BROOKS AUTOMATION INC
Form 10-Q
April 30, 2015
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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: March 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, April 23, 2015: common stock, $0.01 par value and 67,481,408 shares outstanding.

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

	March 31, 2015	September 30, 2014
Assets		
Current assets		
Cash and cash equivalents	$73,176	$ 94,114
Marketable securities	69,327	68,130
Accounts receivable, net	94,679	80,106
Inventories	90,558	93,567
Deferred tax assets	18,871	19,009
Prepaid expenses and other current assets	14,841	19,387
Total current assets	361,452	374,313
Property, plant and equipment, net	46,833	50,183
Long-term marketable securities	64,601	83,212
Long-term deferred tax assets	69,595	67,563
Goodwill	118,264	109,501
Intangible assets, net	59,693	59,550
Equity method investments	27,027	28,944
Other assets	9,490	4,772
Total assets	$756,955	$ 778,038
Liabilities and equity		
Current liabilities		
Accounts payable	$43,610	$ 33,740
Capital lease obligation	881	881
Deferred revenue	19,943	26,279
Accrued warranty and retrofit costs	6,203	6,499
Accrued compensation and benefits	15,345	21,663
Accrued restructuring costs	3,297	3,475
Accrued income taxes payable	2,789	1,808
Deferred tax liabilities	458	808
Accrued expenses and other current liabilities	15,027	18,688
Total current liabilities	107,553	113,841
Long-term capital lease obligation	7,173	7,417
Long-term tax reserves	4,175	5,708
Long-term deferred tax liabilities	3,418	2,567
Long-term pension liability	2,342	1,774
Other long-term liabilities	3,467	3,842
Total liabilities	128,128	135,149
Commitments and contingencies (Note 18)		
Equity		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
	809	804

Common stock, $0.01 par value, 125,000,000 shares authorized, 80,943,277 shares issued and 67,481,408 shares outstanding at March 31, 2015, 80,375,777 shares issued and 66,913,908 shares outstanding at September 30, 2014		
Additional paid-in capital	1,840,426	1,834,619
Accumulated other comprehensive income	9,333	15,687
Treasury stock at cost, 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(1,020,785)	(1,007,265)
Total equity	628,827	642,889
Total liabilities and equity	$756,955	$ 778,038

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

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

	Three months ended March 31, 2015	Three months ended March 31, 2014	Six months ended March 31, 2015	Six months ended March 31, 2014
Revenue				
Product	$116,395	$102,534	$216,125	$195,664
Services	22,918	23,366	45,924	47,308
Total revenue	139,313	125,900	262,049	242,972
Cost of revenue				
Product	79,048	64,786	149,268	125,522
Services	14,240	16,816	27,668	32,261
Total cost of revenue	93,288	81,602	176,936	157,783
Gross profit	46,025	44,298	85,113	85,189
Operating expenses				
Research and development	12,678	12,493	26,167	25,044
Selling, general and administrative	29,609	28,637	59,020	54,772
Restructuring and other charges	685	772	3,353	1,519
Total operating expenses	42,972	41,902	88,540	81,335
Operating income (loss)	3,053	2,396	(3,427)	3,854
Interest income	228	258	479	504
Interest expense	(98)	—	(200)	—
Other income, net	1,161	56	2,180	315
Income (loss) before income taxes and equity in earnings (losses) of equity method investments	4,344	2,710	(968)	4,673
Income tax provision (benefit)	1,560	1,117	(1,550)	1,910
Income before equity in earnings (losses) of equity method investments	2,784	1,593	582	2,763
Equity in earnings (losses) of equity method investments	(73)	510	(605)	1,259
Income (loss) from continuing operations	2,711	2,103	(23)	4,022
Income from discontinued operations, net of tax	—	1,162	—	2,739
Net income (loss)	2,711	3,265	(23)	6,761
Net income attributable to noncontrolling interests	—	(76)	—	(124)
Net income (loss) attributable to Brooks Automation, Inc.	$2,711	$3,189	$(23)	$6,637
Basic net income (loss) per share attributable to Brooks Automation, Inc. common stockholders:				
Net income (loss) from continuing operations	$0.04	$0.03	$—	$0.06
Net income from discontinued operations, net of tax	—	0.02	—	0.04
Basic net income (loss) per share attributable to Brooks Automation, Inc.	$0.04	$0.05	$—	$0.10
Diluted net income (loss) per share attributable to Brooks Automation, Inc. common stockholders:				
Net income (loss) from continuing operations	$0.04	$0.03	$—	$0.06
Net income from discontinued operations, net of tax	—	0.02	—	0.04

Diluted net income (loss) per share attributable to Brooks Automation, Inc.	$0.04	$0.05	$—	$0.10
Dividend declared per share	$0.10	$0.08	$0.20	$0.16
Shares used in computing earnings (loss) per share:				
Basic	67,387	66,646	67,255	66,499
Diluted	68,414	67,505	67,255	67,383

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

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

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Net income (loss)	$2,711	$3,265	$(23)	$6,761
Comprehensive income (loss):				
Change in cumulative translation adjustment	(2,423)	(547)	(6,565)	(841)
Change in unrealized gain on marketable securities	267	22	202	21
Change in fair value on cash flow hedges	—	(37)	—	68
Actuarial gain (loss)	(13)	10	9	21
Comprehensive income (loss)	542	2,713	(6,377)	6,030
Comprehensive income attributable to noncontrolling interests	—	(76)	—	(124)
Comprehensive income (loss) attributable to Brooks Automation, Inc.	$542	$2,637	$(6,377)	$5,906

