BROOKS AUTOMATION INC
Form 10-Q
July 28, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: June 30, 2016
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 000-25434

BROOKS AUTOMATION, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-3040660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 Elizabeth Drive
Chelmsford, Massachusetts
(Address of principal executive offices)

01824
(Zip Code)

Registrant's telephone number, including area code: (978) 262-2400

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 x 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 x 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. (Check one):

Large accelerated filer	x	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 x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date, July 21, 2016: common stock, $0.01 par value and 68,639,222 shares outstanding.

BROOKS AUTOMATION, INC.

Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
BROOKS AUTOMATION, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(In thousands, except share and per share data)

	June 30, 2016	September 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$66,116	$ 80,722
Marketable securities	18	70,021
Accounts receivable, net	101,091	86,448
Inventories	98,157	100,619
Deferred tax assets	3,958	17,609
Assets held for sale	2,806	2,900
Prepaid expenses and other current assets	21,078	15,158
Total current assets	293,224	373,477
Property, plant and equipment, net	54,763	41,855
Long-term marketable securities	6,068	63,287
Long-term deferred tax assets	1,125	70,476
Goodwill	202,386	121,408
Intangible assets, net	85,646	55,446
Equity method investments	26,530	24,308
Other assets	12,579	9,397
Total assets	$682,321	$ 759,654
Liabilities and Stockholders' equity		
Current liabilities		
Accounts payable	$41,502	$ 44,890
Deferred revenue	25,522	17,886
Accrued warranty and retrofit costs	5,955	6,089
Accrued compensation and benefits	18,031	20,401
Accrued restructuring costs	5,789	2,073
Accrued income taxes payable	7,168	6,111
Deferred tax liabilities	331	1,251
Accrued expenses and other current liabilities	17,751	15,550
Total current liabilities	122,049	114,251
Long-term tax reserves	2,714	3,644
Long-term deferred tax liabilities	6,962	3,196
Long-term pension liabilities	3,212	3,118
Other long-term liabilities	4,329	3,400
Total liabilities	139,266	127,609
Commitments and contingencies (Note 19)		
Stockholders' equity		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value, 125,000,000 shares authorized, 82,097,858 shares issued and 68,635,989 shares outstanding at June 30, 2016; 81,093,052 shares issued and	821	811

67,631,183 shares outstanding at September 30, 2015		
Additional paid-in capital	1,851,292	1,846,357
Accumulated other comprehensive income	12,598	5,898
Treasury stock at cost- 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(1,120,700)	(1,020,065)
Total stockholders' equity	543,055	632,045
Total liabilities and stockholders' equity	$ 682,321	$ 759,654

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

2

Table of Contents

BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Revenue				
Product	$111,596	$120,816	$302,238	$336,941
Services	35,938	24,078	100,532	70,002
Total revenue	147,534	144,894	402,770	406,943
Cost of revenue				
Product	69,557	77,128	192,816	221,877
Services	23,814	16,579	68,437	48,766
Total cost of revenue	93,371	93,707	261,253	270,643
Gross profit	54,163	51,187	141,517	136,300
Operating expenses				
Research and development	12,819	12,834	39,208	39,001
Selling, general and administrative	31,854	27,825	98,667	86,845
Restructuring and other charges	996	358	9,807	3,711
Total operating expenses	45,669	41,017	147,682	129,557
Operating income (loss)	8,494	10,170	(6,165)	6,743
Interest income	55	199	310	678
Interest expense	(37)	(100)	(56)	(300)
Other (loss) income, net	(107)	460	(289)	2,640
Income (loss) before income taxes and equity in earnings (losses) of equity method investments	8,405	10,729	(6,200)	9,761
Income tax provision	220	3,340	75,070	1,790
Income (loss) income before equity in earnings (losses) of equity method investments	8,185	7,389	(81,270)	7,971
Equity in earnings (losses) of equity method investments	379	292	1,248	(313)
Net income (loss)	8,564	7,681	(80,022)	7,658
Basic net income (loss) per share	$0.12	$0.11	$(1.17)	$0.11
Diluted net income (loss) per share	$0.12	$0.11	$(1.17)	$0.11
Dividend declared per share	$0.10	$0.10	$0.30	$0.30
Weighted average shares outstanding used in computing net (loss) income per share:				
Basic	68,628	67,454	68,437	67,321
Diluted	69,166	68,571	68,437	68,520

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

Table of Contents

BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(In thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	$8,564	$7,681	$(80,022)	$7,658
Other comprehensive income (loss), net of tax:				
Cumulative foreign translation adjustments	1,766	(821)	6,793	(7,386)
Unrealized gain (loss) on marketable securities, net of tax effects of $0 and ($58) during the three and nine months ended June 30, 2016 and $18 and $(57) during the three and nine months ended June 30, 2015	11	(48)	(92)	154
Actuarial gain, net of tax effects of $1 and $0 during the three and nine months ended June 30, 2016 and $3 and $0 during the three and nine months ended June 30, 2015	(1)	(12)	2	(3)
Total other comprehensive income (loss), net of tax	1,776	(881)	6,703	(7,235)
Comprehensive income (loss), net of tax	$10,340	$6,800	$(73,319)	$423

The accompanying notes are an integral part of these unaudited consolidated financial statements.
4

Table of Contents

BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(In thousands)

	Nine months ended June 30,	
	2016	2015
Cash flows from operating activities		
Net (loss) income	$(80,022)	$7,658
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	21,320	18,929
Stock-based compensation	8,206	9,510
Amortization of premium on marketable securities and deferred financing costs	368	917
Undistributed (earnings) losses of equity method investments	(1,248)	313
Deferred income tax provision (benefit)	71,875	(2,262)
Gain on disposal of long-lived assets	—	(4)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	2,862	(19,070)
Inventories	2,110	(1,519)
Prepaid expenses and other current assets	(3,909)	(4,881)
Accounts payable	(4,689)	11,600
Deferred revenue	7,171	(2,339)
Accrued warranty and retrofit costs	(87)	(320)
Accrued compensation and benefits	(6,558)	(1,907)
Accrued restructuring costs	3,720	(660)
Accrued expenses and other current liabilities	(5,010)	5,506
Net cash provided by operating activities	16,109	21,471
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,414)	(5,945)
Purchases of marketable securities	(12,901)	(58,991)
Sales and maturities of marketable securities	139,388	74,515
Disbursement for a loan receivable	(1,491)	—
Acquisitions, net of cash acquired	(125,498)	(17,257)
Proceeds from sales of property, plant and equipment	—	6
Purchases of other investments	(500)	(5,000)
Net cash used in investing activities	(10,416)	(12,672)
Cash flows from financing activities		
Proceeds from issuance of common stock	948	867
Principal repayments of capital lease obligations	—	(368)
Payment of deferred financing costs	(508)	—
Common stock dividends paid	(20,613)	(20,229)
Net cash used in financing activities	(20,173)	(19,730)
Effects of exchange rate changes on cash and cash equivalents	(126)	(3,513)
Net decrease in cash and cash equivalents	(14,606)	(14,444)
Cash and cash equivalents, beginning of period	80,722	94,114
Cash and cash equivalents, end of period	$66,116	$79,670

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

Table of Contents

BROOKS AUTOMATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
1. Basis of Presentation
The unaudited consolidated financial statements of Brooks Automation, Inc. and its subsidiaries (“Brooks” or the “Company”) included herein have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all material adjustments, which are of a normal and recurring nature and necessary for a fair statement of the financial position and results of operations and cash flows for the periods presented, have been reflected in the accompanying unaudited consolidated financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full fiscal year.
Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted and, accordingly, the accompanying financial information should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”) for the fiscal year ended September 30, 2015 (the "2015 Annual Report on Form 10-K"). The accompanying consolidated balance sheet as of September 30, 2015 was derived from the audited annual consolidated financial statements as of the period then ended.

