BROOKS AUTOMATION INC
Form 10-Q
May 08, 2014
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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, 2014
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 0-25434

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 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 30, 2014: common stock, $0.01 par value and 66,806,263 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, 2014	September 30, 2013
Assets		
Current assets		
Cash and cash equivalents	$85,281	$ 82,971
Restricted cash	—	177
Marketable securities	50,274	45,900
Accounts receivable, net	83,440	77,483
Inventories	93,750	94,411
Deferred tax assets	16,082	16,839
Assets held for sale	28,023	27,778
Prepaid expenses and other current assets	12,489	9,030
Total current assets	369,339	354,589
Property, plant and equipment, net	52,759	47,506
Long-term marketable securities	56,668	44,491
Long-term deferred tax assets	97,422	99,146
Goodwill	97,863	97,924
Intangible assets, net	55,124	60,088
Equity method investments	30,342	25,687
Other assets	7,704	7,332
Total assets	$767,221	$ 736,763
Liabilities and equity		
Current liabilities		
Accounts payable	$35,672	$ 35,392
Capital lease obligation	881	—
Deferred revenue	33,116	19,610
Accrued warranty and retrofit costs	6,319	7,260
Accrued compensation and benefits	16,992	14,225
Accrued restructuring costs	1,552	1,412
Accrued income taxes payable	1,246	1,077
Liabilities held for sale	107	132
Accrued expenses and other current liabilities	16,979	13,453
Total current liabilities	112,864	92,561
Long-term capital lease obligation	7,656	—
Long-term tax liabilities	7,673	7,036
Long-term pension liability	837	815
Other long-term liabilities	3,790	3,695
Total liabilities	132,820	104,107
Commitments and contingencies (Note 18)		
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, 80,268,132 shares issued and 66,806,263 shares outstanding at March 31, 2014, 80,039,104 shares issued and 66,577,235 shares outstanding at September 30, 2013	803	800
Additional paid-in capital	1,831,802	1,825,499
Accumulated other comprehensive income	21,873	22,604
Treasury stock at cost, 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(1,019,945)	(1,015,991)
Total Brooks Automation, Inc. stockholders' equity	633,577	631,956
Noncontrolling interest in subsidiaries	824	700
Total equity	634,401	632,656
Total liabilities and equity	$767,221	$ 736,763

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, 2014	2013	Six months ended March 31, 2014	2013
Revenue				
Product	$102,534	$88,652	$195,664	$159,680
Services	23,366	20,830	47,308	41,308
Total revenue	125,900	109,482	242,972	200,988
Cost of revenue				
Product	64,786	60,685	125,522	111,645
Services	16,816	15,714	32,261	29,979
Total cost of revenue	81,602	76,399	157,783	141,624
Gross profit	44,298	33,083	85,189	59,364
Operating expenses				
Research and development	12,493	11,333	25,044	22,237
Selling, general and administrative	28,637	24,169	54,772	49,324
Restructuring and other charges	772	751	1,519	5,441
Total operating expenses	41,902	36,253	81,335	77,002
Operating income (loss)	2,396	(3,170)	3,854	(17,638)
Interest income	258	265	504	540
Interest expense	—	—	—	(1)
Other income (expense), net	56	77	315	(16)
Income (loss) before income taxes and equity in earnings (losses) of equity method investments	2,710	(2,828)	4,673	(17,115)
Income tax provision (benefit)	1,117	327	1,910	(3,559)
Income (loss) before equity in earnings (losses) of equity method investments	1,593	(3,155)	2,763	(13,556)
Equity in earnings (losses) of equity method investments	510	(10)	1,259	(16)
Income (loss) from continuing operations	2,103	(3,165)	4,022	(13,572)
Income from discontinued operations, net of tax	1,162	2,654	2,739	3,842
Net income (loss)	3,265	(511)	6,761	(9,730)
Net income attributable to noncontrolling interests	(76)	(27)	(124)	(44)
Net income (loss) attributable to Brooks Automation, Inc.	$3,189	$(538)	$6,637	$(9,774)
Basic net income (loss) per share attributable to Brooks Automation, Inc. common stockholders:				
Net income (loss) from continuing operations	$0.03	$(0.05)	$0.06	$(0.21)
Net income from discontinued operations, net of tax	0.02	0.04	0.04	0.06