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

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

	Six months ended March 31, 2015	2014
Cash flows from operating activities		
Net income (loss)	$(23)	$6,761
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	12,733	11,170
Impairment of intangible assets	—	398
Stock-based compensation	7,108	6,516
Amortization of premium on marketable securities	634	610
Undistributed losses (earnings) of equity method investments	605	(1,259)
Deferred income tax provision (benefit)	(2,728)	2,269
(Gain) loss on disposal of long-lived assets	(4)	39
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable	(13,269)	(6,057)
Inventories	2,474	276
Prepaid expenses and other current assets	(5,365)	1,546
Accounts payable	8,345	248
Deferred revenue	(3,868)	13,408
Accrued warranty and retrofit costs	(274)	(951)
Accrued compensation and benefits	(6,200)	2,730
Accrued restructuring costs	(6)	141
Accrued expenses and other current liabilities	4,791	(2,194)
Net cash provided by operating activities	4,953	35,651
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,647)	(2,696)
Purchases of marketable securities	(30,739)	(63,561)
Sale/maturity of marketable securities	47,625	46,551
Acquisitions, net of cash acquired	(17,257)	—
Proceeds from the sale of property, plant and equipment	6	—
Other investment	(5,000)	(4,000)
Decrease in restricted cash	—	177
Net cash used in investing activities	(9,012)	(23,529)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	867	967
Principal repayment of capital lease obligation	(244)	—
Common stock dividend paid	(13,480)	(10,800)
Net cash used in financing activities	(12,857)	(9,833)
Effects of exchange rate changes on cash and cash equivalents	(4,022)	21
Net increase (decrease) in cash and cash equivalents	(20,938)	2,310
Cash and cash equivalents, beginning of period	94,114	82,971
Cash and cash equivalents, end of period	$73,176	$85,281

Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of buildings and land through capital lease	$—	$8,537

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

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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 the opinion of management, all material adjustments, which are of a normal and recurring nature, and necessary for a fair presentation of the financial position and results of operations for the periods presented have been reflected. 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.
In the second quarter of fiscal year 2014, the Company determined that its Granville-Phillips Gas Analysis & Vacuum Measurement ("Granville-Phillips") business met the criteria to be reported as a discontinued operation. As a result, the Company’s historical financial statements have been revised to present the operating results of the Granville-Phillips business as a discontinued operation. The results of operations from the Granville-Phillips business are presented as “Income from discontinued operations, net of tax” in the Consolidated Statements of Operations. The discussion in the notes to these consolidated financial statements, unless otherwise noted, relate solely to the Company's continuing operations (See Note 3).
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, 2014 (the "2014 Annual Report on Form 10-K").
Use of Estimates and Summary of Significant Accounting Policies
The preparation of 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 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 become known.
The Company’s significant accounting policies are described in Note 2 in the 2014 Annual Report on Form 10-K.
Recently Enacted Accounting Pronouncements
In July 2013, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting guidance for presentation of unrecognized tax benefits. The prior guidance related to unrecognized tax benefits did not explicitly address financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The amended guidance eliminates the existing diversity in practice in the presentation of unrecognized tax benefits in these instances. Under the amended guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, will be presented in the financial statements as a reduction of a deferred tax asset when an operating loss carryforward, a similar tax loss or a tax credit carryforward exists, with limited exceptions. On October 1, 2014 the Company adopted this guidance, which had no impact on its financial position or 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. Under the amended guidance, 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 new guidance allows companies to have significant continuing involvement and continuing cash flows with the discontinued operation. The amended guidance is effective for fiscal years beginning on or after December 15, 2014. Early adoption is permitted for disposals, or classifications as held for sale, that have not been previously reported in financial statements. The Company has not considered this amended guidance in regard to the Granville-Phillips discontinued operation.

In May 2014, the FASB issued new accounting guidance for reporting revenue recognition. The guidance recognizes 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. The five step process may make it possible that more judgment and estimation is required within the revenue recognition process than required under existing 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. This guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. The Company is evaluating the impact that the adoption of this guidance will have 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 GAAP. As a result, items that are both unusual and infrequent will no longer be separately reported net of tax after continuing operations. This guidance is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance will have no 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 by changing the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The Company is evaluating this standard and assessing the potential impact on its financial position and results of operations.

2. Stock-Based Compensation

The Company may issue restricted stock units and restricted stock awards collectively ("restricted stock units") and stock options which vest upon the satisfaction of a performance condition and/or a service condition. In addition, the Company issues shares to participating employees pursuant to an employee stock purchase plan.

The following table reflects stock-based compensation expense, excluding amounts related to discontinued operations, recorded during the three and six months ended March 31, 2015 and 2014 (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Restricted stock units	$3,512	$3,683	$6,884	$6,293
Employee stock purchase plan	113	112	224	225
	$3,625	$3,795	$7,108	$6,518

The fair value per share of a restricted stock unit is equal to the quoted price of the Company’s common stock on the date of grant, net of estimated forfeitures. The expense related to these awards is being recorded ratably over the vesting period. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, the Company estimates the likelihood of achieving the performance goals against previously established performance targets in accordance with the Company's long-term equity incentive plan.