Revision of Prior Period Financial Statements
During the three months ended June 30, 2016, the Company identified a classification error related to a presentation of cost of product and service revenue in the Company's consolidated statements of operations for the quarterly and annual periods beginning in the fourth quarter of fiscal year 2014 through the quarterly period ended March 31, 2016. The classification error had no impact on the total cost of revenue, gross profit, operating income (loss), net income (loss), as well as basic and diluted net income (loss) per share during any of the periods presented. Additionally, the classification error had no impact on the Company's consolidated balance sheets and consolidated statements of cash flows during any of the prior periods. The Company considered the guidance in Accounting Standard Codification (ASC) Topic 250, “Accounting Changes and Error Corrections,” ASC Topic 250-10-S99-1, “Assessing Materiality,” and ASC Topic 250-10-S99-2, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" in evaluating whether the Company’s previously issued consolidated financial statements were materially misstated. The Company concluded this classification error was not material individually or in the aggregate to the financial statements presented during any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. The revisions for these corrections to the applicable prior periods are reflected in the financial information herein and will be reflected in future filings containing such financial information.
The following table summarizes the effects of the classification error on the interim prior period financial statements:

	Three Months Ended,					
	March 31, 2016			March 31, 2015		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$65,346	$ (120)	$65,226	$79,048	$ (2,356)	$76,692
Cost of service revenue	23,135	120	23,255	14,240	2,356	16,596
Total cost of revenue	$88,481	$ —	$88,481	$93,288	$ —	$93,288

	Six Months Ended,					
	March 31, 2016			March 31, 2015		
	As Previously	Adjustment	As Revised	As Previously	Adjustment	As Revised

	Reported			Reported		
Cost of product revenue	$123,496	$ (238)	$123,258	$149,268	$ (4,519)	$144,749
Cost of service revenue	44,386	238	44,624	27,668	4,519	32,187
Total cost of revenue	$167,882	$ —	$167,882	$176,936	$ —	$176,936

6

Table of Contents

	Three Months Ended, December 31, 2015			December 31, 2014		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$58,150	$ (118)	$58,032	$70,220	$ (2,163)	$68,057
Cost of service revenue	21,251	118	21,369	13,428	2,163	15,591
Total cost of revenue	$79,401	$ —	$79,401	$83,648	$ —	$83,648

	Three Months Ended June 30, 2015		
	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$79,721	$ (2,593)	$77,128
Cost of service revenue	13,986	2,593	16,579
	$93,707	$ —	$93,707

	Nine Months Ended June 30, 2015		
	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$228,989	$ (7,112)	$221,877
Cost of service revenue	41,654	7,112	48,766
	$270,643	$ —	$270,643

	Fiscal Year Ended September 30, 2015		
	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$307,865	$ (9,517)	$298,348
Cost of service revenue	55,738	9,517	65,255
Total cost of revenue	$363,603	$ —	$363,603

	Fiscal Year Ended September 30, 2014		
	As Previously Reported	Adjustment	As Revised
Cost of product revenue	$252,688	$ (2,420)	$250,268
Cost of service revenue	62,823	2,420	65,243
Total cost of revenue	$315,511	$ —	$315,511

2. Summary of Significant Accounting Policies

Computer Software Developed for Internal Use

Computer software developed for internal use is capitalized in accordance with provisions of the Accounting Standards Codification, or ASC, Topic 350-40, Intangibles Goodwill and Other—Internal Use Software. The Company capitalizes direct costs incurred to develop internal-use software during the application development stage after determining software technological requirements and obtaining management approval for funding projects probable of completion. Capitalization of the internal-use software development costs ceases upon substantially completing the project and placing the software into service based on its intended use.

During the nine months ended June 30, 2016, the Company capitalized direct costs of $2.9 million associated with development of software for its internal use which are included within "Property, plant and equipment, net" in the accompanying unaudited Consolidated Balance Sheets. There were no internal-use software development costs as of September 30, 2015.

Deferred Financing Costs

The Company records commitment fees and other costs directly associated with obtaining line of credit financing as deferred financing costs which are presented within "Other assets" in the accompanying unaudited Consolidated Balance Sheets. Deferred financing costs are amortized over the term of the related financing arrangement and included in interest expense in the accompanying unaudited Consolidated Statements of Operations. During the three and nine months ended June 30, 2016, the Company incurred $0.7 million in deferred financing costs associated with obtaining line of credit financing. Amortization expense of approximately $12,000 during the three and nine months ended June 30, 2016 was included in interest expense in the accompanying unaudited Consolidated Statements of Operations. Please refer to Note 8, “Line of Credit”for further information on this arrangement.

Use of Estimates

The preparation of unaudited consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are associated with accounts receivable, inventories, goodwill, intangible assets other than goodwill, long-lived assets, derivative financial instruments, deferred income taxes, warranty obligations, revenue recognized using the percentage of completion method, pension obligations and stock-based compensation expense. The Company bases its estimates on historical experience and various other assumptions, including in certain circumstances, future projections that management believes to be reasonable under the circumstances. Although the Company regularly assesses these estimates, actual results could differ from those estimates. Changes in estimates are recorded in the period in which they occur and become known.

Table of Contents

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board, or FASB, issued a new accounting guidance for reporting credit losses. The new guidance introduces a new "expected loss" impairment model which applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities and other financial assets. Entities are required to estimate expected credit losses over the life of financial assets and record an allowance against the assets' amortized cost basis to present them at the amount expected to be collected. Additionally, the guidance amends the impairment model for available for sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on such debt security is a credit loss. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption of the newly issued guidance is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018. The standard should be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company expects to adopt the guidance during the first quarter of fiscal year 2021 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In May 2016, the FASB issued an amendment to the revenue recognition guidance released in May 2014. The amendment is intended to reduce the cost and complexity of applying the revenue recognition guidance and result in a more consistent application of the revenue recognition rules. The amendment clarifies the implementation guidance on collectibility, non-cash consideration and the presentation of sales and other similar taxes, as well as transitional guidance related to completed contracts. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and should be applied at the time of the adoption of the revenue recognition guidance issued in May 2014. Early adoption of the newly issued guidance is not permitted. The Company expects to adopt the guidance during the first quarter of fiscal year 2019 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In April 2016, the FASB issued an amendment to the revenue recognition guidance released in May 2014. The amendment clarifies the implementation guidance on identifying performance obligations and licensing. Specifically, the amendment reduces the cost and complexity of identifying promised goods or services and improves the guidance for determining whether promises are separately identifiable. The amendment also provides implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and should be applied at the time of the adoption of the revenue recognition guidance issued in May 2014. Early adoption of the newly issued guidance is not permitted. The Company expects to adopt the guidance during the first quarter of fiscal year 2019 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In March 2016, the FASB issued an amendment to the accounting guidance to simplify accounting for share-based payment awards issued to employees. The amendment requires recognition of excess tax benefits or deficiencies within income tax expense or benefit and changes their presentation requirements on the statement of cash flows. Additionally, the entity can make an accounting policy election to either estimate the number of awards that are expected to vest, consistent with the current accounting guidance, or account for forfeitures as they occur. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption of the newly issued guidance is permitted. The Company expects to adopt the guidance during the first quarter of fiscal year 2018 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In March 2016, the FASB issued an amendment to the revenue recognition guidance released in May 2014. The amendment clarifies the application of the principal versus agent guidance, identification of the units of accounting, as well as application of the control principle to certain types of arrangements within the scope of the guidance. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and should be applied at the time of the adoption of the revenue recognition guidance issued in May 2014. Early adoption of the newly issued guidance is not permitted. The Company expects to adopt the guidance during the first quarter of fiscal year 2019 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In February 2016, the FASB, issued a new accounting guidance for reporting lease transactions. In accordance with provisions of the newly issued guidance, a lessee should recognize at the inception of the arrangement a right-of-use asset and a corresponding lease liability initially measured at the present value of lease payments over the lease term. For finance leases, interest on a lease liability should be recognized separately from the amortization of the right-of-use asset, while for operating leases, total lease costs are recorded on a straight-line basis over the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying assets to forgo a recognition of right-of-use assets and corresponding lease liabilities and record a lease expense on a straight-line basis. Entities should determine at the inception of the arrangement whether a contract represents a lease or contains a lease which is defined as a right to control the use of identified property for a period of time in exchange for consideration. Additionally, entities should separate the lease components from the non-lease components and allocate the contract consideration on a relative standalone price basis in

Table of Contents

accordance with provisions of ASC Topic 606, Revenue from Contracts with Customers. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 and should be adopted via a modified retrospective approach with certain optional practical expedients that entities may elect to apply. The Company expects to adopt the guidance during the first quarter of fiscal year 2020 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In November 2015, the FASB issued an amendment to the accounting guidance to simplify the presentation of deferred income tax assets and liabilities in a statement of financial position. Deferred income tax assets, net of a corresponding valuation allowance, and liabilities related to a particular tax-paying component of an entity within a particular tax jurisdiction shall be offset and presented as a single noncurrent amount in a statement of financial position. Deferred income tax assets and liabilities attributable to different tax-paying components of an entity or different tax jurisdictions shall not be offset and be presented separately. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The guidance can be adopted via either a prospective or a retrospective approach for all deferred income tax assets and liabilities presented in a statement of financial position. The Company expects to adopt this guidance during the first quarter of fiscal year 2018 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In September 2015, the FASB issued a new accounting guidance to simplify the presentation of measurement-period adjustments recognized in business combinations. Measurement-period adjustments will no longer be recognized by the acquirer retrospectively and will be recorded by the acquirer during the period in which they were determined. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied prospectively to the adjustments that occur after the effective date of the guidance. Early adoption is permitted for the financial statements that have not been issued, and the Company adopted the guidance during the first quarter of fiscal year 2016 to simplify the presentation of the measurement period adjustments in its consolidated financial statements. During the six months ended March 31, 2016, the Company recorded a measurement period adjustment of $1.1 million related to the acquisition of Contact Co., Ltd and recognized its impact in the accompanying Consolidated Balance Sheets as of the period then ended in accordance with the provisions of the newly adopted guidance. There was no impact on the results of operations during the six months ended March 31, 2016 as a result of this adjustment. This adjustment would have been applied retrospectively and recognized as a reclassification in the accompanying Consolidated Balance Sheets as of September 30, 2015 in accordance with provisions of the previous guidance.

