BIO RAD LABORATORIES INC
Form 10-Q
November 05, 2015

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

FORM 10-Q

(Mark One)

ý	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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 1-7928

BIO-RAD LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1381833
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Alfred Nobel Drive, Hercules, California	94547
(Address of principal executive offices)	(Zip Code)

(510) 724-7000
(Registrant's telephone number, including area code)
No Change
(Former name, former address and former fiscal year, if changed since last report.)

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 o

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 o

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 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	o
Non-accelerated filer	o	(Do not check if smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Title of Class	Shares Outstanding at October 28, 2015
Class A Common Stock, Par Value $0.0001 per share	24,176,951
Class B Common Stock, Par Value $0.0001 per share	5,128,494

BIO-RAD LABORATORIES, INC.

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Other than statements of historical fact, statements made in this report include forward-looking statements, such as statements with respect to our future financial performance, operating results, plans and objectives that involve risk and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "believe," "expect," "anticipate," "may," "will," "intend," "estimate," "continue," or similar expressions or the negativ terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including, but not limited to, those identified under "Part II, Item 1A, Risk Factors" of this Quarterly Report on Form 10-Q. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
BIO-RAD LABORATORIES, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS:		
Cash and cash equivalents	$507,329	$413,251
Short-term investments	278,749	284,384
Accounts receivable, net	341,548	377,640
Inventories:		
Raw materials	121,695	106,028
Work in process	118,891	131,783
Finished goods	272,150	233,186
Total inventories	512,736	470,997
Other current assets	154,054	170,095
Total current assets	1,794,416	1,716,367
Property, plant and equipment, at cost	1,105,833	1,089,098
Less: accumulated depreciation and amortization	(672,011)	(660,262)
Property, plant and equipment, net	433,822	428,836
Goodwill, net	503,588	500,441
Purchased intangibles, net	225,020	254,228
Other investments	663,533	389,309
Other assets	46,017	52,097
Total assets	$3,666,396	$3,341,278
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable, accrued payroll and employee benefits	$268,228	$282,034
Current maturities of long-term debt and notes payable	379	265
Income and other taxes payable	22,621	35,165
Other current liabilities	144,007	129,297
Total current liabilities	435,235	446,761
Long-term debt, net of current maturities	435,728	435,710
Deferred income taxes	254,644	154,917
Other long-term liabilities	111,060	118,735
Total liabilities	1,236,667	1,156,123
Stockholders' equity:		
Class A common stock, shares issued 24,174,485 and 23,971,808 at 2015 and 2014, respectively; shares outstanding 24,174,363 and 23,971,686 at 2015 and 2014, respectively	2	2
Class B common stock, shares issued 5,131,874 and 5,098,799 at 2015 and 2014, respectively; shares outstanding 5,130,957 and 5,097,882 at 2015 and 2014, respectively	1	1
Additional paid-in capital	291,874	271,346
Class A treasury stock at cost, 122 shares at 2015 and 2014	(12)	(12)

Class B treasury stock at cost, 917 shares at 2015 and 2014	(89)	(89)
Retained earnings	1,758,573	1,694,962
Accumulated other comprehensive income	379,380	218,945
Total stockholders' equity	2,429,729	2,185,155
Total liabilities and stockholders' equity	$3,666,396	$3,341,278

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

BIO-RAD LABORATORIES, INC.
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net sales	$469,961	$530,644	$1,448,884	$1,576,820
Cost of goods sold	206,509	242,068	635,729	715,713
Gross profit	263,452	288,576	813,155	861,107
Selling, general and administrative expense	187,445	202,550	568,845	600,663
Research and development expense	43,336	52,786	137,085	161,046
Income from operations	32,671	33,240	107,225	99,398
Interest expense	5,822	7,710	15,658	17,131
Foreign currency exchange losses (gains), net	2,166	3,667	8,910	6,118
Other (income) expense, net	(732)	(613)	(8,992)	(9,662)
Income before income taxes	25,415	22,476	91,649	85,811
Provision for income taxes	(8,045)	(10,967)	(28,038)	(36,003)
Net income	$17,370	$11,509	$63,611	$49,808
Basic earnings per share:				
Net income per basic share	$0.59	$0.40	$2.18	$1.73
Weighted average common shares - basic	29,195	28,884	29,141	28,834
Diluted earnings per share:				
Net income per diluted share	$0.59	$0.39	$2.17	$1.71
Weighted average common shares - diluted	29,439	29,141	29,372	29,097

