BROOKS AUTOMATION INC
Form 10-Q
February 03, 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: December 31, 2015
OR

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to _________
Commission File Number 000-25434

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

Delaware (State or other jurisdiction of incorporation or organization)	04-3040660 (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, January 28, 2016: common stock, $0.01 par value and 68,439,576 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)

	December 31, 2015	September 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 55,572	$ 80,722
Marketable securities	41	70,021
Accounts receivable, net	102,889	86,448
Inventories	99,894	100,619
Deferred tax assets	18,917	17,609
Assets held for sale	2,869	2,900
Prepaid expenses and other current assets	16,856	15,158
Total current assets	297,038	373,477
Property, plant and equipment, net	54,719	41,855
Long-term marketable securities	9,614	63,287
Long-term deferred tax assets	58,617	70,476
Goodwill	202,347	121,408
Intangible assets, net	93,287	55,446
Equity method investments	23,814	24,308
Other assets	9,598	9,397
Total assets	$ 749,034	$ 759,654
Liabilities and Stockholders' equity		
Current liabilities		
Accounts payable	$ 38,812	$ 44,890
Deferred revenue	28,245	17,886
Accrued warranty and retrofit costs	5,767	6,089
Accrued compensation and benefits	14,494	20,401
Accrued restructuring costs	1,654	2,073
Accrued income taxes payable	4,880	6,111
Deferred tax liabilities	1,154	1,251
Accrued expenses and other current liabilities	21,149	15,550
Total current liabilities	116,155	114,251
Long-term tax reserves	2,953	3,644
Long-term deferred tax liabilities	2,917	3,196
Long-term pension liabilities	3,115	3,118
Other long-term liabilities	3,660	3,400
Total liabilities	128,800	127,609
Commitments and contingencies (Note 18)		
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, 81,901,445 shares issued and 68,439,576 shares outstanding at December 31, 2015; 81,093,052 shares	819	811

issued and 67,631,183 shares outstanding at September 30, 2015		
Additional paid-in capital	1,846,863	1,846,357
Accumulated other comprehensive income	5,074	5,898
Treasury stock at cost- 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(1,031,566)	(1,020,065)
Total stockholders' equity	620,234	632,045
Total liabilities and stockholders' equity	$ 749,034	$ 759,654

The accompanying notes are an integral part of these unaudited consolidated financial statements.
3

Table of Contents

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

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Revenue		
Product	$89,180	$99,730
Services	30,775	23,006
Total revenue	119,955	122,736
Cost of revenue		
Product	58,150	70,220
Services	21,251	13,428
Total cost of revenue	79,401	83,648
Gross profit	40,554	39,088
Operating expenses		
Research and development	13,278	13,489
Selling, general and administrative	34,121	29,411
Restructuring and other charges	1,475	2,668
Total operating expenses	48,874	45,568
Operating loss	(8,320)	(6,480)
Interest income	205	251
Interest expense	(3)	(102)
Other (loss) income, net	(59)	1,019
Loss before income taxes and equity in earnings (losses) of equity method investments	(8,177)	(5,312)
Income tax benefit	(3,370)	(3,110)
Loss before equity in earnings (losses) of equity method investments	(4,807)	(2,202)
Equity in earnings (losses) of equity method investments	159	(532)
Net loss	(4,648)	(2,734)
Basic net loss per share	$(0.07)	$(0.04)
Diluted net loss per share	$(0.07)	$(0.04)
Dividend declared per share	$0.10	$0.10
Weighted average shares outstanding used in computing net loss per share:		
Basic	68,130	67,126
Diluted	68,130	67,126

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

Table of Contents

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

	Three Months Ended December 31,	
	2015	2014
Net loss	$(4,648)	$(2,734)
Other comprehensive income (loss), net of tax:		
Cumulative foreign translation adjustments	(713)	(4,142)
Unrealized loss on marketable securities, net of tax effects of $(48) and $24 during the three months ended December 31, 2015 and 2014	(119)	(65)
Actuarial gain, net of tax effects of ($2) and ($5) during the three months ended December 31, 2015 and 2014	8	22
Total other comprehensive income (loss), net of tax	(824)	(4,185)
Comprehensive loss, net of tax	$(5,472)	$(6,919)