In August 2015, the FASB issued an amendment to the accounting guidance which clarified the presentation and subsequent measurement of debt issuance costs related to line of credit arrangements based on the SEC's Staff announcement made in June 2015. In accordance with the guidance, debt issuance costs related to line of credit arrangements can be presented as an asset and subsequently amortized ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the arrangement. The guidance became effective upon its issuance and was adopted by the Company during the fourth quarter of fiscal year 2015. The adoption of the guidance did not have an impact on the Company's financial position and results of operations.

In February 2015, the FASB issued an amendment to the accounting guidance for consolidations of financial statements by changing the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. The guidance can be adopted either via a full retrospective approach or a modified retrospective approach by recording a cumulative-effect adjustment to beginning equity in the period of adoption. The Company expects to adopt the guidance during the first quarter of fiscal year 2017. The Company is currently evaluating the impact of the guidance on its financial position and results of operations.

In January 2015, the FASB issued new accounting guidance to simplify income statement classification by removing the concept of extraordinary items from Generally Accepted Accounting Principles, or GAAP. As a result, items that are both unusual in nature and infrequent in occurrence will no longer be separately reported net of tax after the results of continuing operations. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and can be adopted retrospectively or prospectively based on an entity's election. Early adoption is permitted. The Company expects to adopt the guidance during the first quarter of fiscal year 2017. The adoption of the guidance is not expected to have a material impact on its financial position and results of operations.

In May 2014, the FASB issued new accounting guidance for reporting revenue recognition. The guidance provides for the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. A five-step process set forth in the guidance may require more judgment and estimation within the revenue recognition process than the current GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The guidance was initially effective for fiscal years,

Table of Contents

and interim periods within those years, beginning after December 15, 2016. In August 2015, the FASB issued an amendment deferring the effective date of the guidance by one year. The guidance should be adopted retrospectively either for each reporting period presented or via recognizing the cumulative effect at the date of the initial application. Early adoption is permitted only as of annual reporting periods, including the interim periods, beginning after December 15, 2016. The Company expects to adopt the guidance during the first quarter of fiscal year 2019 and is currently evaluating the impact of this guidance on its financial position and results of operations.

In April 2014, the FASB issued an amendment to the accounting guidance for reporting discontinued operations. The amended guidance raises the threshold for disposals to qualify as a discontinued operation by requiring a component of an entity that is held for sale, or has been disposed of by sale, to represent a strategic shift that has or will have a major effect on operations and financial results. A strategic shift could include the disposal of a major line of business, a major geographical area, a major equity method investment or other major parts of an entity. In addition, the guidance allows companies to have significant continuing involvement and continuing cash flows with the discontinued operation. The guidance became effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014 and is applied prospectively. The Company adopted the guidance during the first quarter of fiscal year 2016. The adoption of the guidance did not have an impact on the Company's financial position and the results of operations.

Other

For further information with regard to the Company's Significant Accounting Policies, please refer to Note 2 "Summary of Significant Accounting Policies" to the Company's consolidated financial statements included in the 2015 Annual Report on Form 10-K.

3. Marketable Securities

The Company invests in marketable securities that are classified as available-for-sale and records them at fair value in the Company's unaudited Consolidated Balance Sheets. Marketable securities reported as current assets represent investments that mature within one year from the balance sheet date. Long-term marketable securities represent investments with maturity dates greater than one year from the balance sheet date.

Unrealized gains and losses are excluded from earnings and reported as a separate component of accumulated other comprehensive income until the security is sold or matures. Gains or losses realized from sales of marketable securities are computed based on the specific identification method and recognized as a component of "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations. There were no sales of marketable securities during the three months ended June 30, 2016. During the nine months ended June 30, 2016, the Company sold marketable securities with a fair value of $127.6 million and amortized cost of $127.7 million and recognized gross losses of approximately $158,000 and gross gains of approximately $3,000 from the sale of marketable securities. The Company collected cash proceeds of $127.0 million from the sale of marketable securities and reclassified unrealized net holding losses of approximately $155,000 on the marketable securities based on a specific identification method from accumulated other comprehensive income into "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations as a result of these transactions. During the three and nine months ended June 30, 2015, the Company sold marketable securities with a fair value and amortized cost of $9.5 million and recognized gross gains of approximately $1,400 on sale of marketable securities. The Company collected cash proceeds of $9.5 million from the sale of marketable securities and reclassified unrealized net holding gains of approximately $1,400 on the marketable securities based on a specific identification method from accumulated other comprehensive income into "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations as a result of these transactions.

Unrealized gains on available for sale securities presented as a component of accumulated other comprehensive income were approximately $12,000 and $102,300, respectively, at June 30, 2016 and September 30, 2015. Net unrealized holding (losses) gains on available for sale securities recorded as a component of other comprehensive income (loss) before the impact of reclassifications were approximately $(0.2) million and $0.2 million, respectively, during the nine months ended June 30, 2016 and 2015.

10

Table of Contents

The following is a summary of the amortized cost and the fair value, including accrued interest receivable, as well as unrealized holding gains (losses) on the short-term and long-term marketable securities as of June 30, 2016 and September 30, 2015 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2016:				
Corporate securities	$ 2,315	$ —	$ —	$ 2,315
Other debt securities	18	—	—	18
Municipal securities	3,741	12	—	3,753
Total marketable securities	$ 6,074	$ 12	$ —	$ 6,086
September 30, 2015:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 30,343	$ 39	$ —	$ 30,382
Corporate securities	54,725	13	(48)	54,690
Mortgage-backed securities	857	27	—	884
Other debt securities	5,056	3	—	5,059
Municipal securities	30,258	18	(9)	30,267
Bank certificate of deposits	12,024	2	—	12,026
	$ 133,263	$ 102	$ (57)	$ 133,308

The fair values of the marketable securities by contractual maturities at June 30, 2016 are presented below (in thousands):

	Fair Value
Due in one year or less	$ 18
Due after one year through five years	3,753
Due after ten years	2,315
Total marketable securities	$ 6,086

Expected maturities could differ from contractual maturities because the security issuers may have the right to prepay obligations without prepayment penalties.

The Company reviews the marketable securities for impairment at each reporting period to determine if any of the securities have experienced an other-than-temporary decline in fair value. The Company considers factors, such as the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issuer, the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of its amortized cost basis. If the Company believes that an other-than-temporary decline in fair value has occurred, it writes down the investment to fair value and recognizes the credit loss in earnings and the non-credit loss in accumulated other comprehensive income. As of June 30, 2016, there were no marketable securities in the unrealized loss position. As of September 30, 2015, aggregate fair value of the marketable securities in unrealized loss position was $40.4 million and was comprised of corporate securities of $31.8 million, municipal securities of $6.6 million, bank certificates of deposit of $1.0 million, as well as U.S. Treasury and Government Agency securities of $1.0 million. Aggregate unrealized losses for these securities were $0.1 million as of September 30, 2015 and are presented in the table above. These securities were not considered other-than-temporarily impaired and, as such, the Company did not recognize impairment losses during the periods then ended. The unrealized losses are attributable to changes in interest rates which impact the value of the investments.

Table of Contents

4. Acquisitions

Acquisitions Completed in Fiscal Year 2016

Acquisition of BioStorage Technologies, Inc.

On November 30, 2015, the Company completed its acquisition of BioStorage Technologies, Inc., or BioStorage, an Indiana-based global provider of comprehensive sample management and integrated cold chain solutions for the biosciences industry. These solutions include collection, transportation, processing, storage, protection, retrieval and disposal of biological samples. These solutions combined with the Company's existing offerings, particularly automation for sample storage and formatting, provide customers with fully integrated sample management cold chain solutions which will help them increase productivity, efficiencies and speed to market. This acquisition will allow the Company to access a broader customer base that is storing samples at ultra cold temperatures and simultaneously provide opportunities for BioStorage to use the Company's capabilities to expand into new markets.

The Company acquired 100% of the issued and outstanding shares of BioStorage. A cash payment of $130.7 million, net of the seller's cash of $2.8 million, resulted in a net cash outflow of $128.0 million, including $125.5 million ascribed to the purchase price and $2.5 million for retention arrangements with certain employees based on the completion of a service retention period. The cash payment included a debt repayment of $3.2 million and transaction costs of $2.9 million paid by the Company on behalf of BioStorage.