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

BIO-RAD LABORATORIES, INC.
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$17,370	$11,509	$63,611	$49,808
Other comprehensive income (loss):				
Foreign currency translation adjustments	(27,743)	(77,956)	(10,147)	(70,322)
Foreign other post-employment benefits adjustments, net of income taxes	89	716	513	895
Net unrealized holding gains (losses) on available-for-sale (AFS) investments, net of income taxes	74,987	(13,007)	170,069	(10,252)
Other comprehensive income (loss), net of income taxes	47,333	(90,247)	160,435	(79,679)
Comprehensive income (loss)	$64,703	$(78,738)	$224,046	$(29,871)

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

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BIO-RAD LABORATORIES, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands, unaudited)

	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Cash received from customers	$1,443,672	$1,613,723
Cash paid to suppliers and employees	(1,278,255)	(1,352,654)
Interest paid, net	(9,620)	(10,757)
Income tax payments, net	(15,646)	(31,105)
Investment proceeds and miscellaneous receipts, net	9,695	11,363
Excess tax benefits from share-based compensation	(3,242)	(766)
Proceeds from forward foreign exchange contracts, net	3,654	3,292
Net cash provided by operating activities	150,258	233,096
Cash flows from investing activities:		
Capital expenditures	(84,013)	(80,865)
Proceeds from dispositions of property, plant and equipment	41	381
Payments for acquisitions, net of cash received, and long-term investments	(3,490)	(43,645)
Payments for purchases of intangible assets	(1,375)	(15,488)
Payments for purchases of marketable securities and investments	(172,440)	(159,607)
Proceeds from sales of marketable securities and investments	56,630	58,691
Proceeds from maturities of marketable securities and investments	121,556	99,466
Net cash used in investing activities	(83,091)	(141,067)
Cash flows from financing activities:		
Net borrowings from (payments for) line-of-credit arrangements and notes payable	74	(362)
Payments on long-term borrowings	(206)	(181)
Payments of contingent consideration	(2,983)	—
Proceeds from issuance of common stock	4,726	8,365
Payments of debt issuance costs for credit agreement	—	(524)
Excess tax benefits from share-based compensation	3,242	766
Net cash provided by financing activities	4,853	8,064
Effect of foreign exchange rate changes on cash	22,058	(7,051)
Net increase in cash and cash equivalents	94,078	93,042
Cash and cash equivalents at beginning of period	413,251	331,551
Cash and cash equivalents at end of period	$507,329	$424,593
Reconciliation of net income to net cash provided by operating activities:		
Net income	$63,611	$49,808
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97,970	110,129
Share-based compensation	12,309	10,714
(Gains) losses on dispositions of securities	(19)	329
Excess tax benefits from share-based compensation	(3,242)	(766)
Changes in fair value of contingent consideration	(730)	(8,378)
Decrease in accounts receivable	16,996	51,149
Increase in inventories	(67,609)	(28,881)
Decrease in other current assets	2,620	354
Increase in accounts payable and other current liabilities	17,869	39,743

Increase (decrease) in income taxes payable	14,760	(593)
Net decrease/increase in other long-term assets/liabilities	(4,277)	9,488
Net cash provided by operating activities	$150,258	$233,096

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

BIO-RAD LABORATORIES, INC

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1.BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of Presentation

In this report, "Bio-Rad," "we," "us," "the Company" and "our" refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature, with the exception of the adjustments noted below. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

We evaluate subsequent events and the evidence they provide about conditions existing at the date of the balance sheet as well as conditions that arose after the balance sheet date but through the date the financial statements are issued. The effects of conditions that existed at the balance sheet date are recognized in the financial statements. Events and conditions arising after the balance sheet date but before the financial statements are issued are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, disclosures are made regarding the nature of events and the estimated financial effects of those events and conditions.