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

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

	Three Months Ended December 31,	
	2015	2014
Cash flows from operating activities		
Net loss	$(4,648)	$(2,734)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,445	6,403
Stock-based compensation	4,714	3,483
Amortization of premium on marketable securities	274	336
Undistributed (earnings) losses of equity method investments	(159)	532
Deferred income tax benefit	(3,797)	(4,107)
Loss on disposal of long-lived assets	—	2
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable	218	4,973
Inventories	119	(236)
Prepaid expenses and other current assets	(1,697)	1,754
Accounts payable	(7,639)	2,117
Deferred revenue	8,872	705
Accrued warranty and retrofit costs	(305)	(290)
Accrued compensation and benefits	(10,059)	(9,333)
Accrued restructuring costs	(407)	519
Accrued expenses and other current liabilities	(4,308)	(1,089)
Net cash (used in) provided by operating activities	(12,377)	3,035
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,486)	(1,576)
Purchases of marketable securities	(12,901)	(22,269)
Sales and maturities of marketable securities	135,873	32,201
Disbursement for a loan receivable	(300)	—
Acquisitions, net of cash acquired	(125,498)	(15,428)
Purchases of other investments	—	(2,500)
Net cash used in investing activities	(5,312)	(9,572)
Cash flows from financing activities		
Principal repayments of capital lease obligations	—	(121)
Common stock dividends paid	(6,844)	(6,731)
Net cash used in financing activities	(6,844)	(6,852)
Effects of exchange rate changes on cash and cash equivalents	(617)	(2,966)
Net decrease in cash and cash equivalents	(25,150)	(16,355)
Cash and cash equivalents, beginning of period	80,722	94,114
Cash and cash equivalents, end of period	$55,572	$77,759

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").

2. Summary of Significant Accounting Policies

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.

Recently Issued Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board, or 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 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 three months ended December 31, 2015 to simplify the presentation of the measurement period adjustments in its consolidated financial statements. During the three months ended December 31, 2015, 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 three months ended December 31, 2015 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.

Table of Contents

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 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" of 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 recorded 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. During the three months ended December 31, 2015, the Company sold marketable securities with a fair value of $124.0 million and amortized cost of $124.2 million and recognized gross losses of approximately $141,000 and gross gains of approximately $3,000 on sale of marketable securities. The Company collected cash proceeds of $123.5 million from the sale of marketable securities and reclassified unrealized net holding losses of $138,000 on the marketable securities from accumulated other comprehensive income into "Other (loss) income, net" in the accompanying unaudited Consolidated Statements of Operations as a result of this transaction. Unrealized losses on available for sale securities presented as a component of Accumulated Other Comprehensive Income were $17,000 and $102,300, respectively, at December 31, 2015 and September 30, 2015. Net unrealized holding gains on available for sale securities recorded as a component of Other Comprehensive Income (Loss) before the impact of reclassifications were approximately $19,000 and $65,000, respectively, during the three months ended December 31, 2015 and 2014.

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 December 31, 2015 and September 30, 2015 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015:				
U.S. Treasury securities and obligations of U.S. government agencies	$2,003	$—	$(12)	$1,991
Corporate securities	2,813	—	(2)	2,811
Other debt securities	41	—	—	41
Municipal securities	4,825	—	(13)	4,812
Total marketable securities	$9,682	$—	$(27)	$9,655
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 December 31, 2015 are presented below (in thousands):

	Fair Value
Due in one year or less	$41
Due after one year through five years	7,311
Due after ten years	2,303
Total marketable securities	$9,655

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 December 31, 2015 and September 30, 2015, the marketable securities were not considered other-than-temporarily impaired and, as such, the Company did not recognize impairment losses during the periods then ended. 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, including 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 December 31, 2015, 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

At the closing of the acquisition of BioStorage, 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. All escrow balances remained unchanged as of December 31, 2015.

The fair value of customer relationship intangible assets 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 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 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 included in the results of operations for the Brooks Life Science Systems segment from the date of the acquisition. During the three months ended December 31, 2015, revenue and net loss from BioStorage recognized in the Company’s results of operations were $6.5 million and $0.6 million, respectively. The net loss included charges of $0.1 million related to the step-up in value of the acquired fixed assets and amortization expense of $0.3 million related to acquired intangible assets.

During the three months ended December 31, 2015, the Company incurred $2.9 million 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 $2.5 million of retention payment 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.