Basic net income (loss) per share attributable to Brooks Automation, Inc.	$0.05	$(0.01)	$0.10	$(0.15)
Diluted net income (loss) per share attributable to Brooks Automation, Inc. common stockholders:				
Net income (loss) from continuing operations	$0.03	$(0.05)	$0.06	$(0.21)
Net income from discontinued operations, net of tax	0.02	0.04	0.04	0.06
Diluted net income (loss) per share attributable to Brooks Automation, Inc.	$0.05	$(0.01)	$0.10	$(0.15)
Dividend declared per share	$0.08	$0.08	$0.16	$0.16
Shares used in computing earnings (loss) per share:				
Basic	66,646	65,889	66,499	65,726
Diluted	67,505	65,889	67,383	65,726

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,	
	2014	2013	2014	2013
Net income (loss)	$3,265	$(511)	$6,761	$(9,730)
Comprehensive income (loss):				
Change in cumulative translation adjustment	(547)	(6,908)	(841)	(6,378)
Change in unrealized gain (loss) on marketable securities	22	(23)	21	(152)
Change in unrealized gain (loss) on cash flow hedges	(37)	—	68	—
Actuarial gain	10	23	21	313
Pension settlement	—	—	—	87
Comprehensive income (loss)	2,713	(7,419)	6,030	(15,860)
Comprehensive income attributable to noncontrolling interests	(76)	(27)	(124)	(44)
Comprehensive income (loss) attributable to Brooks Automation, Inc.	$2,637	$(7,446)	$5,906	$(15,904)

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, 2014	2013
Cash flows from operating activities		
Net income (loss)	$6,761	$(9,730)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,170	12,443
Impairment of assets	398	—
Stock-based compensation	6,516	5,010
Amortization of premium on marketable securities	610	661
Undistributed (earnings) losses of equity method investments	(1,259)	16
Deferred income tax provision (benefit)	2,269	(3,387)
Pension settlement	—	87
Loss (gain) on disposal of long-lived assets	39	(150)
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable	(6,057)	9,489
Inventories	276	13,734
Prepaid expenses and other current assets	1,546	(4,305)
Accounts payable	248	(3,260)
Deferred revenue	13,408	3,711
Accrued warranty and retrofit costs	(951)	(1,154)
Accrued compensation and benefits	2,730	(2,702)
Accrued restructuring costs	141	195
Accrued expenses and other current liabilities	(2,194)	(3,914)
Net cash provided by operating activities	35,651	16,744
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,696)	(1,578)
Purchases of marketable securities	(63,561)	(39,269)
Sale/maturity of marketable securities	46,551	98,178
Other investment	(4,000)	—
Acquisition, net of cash acquired	—	(59,005)
Proceeds from the sale of property, plant and equipment	—	2,368
Payment of deferred leasing cost	—	(2,076)
Decrease in restricted cash	177	763
Net cash used in investing activities	(23,529)	(619)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	967	969
Common stock dividend paid	(10,800)	(10,672)
Net cash used in financing activities	(9,833)	(9,703)
Effects of exchange rate changes on cash and cash equivalents	21	(940)
Net increase in cash and cash equivalents	2,310	5,482
Cash and cash equivalents, beginning of period	82,971	54,639
Cash and cash equivalents, end of period	$85,281	$60,121

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.

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, or 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, necessary for a fair presentation of the financial position 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 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 Granville-Phillips 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. Assets and liabilities identifiable within the Granville-Phillips business are reported as "Assets held for sale" and "Liabilities held for sale," respectively, in the Consolidated Balance Sheets. The discussion in the notes to these consolidated 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, 2013 (the "2013 Annual Report on Form 10-K").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are associated with accounts receivable, inventories, intangible assets, goodwill, deferred income taxes, warranty obligations, revenue recognized using the percentage of completion method and stock-based compensation expense on performance-based awards. 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.