Use of Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Bio-Rad bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Recent Accounting Standards Updates

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. ("ASU") 2015-11, "Simplifying the Measurement of Inventory." Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an "approximately normal profit margin" (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory "at the lower of cost and NRV." ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein, with early adoption permitted. We are currently evaluating the effect ASU 2015-11 will have, if any, on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. Under current U.S. GAAP, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. Under ASU 2015-03, debt issuance costs will continue to be amortized to interest expense using the effective interest method. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" to clarify the SEC staff’s position that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, which is our current process. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. We will not early adopt.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we do not plan to early adopt. The new standard is to be applied retrospectively and permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures and we have not yet selected a transition method.

2.ACQUISITIONS

GnuBIO, Inc.

In April 2014, we acquired 100.0% of the issued and outstanding stock of GnuBIO, Inc. (GnuBIO). This acquisition was accounted for as a business combination as GnuBIO represents an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return and therefore constitutes a business in accordance with GAAP. The amount of acquisition-related costs was minimal as Bio-Rad primarily represented itself during the acquisition process. This business acquisition is included in our Clinical Diagnostics segment's results of operations from the acquisition date. We believe that GnuBIO's innovative DNA workflow is well-suited for the clinical diagnostics sequencing market and will leverage our leadership role in the area of droplet digital PCR.

The final fair values of the net assets acquired from GnuBIO as of the acquisition date were determined to be $46.4 million of indefinite-lived intangible assets (specifically in-process research and development or "IPR&D"), $13.5 million of goodwill and $9.5 million of net tangible liabilities. The goodwill recorded will not be deductible for income tax purposes.

The fair value of the consideration as of the acquisition date was $50.4 million, which includes $39.7 million paid in cash at the closing date and $10.7 million in contingent consideration potentially payable to GnuBIO's shareholders. The contingent consideration was based on a probability-weighted income approach that could reach $70.0 million upon the achievement of all development/regulatory and sales milestones. The contingent consideration for the development/regulatory milestones was valued at $10.7 million, based on assumptions regarding the probability of achieving the milestones, with such amounts discounted to present value. The contingent consideration for the sales milestones was determined to be negligible, using the risk-neutral probability of being in the money based on a Black-Scholes framework. The sales that are required under the purchase agreement have a low probability of obtaining the thresholds. See Note 3 for further discussion.

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3.FAIR VALUE MEASUREMENTS

We determine the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1: Quoted prices in active markets for identical instruments
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments)
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

Financial assets and liabilities carried at fair value and measured on a recurring basis as of September 30, 2015 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	$—	$9.1	$—	$9.1
Asset-backed securities	—	0.4	—	$0.4
U.S. government sponsored agencies	—	1.6	—	1.6
Foreign time deposits	11.8	—	—	11.8
Money market funds	3.3	—	—	3.3
Total cash equivalents (a)	15.1	11.1	—	26.2
Available-for-sale investments:				
Corporate debt securities	—	142.0	—	142.0
U.S. government sponsored agencies	—	50.3	—	50.3
Foreign government obligations	—	3.8	—	3.8
Municipal obligations	—	5.7	—	5.7
Marketable equity securities	603.6	—	—	603.6
Asset-backed securities	—	45.7	—	45.7
Total available-for-sale investments (b)	603.6	247.5	—	851.1
Forward foreign exchange contracts (c)	—	0.8	—	0.8
Total financial assets carried at fair value	$618.7	$259.4	$—	$878.1
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	$—	$0.6	$—	$0.6
Contingent consideration (e)	—	—	23.9	23.9
Total financial liabilities carried at fair value	$—	$0.6	$23.9	$24.5