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):

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Revenue	$ 131,001	$ 132,399
Net loss	(71)	(8,887)
Basic loss per share	$ —	$ (0.13)
Diluted loss per share	$ —	$ (0.13)
Weighted average shares outstanding used in computing net loss per share:		
Basic	68,130	67,126
Diluted	68,130	67,126

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. The adjustments reflected in the unaudited pro forma information included amortization expense of $0.5 million and $0.7 million, respectively, for the three months ended December 31, 2015 and 2014, as well as the related tax effects of $0.5 million and

Table of Contents

$1.3 million, respectively, during each of the periods then ended. Additionally, transaction costs of $2.9 million and restructuring charges of $0.8 million were included in the proforma net loss during the three months ended December 31, 2014. The impact of the transaction costs and the restructuring charges was excluded from the proforma net loss during the three months ended December 31, 2015.

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 Product Solutions 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 December 31, 2015, 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 three months ended December 31, 2015, 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. During the three months ended December 31, 2015, the Company adopted Accounting Standards Update, or ASU, 2015-16, Simplifying the Accounting for Measurement Period Adjustments, and recognized the impact of the measurement period adjustment in the accompanying Consolidated Balance Sheets as of December 31, 2015 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 $0.7 million at December 31, 2015, and the

Table of Contents

Company recognized a corresponding gain of $0.1 million on the fair value remeasurement during the three months ended December 31, 2015. Please refer to Note 17 “Fair Value Measurements” for further information on the fair value measurement of the contingent consideration.

At December 31, 2015, the Company had $1.5 million in an escrow account which consisted of approximately $750,000 payable to the sellers upon termination of a certain third-party arrangement and approximately $750,000 related to potential working capital adjustments and the sellers' satisfaction of general representations and warranties.

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 Product Solutions 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 Product Solutions segment from the date of the acquisition. During the three months ended December 31, 2015, revenue and net loss from Contact were $0.7 million and $0.5 million, respectively. The net loss included charges of $0.1 million related to the step-up in value of the acquired inventories and amortization expense of $0.2 million related to acquired intangible assets.

The Company did not present a pro forma information summary for its consolidated results of operations for the three months ended December 31, 2014 as if the acquisition of Contact occurred on October 1, 2014 because such results were insignificant.

Acquisition of FluidX Ltd.

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 paid such proceeds to the sellers, which increased the purchase price by $0.1 million. At December 31, 2015, the Company had $1.5 million in a general escrow account held by the unrelated third party. 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.

Table of Contents

Fair values of the trademarks and the existing 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 December 31, 2015, revenue and net loss from FluidX were $3.8 million and $0.1 million, respectively. The net loss included amortization expense of $0.3 million related to acquired intangible assets. During the three months ended December 31, 2014, revenue and net loss from FluidX were $3.6 million and $0.5 million, respectively. The net loss included amortization expense of $0.3 million related to acquired intangible assets.

The Company incurred $0.3 million during the three months ended December 31, 2014 in non-recurring transaction costs with respect to the FluidX acquisition which were recorded in "Selling, general and administrative" expenses within the unaudited Consolidated Statements of Operations.

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. During fiscal year 2015, the Company completed the annual goodwill impairment test and determined that no adjustment to goodwill was necessary since the fair value of all reporting units substantially exceeded their respective carrying values. 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. No triggering events indicating goodwill impairment occurred during the three months ended December 31, 2015 that would warrant interim testing.

The components of the Company’s goodwill by business segment at December 31, 2015 and September 30, 2015 are as follows (in thousands):

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Other	Total
Gross goodwill, at September 30, 2014	$494,275	$156,792	$ 47,378	$26,014	$724,459
Accumulated goodwill impairments	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at September 30, 2014	56,569	5,554	47,378	—	109,501
Acquisitions and adjustments	3,660	—	8,247	—	11,907
Gross goodwill, at September 30, 2015	497,935	156,792	55,625	26,014	736,366
Accumulated goodwill impairments	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at September 30, 2015	60,229	5,554	55,625	—	121,408
Acquisitions and adjustments	1,050	—	79,889	—	80,939
Gross goodwill, at December 31, 2015	498,985	156,792	135,514	26,014	817,305
Accumulated goodwill impairments	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, net of accumulated impairments, at December 31, 2015	$61,279				