

Pall Corporation

Pall Pre-announces Q4:F11 Results - Negative - ALERT

- Pall Corporation pre-announced its 4Q:F11 (ended July) EPS from operations of \$0.76 versus \$0.72 in the year-ago period and our forecast of \$0.89. The Street Consensus estimate was \$0.88.** The difference between reported results and our forecast was due to weaker-than-expected operating profits in the Industrial segment (\$52M versus our projection of \$76.5M, or about (-\$0.15/sh), reflecting lower-than-expected gross profit (-\$9.3M vs. our forecast) and higher SG&A expense (+15.0M vs. our projection). Surprisingly, reported sales were above our expectations in both the Life Sciences and Industrial segments and were higher than our projections across all sub-segments except Medical. Local currency growth was also higher than our forecasts in both the Industrial and Life Sciences operations for the quarter. The company spoke of operational performance as a headwind to margins in the Industrial area but did not elaborate further. The company stated that it understood its challenges and was taking steps to address them, though, again, it did not disclose them.
- We expect the shares to trade down for the day, reflecting weaker-than-expected Q4:F11 earnings.** The company will release final financial results on Wednesday, September 14 after 5pm and will host a conference call on Thursday, September 15 at 8:30am.

Table 1: Pall Corporation 4Q:F2011 Results versus JPM and Bloomberg Consensus Estimates

	Actual 4Q:F11	JPM 4Q:F11	Consensus 4Q:F11	Reported 4Q:F10
BioPharmaceuticals	199.9	198.7		167.5
Medical	115.7	116.8		103.7
Food & Beverage	77.8	71.1		64.3
Total Life Sciences	393.4	386.5		335.4
Aeropower	128.6	128.6		118.7
Energy & Water	171.3	160.6		148.3
Microelectronics	87.1	84.1		76.2
Total Industrial	387.0	373.3		343.2
Total Net Sales	780.4	759.8	758.7	678.6
<i>Sales growth</i>	15.0%	12.0%	11.8%	4.1%
Life Sciences	91.5	89.8		73.8
Industrial	51.9	76.5		70.1
Corporate	N/A	(15.0)		(14.8)
Total Operating Income	N/A	151.3	147.5	129.1
<i>Operating margin</i>	N/A	19.9%	19.4%	19.0%
Pre-Tax Income	N/A	145.3	142.4	122.4
<i>Tax Rate</i>	N/A	27.5%	26.9%	30.0%
Pro forma net income	89.7	105.3	104.1	85.7
Pro forma EPS	\$0.76	\$0.89	\$0.88	\$0.72

Source: Company reports, Bloomberg, and J.P.Morgan estimates and calculations.

Overweight

PLL, PLL US

Price: \$48.82

07 September 2011

Chemicals: Specialty, Commodity and Agricultural

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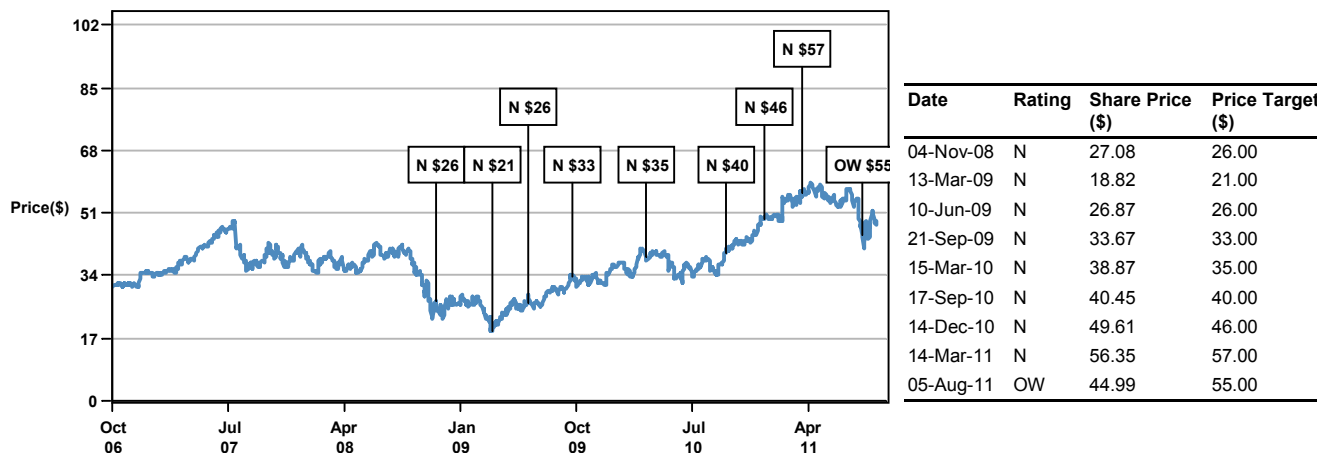
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Pall Corporation (PLL) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Nov 04, 2008.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

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