The Company recorded the assets acquired and liabilities assumed related to BioStorage at their preliminary fair values as of the acquisition date, from a market participant's perspective. The purchase price allocation was prepared on a preliminary basis and is subject to further adjustments as additional information becomes available concerning the fair value of the assets acquired and liabilities assumed. The preliminary fair values of the tangible and intangible assets acquired were based upon preliminary valuations and the Company's estimates and assumptions that are subject to change within the measurement period. As of June 30, 2016, the primary areas that remained preliminary included fair values of intangible assets acquired, certain tangible assets, tax-related matters and residual goodwill. The Company expects to continue obtaining information to assist it with determining the fair values of the net assets acquired during the measurement period. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

The preliminary amounts recorded were as follows (in thousands):

	Fair Value of Assets and Liabilities
Accounts receivable	$16,942
Prepaid expenses and other current assets	321
Property, plant and equipment	14,345
Intangible assets	41,460
Goodwill	79,889
Other assets	53
Debt assumed	(385)
Accounts payable	(1,708)
Accrued liabilities	(9,423)
Deferred revenue	(1,766)
Long-term deferred tax liabilities	(14,169)
Other liabilities	(61)
Total purchase price, net of cash acquired	$125,498

12

At the closing of the acquisition of BioStorage, a cash payment of $5.4 million was placed into escrow which consisted of $2.9 million ascribed to the purchase price and $2.5 million related to retention arrangements with certain employees. The payment of $2.9 million included $1.9 million related to satisfaction of the sellers' indemnification obligations with respect to BioStorage's representations and warranties and other indemnities, as well as $1.0 million related to potential purchase price adjustments. The remaining escrow balance of $2.5 million is payable to certain employees upon completion of a service retention period. Such retention payments were not considered a part of the purchase price, but rather recorded as a separate asset acquired and included within "Prepaid expenses and other current assets" in the accompanying Consolidated Balance Sheets. The escrow balance related to such retention payments was reduced by $1.1 million subsequent to the acquisition date and had a balance of $1.4 million as of June 30, 2016. All remaining escrow balances were unchanged as of June 30, 2016.

The fair value of customer relationship intangible assets of $36.6 million was estimated based on the income approach in accordance with the excess-earnings method. In accordance with the excess-earnings method, the value of the intangible asset is equal to the present value of the after-tax cash flows attributable to the intangible asset only. The weighted average amortization period for the customer relationships intangible assets acquired in the BioStorage acquisition is 11.0 years.

The fair value of the trademark intangible assets acquired of $4.9 million was estimated based on the income approach in accordance with the relief-from-royalty method. In accordance with the relief-from-royalty method, the value of an intangible asset is equal to the present value of the after-tax royalty savings attributable to owning that intangible asset. The weighted average amortization period for the trademark intangible assets acquired in the BioStorage acquisition is 8.0 years.

The intangible assets acquired are amortized over the total weighted average period of 13.6 years using an accelerated depreciation method which approximates the pattern in which the economic benefits are expected to be realized.

Fair values of intangible assets and their estimated useful lives are determined based on estimates of future expected after-tax cash flows and royalty savings, customer attrition rates, discount rates, as well as assumptions about the period of time over which the Company will be deriving economic benefits from the acquired intangible assets.

Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired and has been assigned to the Company's Brooks Life Science Systems segment. Goodwill is primarily the result of expected synergies from combining the operations of BioStorage with the Company and is not deductible for tax purposes.

The operating results of BioStorage have been reflected in the results of operations for the Brooks Life Science Systems segment from the date of the acquisition, which included one month of activity during the first quarter of fiscal year 2016. During the three months ended June 30, 2016, revenue and net income from BioStorage recognized in the Company’s results of operations were $12.4 million and $1.1 million, respectively. During the nine months ended June 30, 2016, revenue and net income from BioStorage recognized in the Company’s results of operations were $30.3 million and $0.3 million, respectively. During the three and nine months ended June 30, 2016, the net income included amortization expense of $0.9 million and $2.0 million, respectively, related to acquired intangible assets.

During the three and nine months ended June 30, 2016, the Company incurred $0.1 million and $3.2 million, respectively, in non-recurring transaction costs with respect to the BioStorage acquisition which were recorded in "Selling, general and administrative" expenses within the unaudited Consolidated Statements of Operations. The retention payment of $2.5 million was recorded within prepaid expenses and other current assets at the acquisition date and will be recognized as compensation expense over the service period or upon a triggering event in the underlying change in control agreements. During the three and nine months ended June 30, 2016, the Company recorded $0.3 million and $0.7 million, respectively, of compensation expense related to this arrangement.

The following unaudited proforma financial information represents a summary of the consolidated results of operations for the Company and BioStorage as if the acquisition of BioStorage occurred on October 1, 2014 (in thousands):

Table of Contents

	Three Months Ended, June 30,		Nine Months Ended, June 30,	
	2016	2015	2016	2015
Revenue	$147,534	$155,237	$413,816	$436,509
Net income (loss)	9,163	6,966	(74,024)	251
Basic (loss) income per share	$0.13	$0.10	$(1.08)	$—
Diluted (loss) income per share	$0.13	$0.10	$(1.08)	$—
Weighted average shares outstanding used in computing net loss per share:				
Basic	68,628	67,454	68,437	67,321
Diluted	69,166	68,571	68,437	68,520

The unaudited pro forma information presented above reflects historical operating results of the Company and BioStorage and includes the impact of certain adjustments directly attributable to the business combination. The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition of BioStorage had taken place on October 1, 2014. Amortization and depreciation expense of $1.4 million, transaction costs of $0.3 million, and restructuring charges of $0.3 million were included in proforma net income during the three months ended June 30, 2015. During the three months ended June 30, 2015, the adjustments reflected in the unaudited pro forma information included tax effects of $0.8 million, respectively. The impact of the restructuring charges and transaction costs was excluded from the proforma net income during the three months ended June 30, 2016. During the nine months ended June 30, 2016 and 2015, the adjustments reflected in the unaudited pro forma information included aggregate amortization and depreciation expense of $0.6 million and $3.2 million, respectively, and tax effects of $0.5 million and $0.3 million, respectively. Additionally, the impact of transaction costs of $3.2 million and restructuring charges of $1.9 million was included in the proforma net income during the nine months ended June 30, 2015. The impact of the transaction costs and the restructuring charges was excluded from the proforma net loss during the nine months ended June 30, 2016.

Acquisitions Completed in Fiscal Year 2015

Acquisition of Contact Co., Ltd.

On August 14, 2015, the Company acquired all of the outstanding stock of Contact Co., Ltd., or Contact, a Japanese-based provider of automated cleaner products for wafer carrier devices used in the global semiconductor markets. The acquisition of Contact expands the Company's offerings of contamination control solutions within its Brooks Semiconductor Solutions Group segment, strengthens its current capabilities and technology used in its contamination control solutions business and enhances its long-term strategy of gaining share in its core semiconductor markets.

The aggregate purchase price of $6.8 million, net of cash acquired, consisted of a cash payment of $1.9 million, the assumption of the seller's debt of $8.8 million, seller's cash of $4.8 million and contingent consideration of $0.8 million payable upon achievement of certain specified targets and events. The entire debt amount was fully repaid as of September 30, 2015.

The Company recorded the assets acquired and liabilities assumed related to Contact at their preliminary fair values as of the acquisition date. The purchase price allocation was prepared on a preliminary basis and is subject to further adjustments as additional information becomes available concerning the fair value of the assets acquired and liabilities assumed. The preliminary fair values of the tangible and intangible assets acquired were based upon preliminary valuations and the Company's estimates and assumptions that are subject to change within the measurement period. As of June 30, 2016, the primary areas that remained preliminary included fair values of intangible assets acquired, certain tangible assets, tax-related matters and residual goodwill. The Company expects to continue obtaining information to assist it with determining the fair values of the net assets acquired during the measurement period. Any adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the acquisition date.

During the first quarter of fiscal year 2016, the Company finalized the valuation of property, plant and equipment reported at fair value at the acquisition date. As a result, the Company recorded a measurement period adjustment of $1.1 million as a decrease in the tangible assets' fair value and a corresponding increase in goodwill. There was no impact on the depreciation expense as a result of the tangible assets' fair value revision during the period then ended. The Company adopted Accounting Standards Update, or ASU, 2015-16, Simplifying the Accounting for Measurement Period Adjustments, during the first quarter of fiscal year 2016 and recognized the impact of the measurement period adjustment in the accompanying unaudited

Table of Contents

Consolidated Balance Sheets as of June 30, 2016 in accordance with the provisions of the newly adopted guidance. The impact of the measurement period adjustment is reflected in the following preliminary purchase price allocation table (in thousands):

	Fair Value of Assets and Liabilities
Accounts receivable	$ 42
Inventories	2,020
Prepaid expenses and other current assets	484
Property, plant and equipment	79
Completed technology	2,290
Goodwill	4,195
Other assets	1,410
Accounts payable	(1,089)
Accrued liabilities	(1,823)
Long-term deferred tax liabilities	(774)
Total purchase price, net of cash acquired	$ 6,834

Fair value of the contingent consideration of $0.8 million was determined based on a probability-weighted average discounted cash flow model and recorded in "Accrued expenses and other current liabilities" in the Company's unaudited Consolidated Balance Sheets. The Company remeasures the fair value of the contingent consideration at each reporting date until the arrangement is settled. Fair value of the contingent consideration was $0.5 million at June 30, 2016, and the Company recognized a corresponding gain of $0.3 million on the fair value remeasurement during the nine months ended June 30, 2016. There was no gain recognized on the contingent consideration fair value remeasurement during the three months ended June 30, 2016. Please refer to Note 18 “Fair Value Measurements” for further information on the fair value measurement of the contingent consideration.