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2014 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	$—	$4.0	$—	$4.0
Foreign time deposits	16.5	—	—	16.5
Money market funds	2.2	—	—	2.2
Total cash equivalents (a)	18.7	4.0	—	22.7
Available-for-sale investments:				
Corporate debt securities	—	139.9	—	139.9
Foreign brokered certificates of deposit	—	5.2	—	5.2
U.S. government sponsored agencies	—	47.5	—	47.5
Foreign government obligations	—	4.0	—	4.0
Municipal obligations	—	6.5	—	6.5
Marketable equity securities	334.4	—	—	334.4
Asset-backed securities	—	48.4	—	48.4
Total available-for-sale investments (b)	334.4	251.5	—	585.9
Forward foreign exchange contracts (c)	—	0.6	—	0.6
Total financial assets carried at fair value	$353.1	$256.1	$—	$609.2
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	$—	$1.7	$—	$1.7
Contingent consideration (e)	—	—	27.7	27.7
Total financial liabilities carried at fair value	$—	$1.7	$27.7	$29.4

(a) Cash equivalents are included in Cash and cash equivalents in the Condensed Consolidated Balance Sheets.

(b) Available-for-sale investments are included in the following accounts in the Condensed Consolidated Balance Sheets (in millions):

	September 30, 2015	December 31, 2014
Short-term investments	$278.7	$284.4
Other investments	572.4	301.5
Total	$851.1	$585.9

(c) Forward foreign exchange contracts in an asset position are included in Other current assets in the Condensed Consolidated Balance Sheets.

(d) Forward foreign exchange contracts in a liability position are included in Other current liabilities in the Condensed Consolidated Balance Sheets.

(e) Contingent consideration liability is included in the following accounts in the Condensed Consolidated Balance Sheets (in millions):

	September 30, 2015	December 31, 2014
Other current liabilities	$15.9	$13.1
Other long-term liabilities	8.0	14.6
Total	$23.9	$27.7

During the third quarter of 2012, we recognized a contingent consideration liability of $44.6 million upon our acquisition of a new cell sorting system from Propel Labs, Inc. The fair value of the contingent consideration was based on a probability-weighted income approach related to the achievement of certain development and sales milestones. The development milestone was achieved and paid in 2013. The first sales milestone was reached resulting in payments of $2.4 million and $3.0 million in the fourth quarter of 2014 and the first quarter of 2015, respectively. During the third quarter of 2015, the contingent consideration was revalued by a decrease of $0.8 million to its estimated fair value of $13.9 million as of September 30, 2015.

During the second quarter of 2014, we recognized a contingent consideration liability upon our acquisition of GnuBIO. At the acquisition date, the contingent consideration was based on a probability-weighted income approach that could reach $70.0 million upon the achievement of all development/regulatory and sales milestones. The contingent consideration for the development/regulatory milestones was valued at $10.7 million at the acquisition date based on assumptions regarding the probability of achieving the milestones, with such amounts discounted to present value. The first two development/regulatory milestones were not achieved. The third development/regulatory milestone estimated value as of September 30, 2015 was $10.0 million and is included in Other current liabilities. The contingent consideration for the sales milestones at the acquisition date and at September 30, 2015 was determined to be negligible, using the risk-neutral probability of being in the money based on a Black-Scholes framework. The sales that are required under the purchase agreement have a low probability of obtaining the thresholds.

The following table provides a reconciliation of the Level 3 contingent consideration liability measured at estimated fair value based on original valuations and updated quarterly for the nine months ended September 30, 2015 (in millions):

	2015	
January 1	$27.7	
Cell sorting system:		
Payment of sales milestone	(3.0	)
Decrease in estimated fair value of contingent consideration included in Selling, general and administrative expense	(0.8	)
GnuBIO:		
Increase/(decrease) in estimated fair value of contingent consideration included in Selling, general and administrative expense	—	
September 30	$23.9	

The following table provides quantitative information about Level 3 inputs for fair value measurement of our cell sorting system contingent consideration liability as of September 30, 2015. Significant increases or decreases in these inputs in isolation could result in a significantly lower or higher fair value measurement.

	Valuation Technique	Unobservable Input	Range From	To
Cell sorting system	Probability-weighted income approach	Sales milestones:		
		Credit adjusted discount rates	0.21%	0.67%
		Projected volatility of growth rate	10%	N/A
		Market price of risk	1.50%	N/A

To estimate the fair value of Level 2 debt securities as of September 30, 2015 and December 31, 2014, our primary pricing provider uses S&P Capital IQ as the primary pricing source. Our pricing process allows us to select a hierarchy of pricing sources for securities held. The chosen pricing hierarchy for our Level 2 securities, other than certificates of deposit and commercial paper, is S&P Capital IQ and then our custodian as the secondary pricing source. If S&P Capital IQ does not price a Level 2 security that we hold, then the pricing provider will utilize our custodian supplied pricing.