The Company grants restricted stock units that vest over a required service period and awards where vesting is dependent upon achieving certain operating performance goals. Restricted stock units granted with performance goals also have a required service period. The following table reflects restricted stock units granted, including awards related to the discontinued operation, during the six months ended March 31, 2015 and 2014:

	Total Units	Time-Based and Board of Directors' Units	Performance-Based Units
Six months ended March 31, 2015	1,443,959	619,709	824,250
Six months ended March 31, 2014	1,409,557	601,432	808,125

Time-based and Board of Directors' Grants

Units granted with a required service period typically have three year vesting schedules in which, subject to the award holder meeting service requirements, one-third vest at the first anniversary of the date of grant, one-third vest at the second anniversary of the date of grant and one-third vest at the third anniversary of the date of grant. The Company granted 62,405 stock units and 77,557 stock units for the six months ended March 31, 2015 and 2014, respectively, to the Company’s Board of Directors, which vest immediately.

Performance-based Grants

Performance-based units have performance criteria established by the Company’s Human Resources and Compensation Committee and the Board of Directors. The criteria for performance-based awards are weighted and have minimum performance thresholds, which if not met result in no vesting as to that metric’s weighted percentage.

Performance-based awards granted in fiscal year 2014 included provisions where participants could achieve up to 200% of the targeted number of performance-based awards if the Company's performance exceeds the target. The measurement of achievement against performance-based units granted in fiscal year 2014 occurred at the end of fiscal year 2014 to determine the number of earned units eligible for subsequent vesting, in which one-half vest at the second anniversary of the date of grant and one-half vest at the third anniversary of the date of grant, subject to the award holder meeting service requirements.

The Company exceeded the fiscal year 2014 financial objectives associated with the performance-based awards which were granted in the first quarter of fiscal year 2014. Under the terms of the award, a total of 1,250,169 units could vest, subject to award holders satisfying the service requirement, which is an increase of 442,044 units over the target grant. Units granted to the employees of Granville-Phillips were forfeited upon completion of the sale.

Performance-based awards granted in fiscal year 2015 included provisions where participants could achieve up to 200% of the targeted number of performance-based awards if the Company's performance exceeds the target objectives.

Sixty percent of the performance-based units granted in fiscal year 2015 have certain performance criteria to be measured at the end of fiscal year 2015 to determine the number of earned units, in which one-half vest at the second anniversary of the date of grant and one-half vest at the third anniversary of the date of grant, subject to the award holder meeting service requirements. Forty percent of the performance-based units granted in fiscal year 2015 have certain performance criteria to be measured over a three year period to be measured at the end of fiscal year 2017 with any earned units vesting at the third anniversary of the date of the grant, subject to award holders satisfying the service requirement.

Stock Option Activity

The following table summarizes stock option activity for the six months ended March 31, 2015:

	Number of Options	Weighted-Average Remaining Contractual Term	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
Outstanding at September 30, 2014	5,550		$13.20	
Forfeited/expired	(5,550)		13.20	
Outstanding at March 31, 2015	—	0.0 years	$—	$—
Vested at March 31, 2015	—	0.0 years	$—	$—
Options exercisable at March 31, 2015	—	0.0 years	$—	$—

No stock options were granted during the three or six months ended March 31, 2015 or 2014. There were no stock option exercises in the three or six months ended March 31, 2015 or 2014.

As of March 31, 2015, there was no future compensation cost related to stock options as all outstanding stock options have vested.

Restricted Stock Unit Activity

The following table summarizes restricted stock unit activity for the six months ended March 31, 2015:

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding at September 30, 2014	2,726,485	$11.05
Restricted stock units granted	1,443,959	11.95
Restricted stock units vested	(659,120)	11.93
Restricted stock units canceled	(241,072)	10.52
Outstanding at March 31, 2015	3,270,252	$11.90

The fair value of restricted stock units vested during the three months ended March 31, 2015 and 2014 was $1.0 million and $1.8 million, respectively. The fair value of restricted stock units vested during the six months ended

March 31, 2015 and 2014 was $7.9 million and $4.9 million, respectively.
As of March 31, 2015, the unrecognized compensation cost related to restricted stock units that is expected to vest is $21.7 million and will be recognized over an estimated weighted average service period of 1.9 years.

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Employee Stock Purchase Plan

A total of 96,415 shares were purchased under the employee stock purchase plan during the three and six months ended March 31, 2015 for aggregate proceeds of $0.9 million. A total of 115,132 shares were purchased under the employee stock purchase plan during the three and six months ended March 31, 2014 for aggregate proceeds of $1.0 million.

3. Discontinued Operations

The Granville-Phillips business unit developed, manufactured, sold and serviced vacuum measurement and gas analysis instrumentation to semiconductor and non-semiconductor customers. In March 2014, the Company entered into an agreement to sell this business for $87.0 million in cash. The sale was completed on May 30, 2014. The Company's historical financial statements have been revised to present the operating results of the Granville-Phillips business as a discontinued operation. The presentation of the Granville-Phillips business as a discontinued operation had no impact on previously reported net income (loss) or stockholders' equity.