At June 30, 2016, the Company had approximately $749,000 in an escrow account which related to potential working capital adjustments and the sellers' satisfaction of general representations and warranties. At the closing of the acquisition of Contact, the escrow balance was $1.5 million which was reduced by approximately $750,000 during fiscal year 2016 as a result of a payment made to the sellers upon termination of a certain third-party arrangement.

Fair value of the completed technology intangible assets was estimated based on the income approach in accordance with the excess-earnings method. The weighted average amortization period for the completed technology intangible assets acquired in the Contact acquisition is 5.0 years. The intangible assets acquired are amortized using an accelerated depreciation method which approximates the pattern in which the economic benefits are expected to be realized.

Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired and has been assigned to the Company's Brooks Semiconductor Solutions Group segment. Goodwill is primarily the result of expected synergies from combining the operations of Contact with the Company and is not deductible for tax purposes.

The operating results of Contact have been included in the results of operations for the Brooks Semiconductor Solutions Group segment from the date of the acquisition. During the three months ended June 30, 2016, revenue and net loss from Contact recognized in the Company's results of operations were $0.8 million and $0.4 million, respectively. During the nine months ended June 30, 2016, revenue and net loss from Contact recognized in the Company's results of operations were $3.0 million and $1.0 million, respectively. During the three and nine months ended June 30, 2016, the net loss included charges of $0.1 million and $0.5 million, respectively, related to the step-up in value of the acquired inventories and amortization expense of $0.2 million and $0.5 million, respectively, related to amortization of acquired intangible assets.

The Company did not present a pro forma information summary for its consolidated results of operations for the three and nine months ended June 30, 2015 as if the acquisition of Contact occurred on October 1, 2014 because such results were insignificant.

Acquisition of FluidX Ltd.

Table of Contents

On October 1, 2014, the Company acquired all of the outstanding stock of FluidX Ltd. ("FluidX"), a UK-based provider of biological sample storage tubes and complementary bench-top instruments. The Company paid, in cash, aggregate merger consideration of $15.5 million, net of cash acquired. The acquisition of FluidX provides the Company with the opportunity to enhance its existing capabilities with respect to biobanking solutions in the Brooks Life Science Systems segment.

The Company recorded the following amounts for the assets acquired and liabilities assumed related to FluidX at their fair values as of the acquisition date (in thousands):

	Fair Values of Assets and Liabilities
Accounts receivable	$ 1,980
Inventory	2,857
Prepaid and other current assets	213
Property, plant and equipment	101
Completed technology	1,230
Trademarks and trade names	750
Customer relationships	4,810
Goodwill	8,247
Accounts payable	(2,079)
Deferred revenue	(72)
Accrued liabilities	(992)
Long-term deferred tax liabilities	(1,540)
Total purchase price, net of cash acquired	$ 15,505

The purchase price was allocated based on the fair value of the identified assets acquired and liabilities assumed as of the acquisition date from a market participant's perspective.

On January 23, 2015, the Company reached a settlement with respect to certain working capital adjustments with the sellers of FluidX stock. On February 3, 2015, the Company made a payment to the sellers as a result of this settlement, which increased the purchase price by $0.1 million. Prior to June 30, 2016, the Company had $1.5 million in a general escrow account held by the unrelated third party. The balance was remitted to the sellers and fully released during the three months ended June 30, 2016. The Company finalized the purchase price allocation for FluidX acquisition within the measurement period. Adjustments to the initial purchase price allocation recorded during the measurement period were not material to the Company's financial position.

Fair values of the trademarks and the completed technology acquired were estimated based on the income approach in accordance with the relief-from-royalty method, which states that the value of an intangible asset is equal to the present value of the after-tax royalty savings attributable to owning that intangible asset. Fair value of customer relationships acquired was estimated based on the income approach in accordance with the excess-earnings method. The weighted average amortization periods for intangible assets acquired in the FluidX acquisition are 5.0 years for each of completed technology, trademarks, and customer relationships.

The intangible assets acquired are amortized using an accelerated depreciation method which approximates the pattern in which the economic benefits are expected to be realized.

Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired and has been assigned to the Company's Brooks Life Science Systems segment. Goodwill is primarily the result of expected synergies from combining the operations of FluidX with the Company and is not deductible for tax purposes.

The operating results of FluidX have been included in the results of operations for the Brooks Life Science Systems segment from the date of the acquisition. During the three months ended June 30, 2016, revenue and net income from FluidX were $4.0 million and $0.1 million, respectively. During the nine months ended June 30, 2016, revenue and net loss from FluidX were $11.7 million and $0.3 million, respectively. The net income (loss) during the three and nine months ended June 30, 2016 included amortization expense of $0.3 million and $0.9 million, respectively, related to acquired intangible assets. During the three months ended June 30, 2015, revenue and net loss from FluidX were $3.8 million and $0.3 million, respectively. During the nine months ended June 30, 2015, revenue and net loss from FluidX were $11.2 million and $0.5 million, respectively. The net loss during the three and nine months ended June 30, 2015 included charges of $0 million and $1.0 million, respectively, related to the step-up in value of the acquired inventories and amortization expense of $0.3 million and $1.0 million, respectively, related to acquired intangible assets.

5. Goodwill and Intangible Assets

Goodwill represents the excess of net book value over the estimated fair value of net tangible and identifiable intangible assets of a reporting unit. Goodwill is tested for impairment annually or more often if impairment indicators are present at the reporting unit level. The Company elected April 1 as its annual goodwill impairment assessment date and performs additional impairment tests if triggering events occur. If events occur or circumstances change that would more likely than not reduce fair values of the reporting units below their carrying values, goodwill will be evaluated for impairment between annual tests.

Table of Contents

Prior to the third quarter of fiscal year 2016, the Company had six reporting units, including five reporting units that had goodwill. Four reporting units were a part of the Brooks Product Solutions operating segment, and each of the Brooks Global Services segment and Brooks Life Science Systems segment represented a reporting unit. During the third quarter of fiscal year 2016, the Company reorganized its operating and reportable segments into (i) Brooks Semiconductor Solutions Group, or BSSG,; and (ii) Brooks Life Science Systems and realigned its reporting units to reflect the revised segment structure. The combination of the Brooks Product Solutions segment and Brooks Global services segment did not have a direct impact on the goodwill at the reporting unit level. As a result of this re-alignment, the Company had five reporting units as of June 30, 2016, including four reporting units within the Brooks Semiconductor Solutions Group operating segment and one reporting unit which was Brooks Life Science Systems operating segment. Please refer to Note 16, "Segment Information" for additional information on the operating and reporting segments realignment. The revised reporting unit structure reflects the aggregation of two reporting units, Polycold and CTI Cryogenics, into one reporting unit called BSSG Cryogenics as a result of the reorganization of the Company’s internal management structure and the economic similarities that exist between the two reporting units. The Company tested goodwill for impairment before and after the reporting unit aggregation and determined that fair value of each reporting unit individually and in aggregate exceeded their carrying values. The fair value of the BSSG Cryogenics reporting unit significantly exceeded its carrying value as of June 30, 2016. BSSG Cryogenics goodwill carrying amount was $24.0 million million as of June 30, 2016.

The Company completed its annual goodwill impairment test as of April 1 and determined that no adjustment to goodwill was necessary. Fair values of all of the reporting units, except for Polycold, substantially exceeded their respective carrying values. Fair value of Polycold reporting unit on a standalone basis exceeded its carrying value by 12%. During the second quarter of 2016, the Company concluded that recent operating trends and declining forecasts for the Polycold reporting unit represented indicators of potential goodwill impairment. As a result, the Company performed the first step of the quantitative goodwill impairment test as of February 1, 2016 and determined that the fair value exceeded the carrying value by 18%, and that no goodwill impairment existed. The Company determined Polycold's fair value based on an Income Approach in accordance with the Discounted Cash Flow method, or DCF method, which is based on future cash flow forecasts discounted at a weighted-average cost of capital. Forecasted sales volumes, product costs and the resulting future cash flows used in the valuation of Polycold are driven by various factors, such as customer demand, macroeconomic environment and competitive dynamics, and may impact fair value of Polycold's goodwill. During the three months ended June 30, 2016, the Company incorporated lower projected future cash flows into the model due to lower forecasted revenue and gross margin in fiscal year 2016 which resulted in a decrease of the excess of Polycold's fair value over its carrying value from 18% during the second quarter of fiscal year 2016 to 12% during the third quarter of fiscal year 2016. The estimated fair value of Polycold's reporting unit assumed a taxable transaction. Polycold's goodwill carrying amount was $24.0 million as of the date of each goodwill impairment assessment.