For commercial paper as of September 30, 2015 and December 31, 2014, pricing is determined by a straight-line calculation, starting with the purchase price on the date of purchase and increasing to par at maturity. Interest bearing certificates of deposit and commercial paper are priced at par.

In addition to the above, our primary pricing provider performs daily reasonableness testing of the S&P Capital IQ prices to custodian reported prices. Prices outside a tolerable variance of approximately 1% are investigated and resolved.

Available-for-sale investments consist of the following (in millions):

	September 30, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	$142.0	$0.3	$(0.3)	$142.0
Municipal obligations	5.7	—	—	5.7
Asset-backed securities	45.5	—	(0.1)	45.4
U.S. government sponsored agencies	50.0	0.3	—	50.3
Foreign government obligations	3.8	—	—	3.8
Marketable equity securities	29.3	3.0	(0.8)	31.5
	276.3	3.6	(1.2)	278.7
Long-term investments:				
Marketable equity securities	54.5	517.6	—	572.1
Asset-backed securities	0.3	—	—	0.3
	54.8	517.6	—	572.4
Total	$331.1	$521.2	$(1.2)	$851.1

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	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate debt securities	$139.7	$0.4	$(0.2)	$139.9
Foreign brokered certificates of deposit	5.2	—	—	5.2
Municipal obligations	6.5	—	—	6.5
Asset-backed securities	48.2	—	(0.2)	48.0
U.S. government sponsored agencies	47.4	0.1	—	47.5
Foreign government obligations	4.0	—	—	4.0
Marketable equity securities	29.0	4.5	(0.2)	33.3
	280.0	5.0	(0.6)	284.4
Long-term investments:				
Marketable equity securities	54.5	246.6	—	301.1
Asset-backed securities	0.4	—	—	0.4
	54.9	246.6	—	301.5
Total	$334.9	$251.6	$(0.6)	$585.9

The unrealized gains of our long-term marketable equity securities are primarily due to our investment in Sartorius AG preferred shares.

The following is a summary of investments with gross unrealized losses and the associated fair value (in millions):

	September 30, 2015	December 31, 2014
Fair value of investments in a loss position 12 months or more	$10.3	$8.4
Fair value of investments in a loss position less than 12 months	$81.2	$90.7
Gross unrealized losses for investments in a loss position 12 months or more	$0.1	$0.2
Gross unrealized losses for investments in a loss position less than 12 months	$1.1	$0.4

The unrealized losses on these securities are due to a number of factors, including changes in interest rates, changes in economic conditions and changes in market outlook for various industries, among others. Because Bio-Rad has the ability and intent to hold these investments with unrealized losses until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, we do not consider these investments to be other-than-temporarily impaired at September 30, 2015 or at December 31, 2014.

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes. We do not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less and denominated primarily in currencies of industrial countries, are recorded at their fair value at each balance sheet date. The notional principal amounts provide one measure of the transaction volume outstanding as of September 30, 2015 and do not represent the amount of Bio-Rad's exposure to loss. The estimated fair value of these contracts was derived using the spot rates from Reuters on the last business day of the quarter and the points provided by counterparties. The resulting gains or losses offset exchange gains or losses on the related receivables and payables, both of which are included in Foreign currency exchange losses (gains), net in the Condensed Consolidated Statements of Income.