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. This amended guidance is effective for fiscal years beginning on or after December 15, 2013. The Company does not expect that the adoption of this guidance will have a material 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 applied this amended guidance to the Granville-Phillips discontinued operation.

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2. Stock-Based Compensation

The Company may issue stock options and restricted stock 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, 2014 and 2013 (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Restricted stock	$3,683	$2,341	$6,293	$4,672
Employee stock purchase plan	112	117	225	244
	$3,795	$2,458	$6,518	$4,916

The fair value per share of restricted stock 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.

During the six months ended March 31, 2014, the Company granted 1,409,557 shares of restricted stock to members of senior management of which 601,432 shares vest over the service period. The vesting of the remaining 808,125 shares will vary based on the achievement of certain financial performance goals which will be measured at the end of fiscal year 2014, and a continuing required service period. Total compensation expense on both of these awards is a maximum of $19.2 million, net of cancellations. Changes to the projected attainment against performance targets during fiscal 2014 may result in an adjustment to the amount of cumulative compensation recorded as of the date the estimate is revised. Of the 1,409,557 shares of restricted stock that the Company granted, 8,500 shares were granted to Granville-Phillips employees.

During the six months ended March 31, 2013, the Company granted 1,224,000 shares of restricted stock to members of senior management of which 546,625 shares vest over a required service period. The vesting of the remaining 677,375 shares depended upon the achievement of certain financial performance goals which were measured at the end of fiscal year 2013, and a continuing required service period. Based on the Company's results for fiscal 2013 relative to the financial performance goals established in the grant, 460,615 of the 677,375 shares were earned. These awards will vest over the remaining service period. Total compensation expense on the awards granted during the six months ended March 31, 2013 is a maximum of $7.3 million, net of cancellations. However, the final compensation expense related to these awards is dependent on the award holders completing the remaining service period. Of the 1,224,000 shares of restricted stock that the Company granted, 29,380 shares were granted to Granville-Phillips employees.

Stock Option Activity

The following table summarizes stock option activity for the six months ended March 31, 2014:

	Number of Options	Weighted-Average Remaining Contractual Term	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
Outstanding at September 30, 2013	15,540		$15.86	
Outstanding at March 31, 2014	15,540	0.3 years	$15.86	$—
Vested at March 31, 2014	15,540	0.3 years	$15.86	$—
Options exercisable at March 31, 2014	15,540	0.3 years	$15.86	$—

Based on the Company's closing stock price of $10.93 as of March 31, 2014, there was no intrinsic value to the option holders.

No stock options were granted during the three or six months ended March 31, 2014 or 2013. There were no stock option exercises in the three or six months ended March 31, 2014. The total intrinsic value of options exercised during the three and six months ended March 31, 2013 was $19,000. The total cash received from participants as a result of stock option exercises during the three and six months ended March 31, 2013 was $67,000.

As of March 31, 2014, there was no future compensation cost related to stock options as all outstanding stock options have vested.

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Restricted Stock Activity

The following table summarizes restricted stock activity for the six months ended March 31, 2014:

	Shares	Weighted Average Grant-Date Fair Value
Outstanding at September 30, 2013	2,915,413	$11.25
Awards granted	1,409,557	9.46
Awards vested	(522,023)	9.37
Awards canceled	(767,962)	10.63
Outstanding at March 31, 2014	3,034,985	$10.90

The fair value of restricted stock awards vested during the three months ended March 31, 2014 and 2013 was $1.8 million and $3.1 million, respectively. The fair value of restricted stock awards vested during the six months ended March 31, 2014 and 2013 was $4.9 million and $6.0 million, respectively.

As of March 31, 2014, the unrecognized compensation cost related to restricted stock that is expected to vest is $15.7 million and will be recognized over an estimated weighted average service period of 1.8 years.

Employee Stock Purchase Plan

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. A total of 115,751 shares were purchased under the employee stock purchase plan during the three and six months ended March 31, 2013 for aggregate proceeds of $1.0 million.

