity for people around the world. So I truly believe the best days are ahead for PerkinElmer, and I look forward to celebrating the ongoing success. Good night and have a great evening.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation and have a wonderful day. You may all disconnect.