The components of the Company’s goodwill by an operating segment at June 30, 2016 and September 30, 2015 are as follows (in thousands):

	Brooks Semiconductor Solutions Group	Brooks Life Science Systems	Other	Total
Gross goodwill, at September 30, 2014	$ 651,067	$ 47,378	$26,014	$724,459
Accumulated goodwill impairments	(588,944)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at September 30, 2014	62,123	47,378	—	109,501
Acquisitions and adjustments	3,660	8,247	—	11,907
Gross goodwill, at September 30, 2015	654,727	55,625	26,014	736,366
Accumulated goodwill impairments	(588,944)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at September 30, 2015	65,783	55,625	—	121,408
Acquisitions and adjustments	1,050	79,928	—	80,978

Gross goodwill, at June 30, 2016	655,777	135,553	26,014	817,344
Accumulated goodwill impairments	(588,944)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at June 30, 2016	$ 66,833	$ 135,553	$—	$202,386

During the nine months ended June 30, 2016, the Company recorded a goodwill increase of $79.9 million related primarily to the acquisition of BioStorage which represented the excess of the consideration transferred over the fair value of the net assets acquired. Additionally, the Company recorded a measurement period adjustment related to the acquisition of Contact which resulted in a decrease in the tangible assets' fair value of $1.1 million and a corresponding increase in goodwill. Please

17

Table of Contents

refer to the Note 4 "Acquisitions" for further information on the measurement period adjustment recorded during the first quarter of fiscal year 2016.

The components of the Company’s identifiable intangible assets as of June 30, 2016 and September 30, 2015 are as follows (in thousands):

	June 30, 2016			September 30, 2015		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	$7,808	$ 7,463	$345	$7,808	$ 7,394	$414
Completed technology	60,441	49,982	10,459	60,748	46,718	14,030
Trademarks and trade names	9,143	4,028	5,115	4,241	3,604	637
Customer relationships	114,201	44,474	69,727	77,716	37,351	40,365
Total intangible assets	$191,593	$ 105,947	$85,646	$150,513	$ 95,067	$55,446

Amortization expense for intangible assets was $3.8 million and $3.2 million, respectively, during the three months ended June 30, 2016 and 2015 and $11.1 million and $9.6 million, respectively, during the nine months ended June 30, 2016 and 2015.

Estimated future amortization expense for the intangible assets for the remainder of fiscal year 2016 and the subsequent four fiscal years is as follows (in thousands):

Fiscal year ended September 30,	
2016	$3,810
2017	15,566
2018	14,052
2019	13,713
2020	12,909
Thereafter	25,596
	$85,646

6. Equity Method Investments

The Company accounts for certain of its investments using the equity method of accounting and records its proportionate share of the investee's earnings (losses) in its results of operations with a corresponding increase (decrease) in the carrying value of the investment.

BioCision, LLC

In March 2014, the Company acquired a 22% equity interest in BioCision, LLC, or BioCision, a privately-held company based in Larkspur, California, for $4.0 million. During fiscal year 2015, the Company's equity investment was diluted from 22% to 20% as a result of stock options granted to new employees. BioCision develops, manufactures and markets cell cryopreservation products used to improve and standardize the tools and methods for biomaterial sample handling. The Company determined that BioCision represented a variable interest entity since the level of equity investment at risk was not sufficient to finance its activities without additional financial support. However, the Company does not qualify as a primary beneficiary since it does not have the power to direct BioCision's product research, development, selling and marketing activities that have the most significant impact on its economic performance. The Company's loss exposure is limited to the amount of investment and loan funding provided to BioCision. As such, the Company concluded that BioCision should not be consolidated in its financial statements.

During the three months ended June 30, 2016 and 2015, the Company recorded a loss associated with BioCision of approximately $0.3 million and $0.2 million, respectively. During each of the nine month periods ended June 30, 2016 and 2015, the Company recorded a loss associated with BioCision of $0.7 million. At June 30, 2016 and September 30, 2015, the carrying value of the investment in BioCision in the Company’s unaudited Consolidated Balance Sheets was $2.0 million and $2.7 million, respectively. At June 30, 2016, amount payable to BioCision was approximately $32,000.

The Company purchased BioCision's five-year convertible debt securities with a warrant agreement to purchase preferred units of BioCision for $2.5 million on each of the following dates of December 22, 2014 and February 2, 2015, resulting in a total purchase price of $5.0 million. Interest accrues on the convertible debt securities at a rate of 9% per annum, and is due with the principal at maturity. The convertible debt securities were recorded at fair value and accounted for in accordance with the fair value method. The warrant was recorded at fair value and accounted for as a derivative instrument. As of June 30, 2016, the fair value of the convertible debt securities and the warrant was $5.8 million and $46,850, respectively. As of September 30, 2015, the fair value of the convertible debt securities and the warrant was $5.3 million and $0.1 million, respectively.

For further information regarding the convertible debt securities and the warrant, refer to Note 18, “Fair Value Measurements”. The Company re-measures the fair values of the BioCision convertible debt securities and the warrant during each reporting period and recognizes the respective gains or losses as a component of "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations. The Company recognized remeasurement gains of $0.2 million and $0.5 million, respectively, during the three and nine months ended June 30, 2016.

During the nine months ended June 30, 2016, the Company provided a series of bridge loans to BioCision with an aggregate principal amount of $600,000 bearing an annual interest rate of 10% to support BioCision's working capital requirements. On March 8, 2016, the Company made an additional loan of $150,000 to BioCision, and the bridge loans were converted into a part of the permanent term loan, collectively, the" loan", which provides for financing of an aggregate principal amount up to $1.5 million, including the first tranche of $750,000 and a second tranche of $750,000 which was provided to BioCision on June 15, 2016 to support its working capital requirements. All principal and accrued interest outstanding on the loan mature on December 31, 2019 or at an earlier date upon the occurrence of certain events. In the event that BioCision obtains a certain equity investment or has a liquidity event, in either case, on or before September 30, 2016, all accrued and unpaid interest will be due and payable, and interest will thereafter accrue and be due and payable monthly in arrears. If no such equity investment or liquidity event occurs on or before September 30, 2016, all accrued and unpaid interest will be converted into additional loan principal, and interest will accrue thereafter and be due and payable monthly in arrears. The financing supports growing working capital requirements in part due to BioCision entering into a supply agreement with a certain customer. The Company will be entitled to receive quarterly royalty payments from BioCision equal to 15% of the revenue generated from this certain customer arrangement until the earlier of: (i) the termination of the customer arrangement, (ii) the receipt by the Company of an aggregate amount of $1.5 million of royalty proceeds, and (iii) the date the loan is repaid in full. All outstanding and unpaid royalties become immediately due and payable to the Company if the customer arrangement is terminated. The loan is secured by a first priority perfected lien on BioCision's cash flows from the aforementioned customer arrangement, as well as a second priority perfected subordinated security interest and a lien on its personal property and other intangible assets, including intellectual property. At June 30, 2016, the aggregate loan of $1,500,000 was recorded at its carrying value and included in "Other assets" in the accompanying unaudited Consolidated Balance Sheets.

As a result of each of the funding rounds described above, the Company reconsidered whether BioCision represents a variable interest entity subject to consolidation. The Company concluded that BioCision remains a variable interest entity since the level of equity investment at risk is not sufficient to finance its activities without additional financial support. However, the Company does not qualify as a primary beneficiary since it does not have the power to direct BioCision's product research, development, selling and marketing activities that have the most significant impact on its economic performance. As such, the Company concluded that BioCision will not be consolidated in the Company's financial statements.

ULVAC Cryogenics, Inc.

The Company participates in a 50% joint venture, ULVAC Cryogenics, Inc., or UCI, with ULVAC Corporation of Chigasaki, Japan. UCI manufactures and sells cryogenic vacuum pumps, principally to ULVAC Corporation.

The carrying value of the investment in UCI was $24.5 million and $21.5 million, respectively, at June 30, 2016 and September 30, 2015. During the three months ended June 30, 2016 and 2015, the Company recorded income of $0.7 million and $0.6 million, respectively, representing its proportionate share of UCI's earnings. During the nine months ended June 30, 2016 and 2015, the Company recorded income of $2.0 million and $0.9 million, respectively, representing its proportionate share of UCI's earnings. Management fee payments received by the Company from UCI were $0.2 million each during the three months ended June 30, 2016 and 2015. Management fee payments received by the Company from UCI were $0.6 million and $0.4 million, respectively, during the nine months ended June 30, 2016 and 2015. During the three months ended June 30, 2015, the Company incurred charges from UCI's for products or services of $0.1 million. Such charges were insignificant during the three months ended June 30, 2016. During the nine months ended June 30, 2016 and 2015, the Company incurred charges from UCI's for products or services of $0.2 million each. At June 30, 2016 and September 30, 2015, the Company owed UCI approximately $34,000 and $0.1 million, respectively, in connection with accounts payable for unpaid products and services.