3. Discontinued Operations

The Granville-Phillips business unit develops, manufactures, sells and services vacuum measurement and gas analysis instrumentation to semiconductor and non-semiconductor customers. On March 18, 2014, the Company announced an agreement to sell this business to MKS Instruments, Inc. for $87.0 million in cash. The sale is subject to regulatory approval and customary closing conditions. The Company expects to complete the sale in the quarter ending June 30, 2014. The Company determined that its 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. Summarized results of the discontinued operation are as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Revenue	$7,453	$7,137	$14,968	$13,656
Income from discontinued operations	$1,825	$2,198	$4,309	$3,602
Income tax provision (benefit)	663	(456)	1,570	(240)
Income from discontinued operations, net of tax	$1,162	$2,654	$2,739	$3,842

Assets and liabilities identifiable within the Granville-Phillips business are reported as "Assets held for sale" and "Liabilities held for sale," respectively, in the Consolidated Balance Sheets. The major classes of assets and liabilities of the discontinued operation as are follows (in thousands):

	March 31, 2014	September 30, 2013
Inventory	$3,602	$3,308
Property, plant and equipment	315	364
Goodwill	24,106	24,106

Assets held for sale	$28,023	$27,778
Deferred revenue	$21	$43
Accrued warranty and retrofit costs	86	89
Liabilities held for sale	$107	$132

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Assets and liabilities held for sale are classified as current in the Consolidated Balance Sheets because the Company expects to complete the sale of the Granville-Phillips business in the third quarter of fiscal 2014.

4. Acquisitions

Acquisition of Matrical

On August 1, 2013, the Company acquired certain assets and assumed certain liabilities of Matrical, Inc.'s ("Matrical") life science businesses (collectively "the Acquired assets") for cash consideration of approximately $9.3 million, net of cash acquired. The acquisition of the Acquired assets provides the Company with the opportunity to enhance its existing product offerings in biobanking and sample management.

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

Accounts receivable	$636
Inventory	2,095
Prepaid and other current assets	103
Property, plant and equipment	534
Completed technology	500
Customer relationships	1,500
Goodwill	7,076
Debt	(902)
Accounts payable	(294)
Deferred revenue	(351)
Customer deposits	(1,249)
Other current liabilities	(322)
Total purchase price, net of cash acquired	$9,326

In performing the purchase price allocation, the Company considered, among other factors, analyses of historical financial performance, its intention for future use of the Acquired assets, and estimates of future cash flows from the Acquired assets. The purchase price was allocated based upon the fair value of the identified assets acquired and liabilities assumed as of the acquisition date from a market participant's perspective.

The Company used the relief-from-royalty method to value the completed technology and the excess earnings method to value the customer relationships. Cash flows were discounted at a rate of 18%. The weighted-average amortization periods are 4.6 years for completed technologies and 7.0 years for customer relationships. The intangible assets acquired will be amortized using the straight-line method because it approximates the pattern in which the economic benefits are expected to be realized.

Goodwill represents the excess of the purchase price over the fair values of the net tangible and intangible assets acquired and is primarily the result of expected synergies from combining the Matrical products with the Company's other life science products. Goodwill arising from the acquisition of the Acquired assets is deductible for tax purposes.

The operating results of the Acquired assets have been included in the results of operations for the Brooks Life Science Systems segment from the date of acquisition.

The Company completed the final allocation of the purchase price related to the Acquired assets in the first quarter of fiscal year 2014. Prior to finalizing the purchase price allocation in the first quarter of fiscal 2014, the Company made an adjustment to reduce the fair value of deferred revenue acquired in the acquisition and goodwill by $61,000.

Acquisition of Crossing

On October 29, 2012, the Company acquired all the outstanding stock of Crossing Automation Inc. ("Crossing"), a U.S. based provider of automation solutions and services primarily to global semiconductor front-end markets. The Company paid, in cash, an aggregate merger consideration of $59.0 million net of cash acquired. The acquisition of Crossing provides the Company with the opportunity to enhance its existing capabilities with respect to manufacturing of atmospheric and vacuum automation solutions within the semiconductor front-end market.