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The following is a summary of our forward foreign exchange contracts (in millions):

	September 30, 2015
Contracts maturing in October through December 2015 to sell foreign currency:	
Notional value	$20.3
Unrealized loss	$—
Contracts maturing in October through December 2015 to purchase foreign currency:	
Notional value	$275.4
Unrealized gain	$0.2

The following is a summary of the amortized cost and estimated fair value of our debt securities at September 30, 2015 by contractual maturity date (in millions):

	Amortized Cost	Estimated Fair Value
Mature in less than one year	$110.3	$110.3
Mature in one to five years	101.1	101.3
Mature in more than five years	35.9	35.9
Total	$247.3	$247.5

The estimated fair value of financial instruments that are not recognized at fair value in the Condensed Consolidated Balance Sheets and are included in Other investments, are presented in the table below. Fair value has been determined using significant observable inputs, including quoted prices in active markets for similar instruments. Estimates are not necessarily indicative of the amounts that could be realized in a current market exchange as considerable judgment is required in interpreting market data used to develop estimates of fair value. The use of different market assumptions or estimation techniques could have a material effect on the estimated fair value. Other investments include financial instruments, the majority of which have fair value based on similar, actively traded stock adjusted for various discounts, including a discount for marketability. Long-term debt, excluding leases and current maturities, has an estimated fair value based on quoted market prices for the same or similar issues.

The estimated fair value of the financial instruments discussed above and the level of the fair value hierarchy within which the fair value measurement is categorized are as follows (in millions):

	September 30, 2015			December 31, 2014		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy Level
Other investments	$85.9	$767.9	2	$82.6	$401.1	2
Total long-term debt, excluding leases and current maturities	$423.6	$460.3	2	$423.5	$454.9	2

We own shares of ordinary voting stock of Sartorius AG (Sartorius), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own over 35% of the outstanding voting shares (excluding treasury shares) of Sartorius as of September 30, 2015. The Sartorius family trust and Sartorius family members hold a controlling interest of the outstanding voting shares. We do not have any representative or designee on Sartorius' Board of Directors, nor do we have the ability to exercise significant

influence over the operating and financial policies of Sartorius. We account for this investment using the cost method. The carrying value of this investment is included in Other investments in our Condensed Consolidated Balance Sheets. As the stock is thinly traded and in conjunction with the valuation method discussed above, we have classified the estimated fair value as Level 2. The Level 2 classification is appropriate given the valuation method employed, which incorporates an observable input of the fair value of the Sartorius' actively traded preferred stock.

4.GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Changes to goodwill by segment were as follows (in millions):

	Life Science	Clinical Diagnostics	Total
Balances as of January 1, 2015:			
Goodwill	$207.7	$320.9	$528.6
Accumulated impairment losses	(27.2)	(1.0)	(28.2)
Goodwill, net	180.5	319.9	500.4
Currency fluctuations	(0.2)	3.4	3.2
Balances as of September 30, 2015:			
Goodwill	207.5	324.3	531.8
Accumulated impairment losses	(27.2)	(1.0)	(28.2)
Goodwill, net	$180.3	$323.3	$503.6

Information regarding our identifiable purchased intangible assets with definite and indefinite lives is as follows (in millions):

	September 30, 2015			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	2-10	$86.8	$(46.4)	$40.4
Know how	1-10	186.6	(119.1)	67.5
Developed product technology	4-12	102.9	(48.0)	54.9
Licenses	1-11	39.4	(28.1)	11.3
Tradenames	6-9	2.2	(1.0)	1.2
Covenants not to compete	3-8	4.9	(1.6)	3.3
Total definite-lived intangible assets		422.8	(244.2)	178.6
In-process research and development		46.4	—	46.4
Total purchased intangible assets		$469.2	$(244.2)	$225.0

	December 31, 2014			
	Average Remaining Life (years)	Purchase Price	Accumulated Amortization	Net Carrying Amount
Customer relationships/lists	3-10	$89.4	$(43.0)	$46.4
Know how	1-11	184.7	(102.5)	82.2
Developed product technology	5-12	103.9	(42.8)	61.1
Licenses	1-11	39.4	(26.5)	12.9
Tradenames	1-10	3.6	(2.1)	1.5
Covenants not to compete	3-8	4.9	(1.2)	3.7
Total definite-lived intangible assets		425.9	(218.1)	207.8
In-process research and development		46.4	—	46.4
Total purchased intangible assets		$472.3	$(218.1)	$254.2

Amortization expense related to purchased intangible assets is as follows (in millions):

	Three Months Ended September 30,	Nine Months Ended September 30,