Yaskawa Brooks Automation, Inc.

During fiscal year 2015, the Company participated in a 50% joint venture with Yaskawa Electric Corporation, or Yaskawa, called Yaskawa Brooks Automation, Inc., or YBA, which came to closure in March 2015 and was liquidated on September 3, 2015. YBA exclusively marketed and sold Yaskawa's semiconductor robotics products and the Company's automation hardware products to semiconductor customers in Japan. During the first quarter of fiscal year 2015, the Company and

Table of Contents

Yaskawa agreed in principle to dissolve the joint venture. In connection with the planned dissolution, YBA assessed the recoverability of assets held by the joint venture and notified its equity partners of an asset impairment. As a result, the Company recorded an impairment charge of $0.7 million related to the write down of the carrying value of the equity investment in YBA to fair value during the first quarter of fiscal year 2015.

During the three and nine months ended June 30, 2015, the Company earned revenue of $0.0 million and $2.1 million, respectively, from YBA and incurred charges of $47,000 and $1.0 million, respectively, from YBA for products or services. Net loss associated with YBA recognized by the Company during the three and nine months ended June 30, 2015 was $0.1 million and $0.5 million, respectively. There were no amounts receivable by the Company from YBA or owed by the Company to YBA at September 30, 2015.

7. Note Receivable

In fiscal year 2012, the Company provided a strategic partner (the “Borrower”) a loan of $3.0 million to support the Borrower's future product development and other working capital requirements. The loan initially bore a stated interest rate of 9%, and the outstanding principal and interest were initially due in May 2015. The Company also received a warrant to purchase the Borrower's common stock in the event of an equity offering by the Borrower and certain other rights related to conversion of the loan, including the first refusal to acquire the Borrower and a redemption premium. The loan was initially secured by a security agreement granting the Company a first-priority security interest in all of the Borrower's assets.

The Company determined that the Borrower represented a variable interest entity since the level of equity investment at risk was not sufficient for the entity to finance its activities without additional financial support. However, the Company does not qualify as the primary beneficiary since it would not absorb the majority of the expected losses from the Borrower and does not have the power to direct the Borrower's product research, development and marketing activities that have the most significant impact on its economic performance. The Company has no future contractual funding commitments to the Borrower and, as a result, the Company's exposure to loss is limited to the outstanding principal and interest due on the loan.

During fiscal year 2014, the Borrower informed the Company of its intent to secure additional funding from an investment program funded by the Commonwealth of Massachusetts designed to support early-stage companies. In connection with the Borrower’s efforts to secure additional financing, the Company agreed to subordinate its security interest in the assets of the Borrower to the new lender. Additionally, the Company agreed to extend the due date of its loan by approximately 5 years, to September 2019, in order to coincide with the due date of the new loan. The amended loan has a stated interest rate of 10%.

In connection with its efforts to secure additional financial support, the Borrower developed revised assumptions about its future cash flows. Based on the information provided by the Borrower and the subordination of the loan to the new lender, the Company determined it was probable that it would not recover all amounts due from the loan and recorded an impairment charge of $2.6 million during fiscal year 2014. The impairment charge included the warrant write-off and was recorded in the "Selling, general and administrative" expenses in the Company's Consolidated Statements of Operations.

The fair value of the loan was determined by considering the fair value of the collateral using valuation techniques, principally the discounted cash flow method, reduced by the amounts committed to the new lender. The observable inputs used in the Company's analysis were limited primarily to the discount rate, which was based on a rate commensurate with the risks and uncertainties of the Borrower. As a result, the fair value of the loan could vary under different conditions or assumptions, including the varying assumptions regarding future cash flows of the Borrower or discount rates.

At June 30, 2016 and September 30, 2015, the carrying value of the note receivable was $1.0 million. No triggering events indicating impairment of the note receivable occurred during the three and nine months ended June 30, 2016 and 2015, respectively.

8. Line of Credit

On May 26, 2016, the Company and certain of its subsidiaries entered into a credit agreement with Wells Fargo Bank, N.A., or Wells Fargo. The credit agreement provides for a five-year senior secured revolving line of credit, or line of credit, of $75.0 million. Availability under the line of credit is subject to a borrowing base which is redetermined from time to time based on certain percentage of certain eligible U.S. assets, including accounts receivable, inventory, real property, as well as machinery and equipment. The agreement includes sublimits of up to $25.0 million for letters of credit and $7.5 million of swing loans at the time there is more than one lender under the credit agreement. The line of credit expires on May 26, 2021 with all outstanding principal and interest due and payable on such date or an earlier date if declared due and payable on such earlier date pursuant to the terms of the credit agreement (by acceleration or otherwise). Subject to certain conditions of the credit agreement, the net cash proceeds from sales of certain collateral during the term of the arrangement are required to be used to prepay borrowings under the line of credit. The Company may also voluntarily prepay certain amounts under the line of credit without penalty or premium. There were no amounts outstanding under the line of credit as of June 30, 2016.

Table of Contents

Borrowings under the line of credit bear an annual interest rate equal to, at the Company’s option, the base rate or the LIBOR rate plus, in each case, an applicable margin determined based on the Company's liquidity as of the first day of each fiscal quarter. LIBOR rate is reset at the beginning of each selected interest period based on the rate then in effect. The base rate is a fluctuating interest rate equal to the highest of (i) the federal funds rate plus 0.50%, (ii) the one month LIBOR rate plus 1.00% and (iii) the prime lending rate announced by Wells Fargo. During the three and nine months ended June 30, 2016, the Company incurred $0.7 million in deferred financing costs which included commitments fees and other costs directly associated with obtaining the line of credit. Please refer to Note 2, "Summary of Significant Accounting Policies" for further information on the deferred financing fees. In addition to interest on any outstanding borrowings under the credit agreement, the Company is required to pay monthly fees of 0.25% per year related to unused portion of the revolver commitment amounts. The Company incurred approximately $16,000 in such fees during the three and nine months ended June 30, 2016. All outstanding borrowings under the credit agreement are guaranteed by the Company along with certain U.S. subsidiaries and secured by a first priority perfected security interest in substantially all of the Company's and guarantor's assets in the U.S., subject to certain exceptions. Additionally, the Company granted Wells Fargo a mortgage lien on certain company-owned real properties.
The line of credit contains certain customary representations and warranties, a financial covenant, affirmative and negative covenants, as well as events of default. In the event in which the Company's liquidity is less than the greater of (i) 12.5% of the commitments under the line of credit, and (ii) $9.375 million, and continuing until the time such liquidity during a 60-consecutive day period has been equal to or greater than the greater of (a) 12.5% of the commitments under the line of credit, and (b) $9.375 million, the Company is required to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 measured as of the last day of each fiscal month ending during such period. Liquidity is defined as a sum of (a) excess availability under the credit agreement; and (b) unrestricted cash and cash equivalents located in bank accounts in the United States that are subject to a control agreement in favor of Wells Fargo, limited to a maximum amount of 50% of liquidity. Negative covenants limit the Company's ability to incur additional indebtedness, liens, sell assets, consolidate or merge with or into other entities, pay non-cash dividends (and cash dividends if the Company fails to meet certain payment conditions), make certain investments, prepay, redeem or retire subordinated debt, and enter into certain types of transactions with the Company’s affiliates. If any of the events of default occur and are not waived or cured within applicable grace periods, any unpaid amounts under the credit agreement, including principal and interest, may be declared immediately due and payable and the credit agreement may be terminated. The Company was in compliance with the line of credit covenants as of June 30, 2016.

9. Income Taxes
The Company recorded an income tax provision of $0.2 million and $75.1 million, respectively, for the three and nine months ended June 30, 2016. The income tax provision of $0.2 million during the third quarter of fiscal year 2016 was primarily driven by global income generated during the quarter, partially offset by $0.3 million of tax benefits related to the reduction of reserves for unrecognized tax benefits resulting from the expiration of statutes of limitations. The tax provision of $75.1 million during the nine months ended June 30, 2016 was primarily driven by the change in a valuation allowance against U.S. net deferred tax assets recognized during the second quarter of fiscal year 2016. Partially offsetting the valuation allowance provision were benefits related to pre-tax losses in the U.S., the reinstatement of the U.S. research and development tax credit retroactive to January 1, 2015, and reductions of reserves for unrecognized tax benefits resulting from the expiration of statutes of limitations.
The Company recorded an income tax provision of $3.3 million and $1.8 million, respectively, for the three and nine months ended June 30, 2015. The income tax provision of $3.3 million for the third quarter of fiscal year 2015 was primarily driven by global income generated during the quarter and interest related to unrecognized tax benefits. The tax provision of $1.8 million during the nine months ended June 30, 2015 was primarily driven by global income generated during the period and partially offset by $0.9 million of tax benefits related to the reduction of reserves for unrecognized tax benefits resulting from the expiration of statutes of limitations and by $0.9 million of tax benefits resulting from the reinstatement of the U.S. federal research and development tax credit, retroactive to January 1,

2014.