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

Accounts receivable	$5,356
Inventory	8,668
Prepaid expenses	1,968
Property, plant and equipment	2,270
Completed technology	10,530
Customer relationships	20,010
Goodwill	26,453
Other long term assets	885
Accounts payable	(3,024)
Accrued liabilities	(5,172)
Deferred revenue	(319)
Other current liabilities	(388)
Other long-term liabilities	(8,232)
Total purchase price, net of cash acquired	$59,005

In performing the purchase price allocation, the Company considered, among other factors, its intention for future use of the acquired assets, analyses of historical financial performance, and estimates of future cash flows from Crossing's products and services. The purchase price was allocated based upon the fair value of the identified assets acquired and liabilities assumed as of the acquisition date from a market participant's perspective.

The Company used the relief-from-royalty method to value the completed technology and the excess earnings method to value the customer relationships. Cash flows were discounted at a rate of 15%. The weighted-average amortization periods are 7.7 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 is primarily the result of expected synergies from combining the operations of Crossing with the Company. Goodwill arising from the acquisition of Crossing is not deductible for tax purposes.

The operating results of Crossing have been included in the results of operations for the Brooks Product Solutions and Brooks Global Services segments from the date of acquisition.

The Company completed the final allocation of the purchase price related to Crossing in the fourth quarter of fiscal year 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, 2014 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, 2014 are as follows (in thousands):

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Other	Total
Gross goodwill at September 30, 2013	$482,637	$156,792	$47,439	$26,014	$712,882
Less: aggregate impairment charges recorded	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, less accumulated impairments at September 30, 2013	44,931	5,554	47,439	—	97,924
Adjustments during the six months ended March 31, 2014	—	—	(61)	—	(61)

Goodwill, less accumulated impairments at March 31, 2014	$44,931	$5,554	$47,378	$—	$97,863

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

	March 31, 2014			September 30, 2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	$7,808	$7,248	$560	$7,808	$7,196	$612
Completed technology	53,557	39,211	14,346	57,050	40,354	16,696
Trademarks and trade names	3,496	3,496	—	3,564	3,554	10
Customer relationships	67,134	26,916	40,218	66,687	23,917	42,770
	$131,995	$76,871	$55,124	$135,109	$75,021	$60,088

The Company is required to test certain long-lived assets when indicators of impairment are present. The Company determined that impairment indicators were present for the long-lived assets related to its Celigo product line as of September 30, 2013. The long-lived assets in question were tested for recoverability in the fourth quarter of fiscal year 2013 by comparing the sum of the undiscounted cash flows directly attributable to the assets to their carrying values, which resulted in the conclusion that the carrying amounts of the assets were not recoverable. The fair values of the assets were then evaluated to determine the amount of the impairment, if any. The fair value of the assets was based primarily on market-based valuation techniques. As a result of this analysis, management determined that an impairment loss of $2.0 million had occurred as of September 30, 2013, and allocated the loss to the long-lived assets in the impaired asset group based on the carrying value of each asset, with no asset reduced below its respective fair value.

The Company revised its estimate of the fair value of these assets at 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. The impairment charge was recorded as a component of cost of revenue in the Consolidated Statements of Operations during the first quarter of fiscal 2014. The Company completed the sale of the Celigo product line in the second quarter of fiscal 2014. The sale of the Celigo product line did not have a material impact on the Company's financial position or result of operations.

6. Income Taxes

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. This tax provision substantially consists of U.S. and foreign income taxes, as well as interest related to unrecognized tax benefits.

The Company recorded an income tax provision (benefit) of $0.3 million and $(3.6) million for the three and six months ended March 31, 2013, respectively. The tax provision for both periods includes $0.9 million of tax benefits recognized during the quarter ended March 31, 2013 resulting from the reinstatement of the U.S. federal research and development tax credit. The tax benefit for the six months ended March 31, 2013 is primarily driven by tax benefits generated on U.S. losses partially offset by a tax provision on income in foreign jurisdictions.

The tax provision for the three months ended March 31, 2013 was calculated based on a quarterly loss. This unusual relationship between tax expense and pre-tax income was driven by a change in the estimated annual effective tax rate during the quarter which reduced the estimate of year-to-date tax benefits on the losses incurred during the first six months of the year.