4. Acquisitions

Acquisitions Completed in Fiscal Year 2015

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 assets and liabilities associated with FluidX at their fair values as of the acquisition date. The preliminary amounts recorded were as follows (in thousands):

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 on certain working capital adjustments with the sellers of FluidX stock. On February 3, 2015, the Company paid such proceeds to the seller which increased the purchase price by $0.1 million. At March 31, 2015, the Company had $1.5 million in a general escrow account. The Company has not yet completed the final allocation of the consideration in connection with the acquisition of FluidX, but expects to do so in the measurement period.

The Company used the relief-from-royalty method, a form of the income approach, to value the trademarks and existing technology acquired. The principle behind this method is 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. The Company used the excess-earnings method, a form of the income approach, to value the customer relationships acquired. The principle behind this method is that 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 periods for intangible assets acquired in the FluidX acquisition are 7.0 years for each of completed technology, trademarks, and customer relationships. The intangible assets acquired will be 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 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. Goodwill arising from the acquisition of FluidX 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. Revenue from FluidX for the three months ended March 31, 2015 was $3.8 million and the net income was $0.4 million. Revenue from FluidX for the six months ended March 31, 2015 was $7.4 million and the net loss was $0.1 million. The net income (loss) for the three and six months ended March 31, 2015 includes charges to expense of $0.0 million and $1.0 million, respectively, related to the step-up in value of the acquired inventories. The net income (loss) for the three and six months ended March 31, 2015 also includes amortization expense of $0.3 million and $0.7 million, respectively.

Acquisitions Completed in Fiscal Year 2014

On April 30, 2014, the Company acquired all the outstanding stock of Dynamic Micro Systems Semiconductor Equipment GmbH (“DMS”), a German provider of automated contamination control solutions for front opening unified pod, or "FOUP," carriers and reticle storage, targeted at improving yield of semiconductor processes at semiconductor fabrication plants. The Company paid, in cash, aggregate merger consideration of $31.6 million, net of cash acquired. The acquisition of DMS expanded the Company’s capabilities at semiconductor fabrication plants for yield improvement on new technology nodes.

The Company recorded the assets and liabilities associated with DMS at their fair values as of the acquisition date. The preliminary amounts recorded were as follows (in thousands):

Accounts receivable	$15,262	
Inventory	9,750	
Prepaid and other current assets	2,727	
Property, plant and equipment	2,049	
Completed technology	3,610	
Customer relationships	7,100	
Goodwill	11,939	
Accounts payable	(10,393	)
Accrued liabilities	(5,522	)
Deferred revenue	(1,309	)
Long-term deferred tax liabilities	(3,588	)
Total purchase price, net of cash acquired	$31,625	

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.

The Company reached settlement on certain working capital adjustments and other issues with the sellers of DMS' stock in the fourth quarter of fiscal year 2014. As a result of this settlement, the Company received $2.2 million in the first quarter of fiscal year 2015 from certain escrows established at the date of acquisition. At March 31, 2015, $2.7 million remained in escrow related to potential future claims against the sellers of DMS' stock. The Company has not yet completed the final allocation of the consideration paid in connection with the acquisition of DMS with respect to matters associated with the balances held in escrow and the potential impact of these matters on deferred tax liabilities. However, the Company expects to complete the final allocation within the measurement period.

The Company used the relief-from-royalty method, a form of the income approach, to value the completed technology acquired. The principle behind this method is 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. The Company used the excess-earnings method, a form of the income approach, to value the customer relationships acquired. The principle behind this method is that 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 periods for intangible assets acquired in the DMS acquisition are 5.0 years for completed technologies and 8.0 years for customer relationships. The intangible assets acquired will be amortized using methods that approximate the pattern in which the economic benefits are expected to be realized, including variable declining balance and straight-line methods.

Goodwill represents the excess of the consideration transferred over 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 DMS with the Company. Goodwill arising from the acquisition of DMS is not deductible for tax purposes. In the first quarter of fiscal year 2015, the Company increased the opening goodwill balance by $0.3 million as a result of a fair value adjustment recorded to inventory.

The operating results of DMS have been included in the results of operations for the Brooks Product Solutions segment from the date of the acquisition. Revenue from DMS for the three months ended March 31, 2015 was $9.0 million and the net income was $0.1 million. Revenue from DMS for the six months ended March 31, 2015 was $16.1 million and the net loss was $0.2 million. The net income for the three and six months ended March 31, 2015 includes charges to expense of $0.0 million and $0.6 million, respectively, related to the step-up in value of the acquired inventories. The net income for the three and six months ended March 31, 2015 also includes amortization of acquired intangible assets of $0.6 million and $1.1 million, respectively.

The following pro forma summary presents consolidated information of the Company as if the acquisition of DMS occurred on October 1, 2013 (in thousands):

	Three months ended March 31, 2014	Six months ended March 31, 2014
Revenue	$140,408	$259,853
Net income attributable to Brooks Automation, Inc.	3,467	2,860

The pro forma net income has been adjusted to reflect additional amortization from adjustments to intangible assets as if those adjustments had been applied as of October 1, 2013.

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. The Company performs an annual impairment test of its goodwill on September 30 of each fiscal year unless interim indicators of impairment exist. The Company did not identify any indicators of goodwill impairment during the six month period ended March 31, 2015 that would warrant an interim test.