ASC Topic 740, Income Taxes, requires that all available evidence, both positive and negative, be considered in determining, based on the weight of that evidence, whether a valuation allowance is needed. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, (a) the more positive evidence is necessary and (b) the more difficult it is to support a conclusion that a valuation allowance is not needed for some portion or all of the deferred tax asset. A cumulative loss in recent years is considered a significant piece of negative evidence that is difficult to overcome in assessing the need for a valuation allowance.

The Company evaluates the realizability of its deferred tax assets by tax-paying component and assesses the need for a valuation allowance on an annual and quarterly basis. The Company evaluates the profitability of each tax-paying component on a historic cumulative basis and on a forward looking basis in the course of performing this analysis. The Company evaluated all positive and negative evidence in concluding it was appropriate to establish a full valuation allowance against U.S. net deferred tax assets during the second quarter of fiscal year 2016.

The Company evaluated negative evidence to assess if it is more likely than not that the Company could make use of the U.S. deferred tax assets before they expire. In reviewing performance over the recent years, the Company currently shows cumulative income. This history considers earnings in recent years from the discontinued operations of Granville-Phillips, which was divested during the fiscal year 2014 and freed up capital for investments in strategic growth businesses. In evaluating the historical results of the continuing businesses, the Company has not yet demonstrated profitability with losses in recent periods. The Company reported U.S. pre-tax losses during fiscal year 2015 and the first two quarters of fiscal year 2016. The loss in the second quarter of fiscal year 2016 included a significant charge for restructuring actions which are ultimately expected to improve future profitability. However, because of the restructuring charges and loss in the second quarter of fiscal year 2016, the Company now projects a net loss for the full fiscal year 2016. These factors presented significant negative evidence in the evaluation.

The Company also considered positive evidence such as expected improvements that are the results of investments in growth businesses. The Company prepares comprehensive forecasts based on the cyclical trends of the semiconductor industry, expected capital spending in the industry and demand for new product offerings. The Company's forecast of future improved profits includes a portion related to foreign operations, specifically in the Contamination Control Solutions business, which are excluded from the evaluation of U.S. deferred tax assets. The forecast of future improved profits also includes a portion related to U.S. operations. The Brooks Life Science Systems segment has driven cumulative losses in the U.S. in the past years, but is expected to provide growth in revenue and improved profitability resulting in increased profits in the U.S. After extensive review, despite significant projected improvements, the forecasted income is not considered to be objectively verifiable evidence because the revenue growth expected for the future periods is based on projections and not significantly supported by specific bookings and backlog of orders for product in place as of the end of the quarter. The evidence is therefore considered more subjective than objective under the accounting rules. Accordingly, this positive evidence is given less weight than the negative evidence discussed above.

A cumulative loss is difficult negative evidence to overcome on a more likely than not basis. Future income projections can only overcome this negative evidence if the projections are considered objectively verifiable. Since the income projections are not considered objectively verifiable, the Company determined that realization of the U.S. net deferred tax assets should not be viewed as more likely than not until the projected profits are supported with objectively verifiable evidence of the improvements. As a result of this change in assessment, the Company recorded a tax provision of $79.3 million to establish the valuation allowance against U.S. net deferred tax assets during the second quarter of fiscal year 2016. The Company will continue to maintain a full valuation allowance on our U.S. deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of these allowances.

The Company is subject to U.S. federal income tax and various state, local and international income taxes in various jurisdictions. The amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files tax returns. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company has income tax audits in progress in various jurisdictions in which it operates. The years subject to examination vary for the U.S. and international jurisdictions, with the earliest tax year being 2009. It is reasonably possible that the related unrecognized tax benefits could change from those recorded in the Company's unaudited Consolidated Balance Sheets based on the outcome of these examinations or the expiration of statutes of limitations for specific jurisdictions. The Company currently anticipates that it is reasonably possible that the unrecognized tax benefits will be reduced by approximately $1.2 million within the next twelve months as a result of the lapse of statutes of limitations in multiple jurisdictions.

10. Other Balance Sheet Information

The following is a summary of accounts receivable at June 30, 2016 and September 30, 2015 (in thousands):

	June 30, 2016	September 30, 2015
Accounts receivable	$ 103,396	$ 87,582
Less: allowance for doubtful accounts	(2,200)	(1,019)
Less: allowance for sales returns	(105)	(115)
Accounts receivable, net	$ 101,091	$ 86,448

Table of Contents

The following is a summary of inventories at June 30, 2016 and September 30, 2015 (in thousands):

	June 30, 2016	September 30, 2015
Inventories:		
Raw materials and purchased parts	$60,883	$ 62,441
Work-in-process	16,488	21,563
Finished goods	20,786	16,615
Total inventories	$98,157	$ 100,619

Reserves for excess and obsolete inventory were $24.9 million and $23.8 million at June 30, 2016 and September 30, 2015, respectively.

As of June 30, 2016 and September 30, 2015, the building and the underlying land located in Oberdiessbach, Switzerland were presented at fair value of $2.8 million and $2.9 million, respectively, as "Assets Held for Sale" in the accompanying unaudited Consolidated Balance Sheets. The Company determined the fair value of the assets held for sale based on indication of value resulting from marketing the building and the land to prospective buyers. Please refer to Note 18, "Fair Value Measurements" for further information on such measurements. During the three months ended June 30, 2016, the Company entered into a binding agreement with an unrelated third party to sell both the building and the underlying land in Oberdiessbach, Switzerland for a total price of $2.8 million and remeasured the fair value of the assets held for sale. The corresponding impact of this remeasurement on the Company's results of operations during the three and nine months ended June 30, 2016 was insignificant. The sale was completed on July 1, 2016.

The Company establishes reserves for estimated cost of product warranties based on historical information. Product warranty reserves are recorded at the time product revenue is recognized, and retrofit accruals are recorded at the time retrofit programs are established. The Company's warranty obligation is affected by product failure rates, utilization levels, material usage, service delivery costs incurred in correcting a product failure and supplier warranties on parts delivered to the Company.

The following is a summary of product warranty and retrofit activity on a gross basis for the three and nine months ended June 30, 2016 and 2015 (in thousands):

Activity - Three Months Ended June 30, 2016			
Balance at March 31, 2016	Accruals	Costs Incurred	Balance at June 30, 2016
$5,735	$ 2,279	$ (2,059)	$ 5,955

Activity - Three Months Ended June 30, 2015			
Balance at March 31, 2015	Accruals	Costs Incurred	Balance at June 30, 2015
$6,203	$ 2,725	$ (2,744)	$ 6,184

Activity - Nine Months Ended June 30, 2016			
Balance at	Accruals	Costs Incurred	Balance at

September 30, 2015			June 30, 2016
$6,089	$ 6,989	$ (7,123)	$5,955

Activity - Nine Months Ended June 30, 2015

Balance at September 30, 2014	Adjustments for Acquisitions and Divestitures	Accruals	Costs Incurred	Balance at June 30, 2015
$6,499	$ 81	$ 7,870	$ (8,266)	$6,184

23

Table of Contents

11. Derivative Instruments

The Company has transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in Euros, British Pounds and a variety of Asian currencies. These transactions and balances, including short-term advances between the Company and its subsidiaries, subject the Company's operations to exposure from exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. The Company mitigates the impact of potential currency transaction gains and losses on short-term intercompany advances through timely settlement of each transaction, generally within 30 days.

The Company also enters into foreign exchange contracts to reduce its exposure to currency fluctuations. Under forward contract arrangements, the Company typically agrees to purchase a fixed amount of U.S. dollars in exchange for a fixed amount of a foreign currency on specified dates with maturities of three months or less. These transactions do not qualify for hedge accounting. Net gains and losses related to these contracts are recorded as a component of "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations and are as follows for the three and nine months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Realized gains on derivative instruments not designated as hedging instruments	$233	$ 90	$1,230	$516

Table of Contents

The Company had the following notional amounts outstanding under foreign currency contracts that do not qualify for hedge accounting at June 30, 2016 and September 30, 2015 (in thousands):
June 30, 2016:

Buy Currency	Notional Amount of Buy Currency	Sell Currency	Maturity	Notional Amount of Sell Currency	Fair Value of Assets	Fair Value of Liabilities
British Pound	210	Norwegian Krone	July 2016	1,800	—	(1)
Japanese Yen	959	U.S. Dollar	July 2016	98,000	3	—
British Pound	212	Swedish Krona	July 2016	1,800	1	—
Korean Won	2,298	U.S. Dollar	July 2016	2,705,000		