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, 2014, 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 2006. 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 an amount in the range between $1.7 million and $2.8 million during the next twelve months as the result of the expiration of statutes of limitations and the settlement of foreign income tax audits.

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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,	
	2014	2013	2014	2013
Weighted average common shares outstanding used in computing basic earnings per share	66,646	65,889	66,499	65,726
Dilutive common stock options and restricted stock awards	859	—	884	—
Weighted average common shares outstanding for purposes of computing diluted earnings per share	67,505	65,889	67,383	65,726

Options to purchase approximately 16,000 and 34,000 shares of common stock and 0 and 3,179,000 shares of restricted stock were excluded from the computation of diluted earnings per share attributable to common stockholders for the three months ended March 31, 2014 and 2013, respectively, as their effect would be anti-dilutive. In addition, options to purchase approximately 16,000 and 65,000 shares of common stock and 0 and 3,008,000 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 and 2013, respectively, as their effect would be anti-dilutive. All outstanding stock options and unvested shares of restricted stock were excluded from the computation of diluted earnings per share for the three and six months ended March 31, 2013 as a result of the net loss for those periods.

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 2013 Annual Report on Form 10-K.

The Company evaluates performance and allocates resources based on 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, restricted cash, marketable securities, deferred tax assets, assets held for sale and investments in 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, 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
Three months ended March 31, 2013				
Revenue				
Product	$78,563	$3,731	$6,358	$88,652
Services	—	18,073	2,757	20,830
	$78,563	$21,804	$9,115	$109,482
Gross profit	$24,313	$6,359	$2,411	$33,083
Segment operating income (loss)	$1,464	$1,799	$(3,875)	$(612)
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
Six months ended March 31 2013				
Revenue				
Product	$134,990	$7,236	$17,454	$159,680
Services	—	35,509	5,799	41,308
	$134,990	$42,745	$23,253	$200,988
Gross profit	$39,293	$11,366	$8,705	$59,364
Segment operating income (loss)	$(6,447)	$2,287	$(3,897)	$(8,057)
Assets				
March 31, 2014	$231,324	$61,856	$107,933	$401,113
September 30, 2013	$226,759	$59,762	$105,221	$391,742

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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, 2014 and 2013 is as follows (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Segment operating income (loss)	$4,810	$(612)	$8,506	$(8,057)
Amortization of acquired intangible assets	1,460	1,413	2,916	2,856
Restructuring and other charges	772	751	1,519	5,441
Other unallocated corporate expenses	182	394	217	1,284
Total operating income (loss)	$2,396	$(3,170)	$3,854	$(17,638)

A reconciliation of the Company's reportable segment assets to the corresponding consolidated amounts as of March 31, 2014 and September 30, 2013 is as follows (in thousands):

	March 31, 2014	September 30, 2013
Segment assets	$401,113	$391,742
Cash, cash equivalents, restricted cash and marketable securities	192,223	173,539
Deferred tax assets	113,504	115,985
Assets held for sale	28,023	27,778
Equity method investments	30,342	25,687
Other unallocated corporate net assets	2,016	2,032
Total assets	$767,221	$736,763

9. Significant Customers

The Company had one customer that accounted for more than 10% of its revenue, at 10% and 13%, in each of the three months ended March 31, 2014 and 2013, respectively. The Company had one customer that accounted for more than 10% of revenue, at 12% and 11%, in each of the six months ended March 31, 2014 and 2013, respectively. The Company did not have any customers that accounted for more than 10% of its accounts receivable balance at March 31, 2014 or September 30, 2013.

10. Restructuring and Other Charges

Restructuring charges in the three and six months ended March 31, 2014 consisted primarily of severance and other workforce-related costs and result from the consolidation of certain administrative functions in the Brooks Life Science Systems segment, the on-going 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.

Total severance charges related to the outsourcing of the Polycold manufacturing operation are expected to be $1.1 million, including severance and retention fees. This charge is being recorded ratably over the period from notification of the closing to the actual service end date, or September 2014. The Company has expensed $0.8 million of the total charge as of March 31, 2014, and will expense the balance ratably through fiscal year 2014.