The components of the Company’s goodwill, excluding amounts related to the discontinued operations, by business segment at March 31, 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
Less: aggregate impairment charges recorded	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, less accumulated impairments at September 30, 2014	56,569	5,554	47,378	—	109,501
Acquisitions and adjustments during the six months ended March 31, 2015	516	—	8,247	—	8,763
Goodwill, less accumulated impairments at March 31, 2015	$57,085	$5,554	$55,625	$—	$118,264

Components of the Company’s identifiable intangible assets, excluding amounts related to the discontinued operations, are as follows (in thousands):

	March 31, 2015			September 30, 2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	$7,808	$7,347	$461	$7,808	$7,300	$508
Completed technology	58,409	44,141	14,268	57,155	41,539	15,616
Trademarks and trade names	4,240	3,546	694	3,496	3,496	—
Customer relationships	77,916	33,646	44,270	73,389	29,963	43,426
	$148,373	$88,680	$59,693	$141,848	$82,298	$59,550

The Company recorded an increase to goodwill in the amount of $8.8 million during the six months ended March 31, 2015. This increase includes $8.2 million related to the acquisition of FluidX, representing the excess of the

consideration transferred over the net assets acquired from FluidX. This increase also includes $0.3 million due to a fair value adjustment recorded to DMS inventory, resulting in an increase to opening goodwill.
The Company is required to test certain long-lived assets when indicators of impairment are present. The Company

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evaluated the existence of impairment indicators on long-lived assets for the six months ended March 31, 2015 and determined that the indicators were not present. The Company initially determined that impairment indicators were present for the long-lived assets related to the Celigo product line as of September 30, 2013. The long-lived assets in question were tested for recoverability, which resulted in the conclusion that the carrying amounts of the assets were not fully recoverable. As a result of this analysis, management determined that an impairment loss of $2.0 million had occurred as of September 30, 2013. The Company revised its estimate of the fair value of these assets during the three months ended December 31, 2013 and determined that an additional impairment loss of $0.4 million, representing the remaining carrying value of the long-lived assets, was required. These impairment losses were recorded in the Brooks Life Science Systems segment. The Company completed the sale of the Celigo product line in the second quarter of fiscal year 2014.

6. Income Taxes

The Company recorded an income tax provision (benefit) of $1.6 million and $(1.6) million for the three and six months ended March 31, 2015, respectively. The tax provision is driven by global income during the current quarter and interest related to unrecognized tax benefits. The tax benefit is driven by U.S. pre-tax losses in the first quarter of fiscal 2015, $0.6 million of reductions in unrecognized tax benefits resulting from the expiration of the statute of limitations in various foreign jurisdictions and $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. These benefits are partially offset by foreign income taxes and interest related to unrecognized tax benefits.

The Company recorded an income tax provision of $1.1 million and $1.9 million for the three and six months ended March 31, 2014, respectively. These tax provisions substantially consist of U.S. and foreign income taxes, as well as interest related to unrecognized tax benefits.

The Company evaluates the realizability of its deferred tax assets by jurisdiction and assesses the need for a valuation allowance on a quarterly basis. As of March 31, 2015, the Company has continued to maintain a valuation allowance in the U.S. against certain tax credits and state net operating losses due to the uncertainty of their realization based on long-term Company forecasts and the expiration dates on these attributes. The Company has also continued to maintain a valuation allowance in certain jurisdictions that have not generated historical cumulative profitability.

The Company is subject to U.S. federal income tax and various state, local and foreign 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. 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. In the Company's U.S. and foreign jurisdictions, the years that may be examined vary, with the earliest tax year being 2008. Based on the outcome of these examinations, or the expiration of statutes of limitations for specific jurisdictions, the related unrecognized tax benefits could change from those recorded in the Company's Consolidated Balance Sheets. It is reasonably possible that the unrecognized tax benefit will be reduced by approximately $1.3 million during the next twelve months as the result of the expiration of statutes of limitations.

7. Earnings per Share

Below is a reconciliation of weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Weighted average common shares outstanding used in computing basic earnings per share	67,387	66,646	67,255	66,499
Dilutive common stock options and restricted stock units	1,027	859	—	884
Weighted average common shares outstanding for purposes of computing diluted earnings per share	68,414	67,505	67,255	67,383

Options to purchase approximately 2,000 and 16,000 shares of common stock and 552,000 and 0 restricted stock units were excluded from the computation of diluted earnings per share attributable to common stockholders for the three months ended March 31, 2015 and 2014, respectively, as their effect would be anti-dilutive. In addition, options to purchase approximately 16,000 shares of common stock and 0 shares of restricted stock were excluded from the computation of diluted earnings per share attributable to common stockholders for the six months ended March 31, 2014, as their effect would be anti-dilutive. All unvested shares of restricted stock units were excluded from the computation of diluted earnings per share for the six months ended March 31, 2015 as a result of the net loss for that period.

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8. Segment Information

The Company reports financial results in three segments: Brooks Product Solutions, Brooks Global Services and Brooks Life Science Systems. A description of segments is included in the 2014 Annual Report on Form 10-K, included in Note 18.

The Company evaluates the performance of, and allocates resources to, each of its segments based on their revenues, operating income (loss) and returns on invested assets. Operating income (loss) for each segment includes selling, general and administrative expenses directly attributable to the segment. Other unallocated corporate expenses, amortization of acquired intangible assets (excluding completed technology) and restructuring and other charges are excluded from the segments' operating income (loss). The Company's indirect overhead costs, which include various general and administrative expenses, are allocated among the segments based upon multiple cost drivers associated with the respective administrative function, including segment revenue, segment headcount, or an analysis of the segments that benefit from a specific administrative function. Segment assets exclude cash, cash equivalents, marketable securities, deferred tax assets and equity method investments.