Restructuring charges in the three and six months ended March 31, 2013 consisted of severance costs for workforce reductions implemented to consolidate the operations of Crossing and the Company, to transition the Polycold product line to a third party contract manufacturer and other programs designed to improve the Company's cost structure. Restructuring charges also included costs to consolidate two of the Company's facilities in California. In addition, the Company incurred other charges of $0.1 million related to a partial settlement of a defined benefit pension plan that covers substantially all of the Company's Swiss employees.

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The activity for the three and six months ended March 31, 2014 and 2013 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, 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 - Three Months Ended March 31, 2013			
	Balance at December 31, 2012	Expense	Utilization	Balance at March 31, 2013
Facilities and other	$265	$112	$(144)	$233
Workforce-related	4,438	639	(2,746)	2,331
	$4,703	$751	$(2,890)	$2,564

	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

	Activity — Six Months Ended March 31, 2013			
	Balance at September 30, 2012	Expense	Utilization	Balance at March 31, 2013
Facilities and other	$—	$690	$(457)	$233
Workforce-related	2,021	4,664	(4,354)	2,331
	$2,021	$5,354	$(4,811)	$2,564

The Company anticipates that the accrued restructuring costs at March 31, 2014 will be 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.

In connection with actions taken under the Company’s restructuring programs in the first quarter of fiscal 2013, the number of employees accumulating benefits under the Switzerland Plan declined significantly. As a result, a partial settlement event occurred and resulted in accelerated amortization of approximately $0.1 million of prior pension losses. The settlement loss, recorded in the quarter ended December 31, 2012, is included in restructuring and other charges in the Consolidated Statements of Operations.

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The components of the Company’s net pension cost for the three and six months ended March 31, 2014 and 2013 is as follows (in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Service cost	$102	$144	$202	$322
Interest cost	39	35	78	80
Amortization of losses	—	1	1	3
Expected return on assets	(55)	(58)	(108)	(135)
Net periodic pension cost	86	122	173	270
Settlement loss	—	—	—	87
Total pension cost	$86	$122	$173	$357

12. Capital Lease Obligation

In March 2014, the Company exercised an option to renew the lease of a building and the related land on the Chelmsford, Massachusetts campus. The Company has leased this building since 2002. By exercising this option, the Company has also contracted to purchase the building at the end of the lease period. The assets acquired under the lease were recorded at the net present value of the minimum lease payments which was then allocated to the building and the land based on their relative fair values. The cost of the building and the land under the capital lease are included in the Consolidated Balance Sheets as property, plant and equipment at $6.4 million and $2.1 million, respectively. Depreciation expense related to the building is computed using the straight-line method over the estimated useful life of the asset.

The obligation related to the capital lease is recorded as short-term or long-term obligation in the Consolidated Balance Sheets depending on when payments are due. The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments, as of March 31, 2014, are as follows (in thousands):

Year ended September 30,	
2014	$441
2015	881
2016	881
2017	881
2018	6,901
Total minimum lease payments	9,985
Less amounts representing interest	1,448
Total capital lease obligation	8,537
Less current portion of capital lease obligation	881
Long-term capital lease obligation	$7,656

13. Other Balance Sheet Information

The following is a summary of accounts receivable at March 31, 2014 and September 30, 2013 (in thousands):

	March 31, 2014	September 30, 2013
Accounts receivable	$84,770	$78,460
Less allowance for doubtful accounts	(1,184)	(863)
Less allowance for sales returns	(146)	(114)
	$83,440	$77,483

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The following is a summary of inventories at March 31, 2014 and September 30, 2013, excluding amounts related to the discontinued operations (in thousands):

	March 31, 2014	September 30, 2013
Inventories		
Raw materials and purchased parts	$59,844	$57,678
Work-in-process	17,083	19,991
Finished goods	16,823	16,742
	$93,750	$94,411

Reserves for excess and obsolete inventory were $24.1 million, excluding amounts related to the discontinued operations, at March 31, 2014 and September 30, 2013.

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, 2014 and 2013, excluding amounts related to the discontinued operations, is as follows (in thousands):

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