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Financial information for the Company's business segments, excluding amounts related to the discontinued operations, is as follows (in thousands):

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Total
Three months ended March 31, 2015				
Revenue				
Product	$98,958	$4,128	$13,309	$116,395
Services	—	18,709	4,209	22,918
	$98,958	$22,837	$17,518	$139,313
Gross profit	$33,995	$7,043	$4,987	$46,025
Segment operating income (loss)	$7,995	$2,108	$(4,391)	$5,712
Three months ended March 31, 2014				
Revenue				
Product	$89,897	$4,213	$8,424	$102,534
Services	—	19,178	4,188	23,366
	$89,897	$23,391	$12,612	$125,900
Gross profit	$31,960	$7,676	$4,662	$44,298
Segment operating income (loss)	$6,127	$2,248	$(3,565)	$4,810
Six months ended March 31, 2015				
Revenue				
Product	$181,814	$8,236	$26,075	$216,125
Services	—	37,798	8,126	45,924
	$181,814	$46,034	$34,201	$262,049
Gross profit	$60,917	$15,506	$8,690	$85,113
Segment operating income (loss)	$8,457	$5,661	$(9,907)	$4,211
Six months ended March 31, 2014				
Revenue				
Product	$171,453	$7,652	$16,559	$195,664
Services	—	39,058	8,250	47,308
	$171,453	$46,710	$24,809	$242,972
Gross profit	$60,461	$15,501	$9,227	$85,189
Segment operating income (loss)	$10,455	$5,091	$(7,040)	$8,506
Assets				
March 31, 2015	$259,393	$55,809	$117,249	$432,451
September 30, 2014	$252,944	$58,678	$103,498	$415,120

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A reconciliation of the Company’s reportable segment operating income (loss) to the corresponding consolidated amounts for the three and six month periods ended March 31, 2015 and 2014 is as follows (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Segment operating income	$5,712	$4,810	$4,211	$8,506
Amortization of acquired intangible assets	1,914	1,460	3,826	2,916
Restructuring and other charges	685	772	3,353	1,519
Other unallocated corporate expenses	60	182	459	217
Total operating income (loss)	$3,053	$2,396	$(3,427)	$3,854

A reconciliation of the Company’s reportable segment assets to the corresponding consolidated amounts as of March 31, 2015 and September 30, 2014 is as follows (in thousands):

	March 31, 2015	September 30, 2014
Segment assets	$432,451	$ 415,120
Cash, cash equivalents and marketable securities	207,104	245,456
Deferred tax assets	88,466	86,572
Equity method investments	27,027	28,944
Other unallocated corporate net assets	1,907	1,946
Total assets	$756,955	$ 778,038

9. Significant Customers

The Company had one customer that accounted for more than 10% of its revenue, at 11% and 10%, in the three months ended March 31, 2015 and 2014, respectively. The Company had one customer that accounted for more than 10% of its revenue at 12%, in each of the six months ended March 31, 2015 and 2014. The Company did not have any customers that accounted for more than 10% of its accounts receivable balance at March 31, 2015 or September 30, 2014.

For purposes of determining the percentage of revenue from any original equipment manufacturer ("OEM") customer, the Company does not include revenue from products sold to a contract manufacturer customer which in turn sells to the OEM. If the Company included revenue from products sold to contract manufacturer customers supporting the Company's OEM customers, the percentage of the Company's total revenue derived from certain OEM customers would be higher.

10. Restructuring and Other Charges

The Company recorded a restructuring charge of $0.7 million for the three months ended March 31, 2015 related to severance costs. These severance costs were driven by actions taken to consolidate global functional support roles and transition the manufacturing of certain product sub-assemblies to third party contract manufacturers within the Brooks Life Science Systems segment. The Company incurred additional severance costs within the Brooks Product Solutions segment related to the transition of manufacturing certain products from the Company's facility in Mistelgau, Germany to a third party contract manufacturer. The Company's manufacturing site in Germany is expected to close in 2016.

The Company recorded a restructuring charge of $3.4 million for the six months ended March 31, 2015, which included $2.1 million of severance costs and $1.2 million of facility exit costs. Included in these restructuring charges are the severance costs described above along with $2.7 million of restructuring costs for the three months ended December 31, 2014 as a result of actions taken to reduce the Company's workforce in order to improve its cost structure and ongoing cost discipline. These restructuring charges related primarily to severance costs of $1.5 million and facility exit related costs of $1.2 million. The reduction in workforce was primarily the result of consolidation of positions in the United States and Germany, including reductions related to the integration of the Company's acquisition of DMS. The facility exit costs were due to the outsourcing of manufacturing certain products in the Company's line of Polycold cryochillers and compressors within the United States to a third party contract manufacturer. The facility exit costs were estimated according to future lease payments and operating costs to be paid until the termination of the lease.

The Company recorded a restructuring charge of $0.8 million and $1.5 million for the three and six months ended March 31, 2014, respectively. These restructuring costs consisted primarily of severance and other workforce-related costs resulting from the consolidation of certain administrative functions in the Brooks Life Science Systems segment, the on-going

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transition of manufacturing certain of the Company's Polycold products to a third party contract manufacturer and other programs designed to improve the Company's cost structure.

The activity for the three and six months ended March 31, 2015 and 2014 related to the Company's restructuring-related accruals, excluding amounts related to the discontinued operations, is summarized below (in thousands):

	Activity — Three months ended March 31, 2015			
	Balance at December 31, 2014	Expense	Utilization	Balance at March 31, 2015
Facilities and other	$1,175	$—	$(271)	$904
Workforce-related	2,753	685	(1,045)	2,393
	$3,928	$685	$(1,316)	$3,297

	Activity — Three Months Ended March 31, 2014			
	Balance at December 31, 2013	Expense	Utilization	Balance at March 31, 2014
Facilities and other	$57	$7	$(64)	$—
Workforce-related	1,405	765	(618)	1,552
	$1,462	$772	$(682)	$1,552

	Activity — Six months ended March 31, 2015			
	Balance at September 30, 2014	Expense	Utilization	Balance at March 31, 2015
Facilities and other	$71	$1,205	$(372)	$904
Workforce-related	3,404	2,148	(3,159)	2,393
	$3,475	$3,353	$(3,531)	$3,297

	Activity — Six months ended March 31, 2014			
	Balance at September 30, 2013	Expense	Utilization	Balance at March 31, 2014
Facilities and other	$155	$13	$(168)	$—
Workforce-related	1,257	1,506	(1,211)	1,552
	$1,412	$1,519	$(1,379)	$1,552

The Company anticipates that the accrued restructuring costs at March 31, 2015 will be substantially paid in the next twelve months.

11. Employee Benefit Plans

The Company has two active defined benefit pension plans (collectively, the "Plans"). The Plans cover substantially all of the Company's employees in Switzerland and Taiwan. Retirement benefits are generally earned based on years of service and compensation during active employment; however, the level of benefits varies within the Plans. Eligibility is determined in accordance with local statutory requirements.

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The components of the Company’s net pension cost for the three and six months ended March 31, 2015 and 2014 are as follows (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Service cost	$129	$102	$248	$202
Interest cost	33	39	64	78
Amortization of losses	—	—	—	1
Expected return on assets	(58)	(55)	(111)	(108)
Net periodic pension cost	$104	$86	$201	$173

12. Other Balance Sheet Information

The following is a summary of accounts receivable at March 31, 2015 and September 30, 2014 (in thousands):

	March 31, 2015	September 30, 2014
Accounts receivable	$96,066	$81,270
Less allowance for doubtful accounts	(1,261)	(1,031)
Less allowance for sales returns	(126)	(133)
	$94,679	$80,106

The following is a summary of inventories at March 31, 2015 and September 30, 2014, excluding amounts related to discontinued operations (in thousands):

	March 31, 2015	September 30, 2014
Inventories		
Raw materials and purchased parts	$55,456	$57,250
Work-in-process	19,600	20,068
Finished goods	15,502	16,249
	$90,558	$93,567

Reserves for excess and obsolete inventory were $24.9 million and $26.0 million, excluding amounts related to discontinued operations, at March 31, 2015 and September 30, 2014, respectively.

The Company provides for the estimated cost of product warranties, primarily from historical information, at the time product revenue is recognized and retrofit accruals 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.

Product warranty and retrofit activity on a gross basis for the three and six months ended March 31, 2015 and 2014, excluding amounts related to discontinued operations, is as follows (in thousands):

Activity - Three months ended March 31, 2015

Balance at December 31, 2014	Adjustments for Acquisitions and Divestitures	Accruals	Costs Incurred	Balance at March 31, 2015
$6,255	$ —	$2,428	$(2,480)	$6,203

Activity - Three months ended March 31, 2014

Balance at December 31, 2013	Adjustments for Acquisitions and Divestitures	Accruals	Costs Incurred	Balance at March 31, 2014
$6,762	$ —	$2,275	$(2,718)	$6,319

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Activity - Six months ended March 31, 2015

Balance at September 30, 2014	Adjustments for Acquisitions and Divestitures	Accruals	Costs Incurred	Balance at March 31, 2015
$6,499	$ 81	$5,145	$(5,522)	$6,203

Activity - Six months ended March 31, 2014

Balance at September 30, 2013	Adjustments for Acquisitions and Divestitures	Accruals	Costs Incurred	Balance at March 31, 2014
$7,260	$ —	$4,150	$(5,091)	$6,319

13. Equity Method Investments

The Company accounts for certain of its investments using the equity method. Under this method of accounting, the Company records in income its proportionate share of the earnings (losses) of the investee 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 (“BioCision”), a privately-held company based in Larkspur, California, for $4.0 million. 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 the level of equity investment at risk was not sufficient for BioCision to finance its activities without additional financial support and as a result, represented a variable interest entity. However, the Company does not have the power to direct the activities that most significantly impact BioCision’s economic performance, and therefore does not qualify as the primary beneficiary. As such, the Company concluded that BioCision will not be consolidated in the Company's financial statements.

For the three and six months ended March 31, 2015, the Company recorded a loss associated with BioCision of $0.3 million and $0.5 million. At March 31, 2015, the carrying value of the investment in BioCision in the Company’s Consolidated Balance Sheet was $3.2 million.

The Company purchased BioCision five-year convertible debt securities with a warrant agreement to purchase preferred units of BioCision for a total of $2.5 million on December 22, 2014 and February 2, 2015, resulting in a total purchase price of $5.0 million. The convertible debt securities were accounted for under the fair value method, and were recorded at fair value. The warrants were accounted for as a derivative and were recorded at fair value. The Company will re-measure the fair value of the BioCision convertible debt securities and warrants each reporting period, and the respective gain or loss will be recognized in earnings. Interest accrues on the convertible debt securities at a rate of 9% per annum, and is due with the principal upon maturity. As a result of the funding, the Company reconsidered whether BioCision represents a variable interest entity, which is subject to consolidation. The Company concluded that the level of equity investment at risk is still insufficient for BioCision to finance its activities without additional support, thus will remain a variable interest entity. However, the Company still does not have the power to direct the activities that most significantly impact BioCision’s economic performance, and therefore still does not qualify as the primary beneficiary. As such, the Company concluded that BioCision will not be consolidated in the Company's financial statements. As of March 31, 2015, the fair value of the convertible debt securities and warrants was $5.2 million and $70,000, respectively. For further information regarding the convertible debt securities and warrants, see Note 17, “Fair Value Measurements”.

ULVAC Cryogenics, Inc.

The Company participates in a 50% joint venture, ULVAC Cryogenics, Inc. (“UCI”), with ULVAC Corporation of Chigasaki, Japan. UCI manufactures and sells cryogenic vacuum pumps, principally to ULVAC Corporation. For the three months ended March 31, 2015 and 2014, the Company recorded income associated with UCI of $16,000 and $0.5 million, respectively. For the six months ended March 31, 2015 and 2014, the Company recorded income associated with UCI of $0.4 million and $1.2 million, respectively. At March 31, 2015, the carrying value of UCI in the Company’s Consolidated Balance Sheet was $21.9 million. For each of the three months ended March 31, 2015 and 2014, management fee payments received by the Company from UCI were $0.2 million. For each of the six months ended March 31, 2015 and 2014, management fee payments received by the Company from UCI were $0.3 million. For the three months ended March 31, 2015 and 2014, the Company incurred charges from UCI for products or services of $46,000 and $37,000, respectively. For each of the six months ended March 31, 2015 and 2014, the Company incurred charges from UCI for products or services of $0.1 million. At March 31, 2015 and September 30, 2014, the Company owed UCI $46,000 and $79,000, respectively, in connection with accounts payable for unpaid products and services.

Yaskawa Brooks Automation, Inc.

The Company participates in a 50% joint venture with Yaskawa Electric Corporation (“Yaskawa”) called Yaskawa Brooks Automation, Inc. (“YBA”) to exclusively market and sell Yaskawa’s semiconductor robotics products and Brooks’ automation hardware products to semiconductor customers in Japan. During the first quarter of fiscal year 2015, the Company and Yaskawa agreed in principle to dissolve the joint venture. On January 22, 2015, the Company entered into an agreement with YBA to facilitate the acquisition of certain assets and certain liabilities by the Company’s subsidiary in Japan. In accordance with the agreement, on March 20, 2015 the Company’s subsidiary in Japan received the net assets of YBA for cash consideration of approximately $1.8 million. The Company recorded the assets received and liabilities assumed from YBA at their fair value as of the acquisition date. As a result of the transaction, the Company recorded $0.2 million of goodwill, representing the excess of the consideration transferred over the net assets acquired. The cash received by YBA will be used to pay off remaining liabilities and the liquidation costs of YBA. Any remaining cash after making these payments will be distributed to the equity partners in the form of a dividend, which is expected to occur by the end of fiscal year 2015.

The Company recorded $0.2 million of income associated with YBA for the three months ended March 31, 2015, compared to $35,000, for the three months ended March 31, 2014. For the six months ended March 31, 2015 and 2014, the Company recorded income (expense) associated with YBA of $(0.5) million and $17,000, respectively. At March 31, 2015, the carrying value of YBA in the Company’s Consolidated Balance Sheet was $1.9 million. For the three months ended March 31, 2015 and 2014, revenue earned by the Company from YBA was $1.0 million and $2.1 million, respectively. For the six months ended March 31, 2015 and 2014, revenue earned by the Company from YBA was $2.1 million and $2.8 million, respectively. For the three months ended March 31, 2015 and 2014, the Company incurred charges from YBA for products or services of $0.5 million and $0.2 million, respectively. For the six months ended March 31, 2015 and 2014, the Company incurred charges from YBA for products or services of $0.9 million and $0.3 million, respectively.

The amount due from YBA included in accounts receivable at March 31, 2015 and September 30, 2014 was $0.0 million and $2.1 million, respectively. At March 31, 2015 and September 30, 2014, the Company owed YBA $0.0 million and $0.1 million, respectively, in connection with accounts payable for unpaid products and services. The Company expects the YBA dissolution to be completed within the fourth quarter of fiscal year 2015.

14. Note Receivable

In 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 bears interest at a rate of 9% and the outstanding principal and interest was payable 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, first refusal to acquire the Borrower and a redemption premium. The loan was secured by a security agreement granting the Company a first-priority security interest in all of the assets of the Borrower.

The Company determined that the level of equity investment at risk was not sufficient for the entity to finance its activities without additional financial support and as a result, represented a v