

BROOKS AUTOMATION INC

Form 10-Q

August 09, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended: June 30, 2012

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)

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

**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  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  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  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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date, July 27, 2012: Common stock, \$0.01 par value and 66,229,799 shares outstanding.



---

**Table of Contents**

BROOKS AUTOMATION, INC.

INDEX

	<b>PAGE NUMBER</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	3
<b><u>Item 1. Consolidated Financial Statements</u></b>	3
<u>Consolidated Balance Sheets as of June 30, 2012 (unaudited) and September 30, 2011</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended June 30, 2012 and 2011 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended June 30, 2012 and 2011 (unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	21
<b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>	28
<b><u>Item 4. Controls and Procedures</u></b>	28
<b><u>PART II. OTHER INFORMATION</u></b>	29
<b><u>Item 1. Legal Proceedings</u></b>	29
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	29
<b><u>Item 6. Exhibits</u></b>	29
<b><u>Signatures</u></b>	30

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements**

BROOKS AUTOMATION, INC.

## CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands, except share and per share data)

	June 30, 2012	September 30, 2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 61,564	\$ 58,833
Restricted cash	762	1,293
Marketable securities	87,606	65,695
Accounts receivable, net	87,297	76,701
Inventories	106,819	107,654
Prepaid expenses and other current assets	10,396	10,348
Total current assets	354,444	320,524
Property, plant and equipment, net	65,024	68,596
Long-term marketable securities	54,498	81,290
Goodwill	88,440	84,727
Intangible assets, net	41,111	44,314
Equity investment in joint ventures	35,785	34,950
Other assets	6,021	2,557
Total assets	\$ 645,323	\$ 636,958
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable	\$ 46,606	\$ 40,199
Deferred revenue	10,789	14,073
Accrued warranty and retrofit costs	7,370	7,438
Accrued compensation and benefits	15,187	17,288
Accrued restructuring costs	751	293
Accrued income taxes payable	4,317	4,015
Accrued expenses and other current liabilities	14,105	12,433
Total current liabilities	99,125	95,739
Income taxes payable	10,092	11,728
Long-term pension liability	7,161	7,161
Other long-term liabilities	3,397	3,394
Total liabilities	119,775	118,022
Contingencies (Note 18)		
Equity		

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, \$0.01 par value, 125,000,000 shares authorized, 79,694,001 shares issued and 66,232,132 shares outstanding at June 30, 2012, 79,737,189 shares issued and 66,275,320 shares outstanding at September 30, 2011	797	797
Additional paid-in capital	1,815,114	1,809,287
Accumulated other comprehensive income	13,429	17,324
Treasury stock at cost, 13,461,869 shares at June 30, 2012 and September 30, 2011	(200,956)	(200,956)
Accumulated deficit	(1,103,435)	(1,108,105)
Total Brooks Automation, Inc. stockholders' equity	524,949	518,347
Noncontrolling interest in subsidiaries	599	589
Total equity	525,548	518,936
Total liabilities and equity	\$ 645,323	\$ 636,958

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

**Table of Contents**

## BROOKS AUTOMATION, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In thousands, except per share data)

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
Product	\$ 119,172	\$ 166,658	\$ 333,891	\$ 502,783
Services	21,265	19,478	66,111	54,371
<b>Total revenues</b>	<b>140,437</b>	<b>186,136</b>	<b>400,002</b>	<b>557,154</b>
<b>Cost of revenues</b>				
Product	77,821	115,299	217,553	342,933
Services	16,376	13,867	47,570	38,258
<b>Total cost of revenues</b>	<b>94,197</b>	<b>129,166</b>	<b>265,123</b>	<b>381,191</b>
<b>Gross profit</b>	<b>46,240</b>	<b>56,970</b>	<b>134,879</b>	<b>175,963</b>
<b>Operating expenses</b>				
Research and development	11,691	10,025	36,169	28,365
Selling, general and administrative	25,344	24,676	76,356	74,399
Restructuring charges	880	97	1,125	557
In-process research and development			3,026	
<b>Total operating expenses</b>	<b>37,915</b>	<b>34,798</b>	<b>116,676</b>	<b>103,321</b>
<b>Operating income</b>	<b>8,325</b>	<b>22,172</b>	<b>18,203</b>	<b>72,642</b>
Interest income	292	350	844	886
Interest expense	(5)	(10)	(12)	(39)
Sale of contact manufacturing business		45,009		45,009
Other income, net	202	1,068	497	1,485
<b>Income before income taxes and equity in earnings of joint ventures</b>	<b>8,814</b>	<b>68,589</b>	<b>19,532</b>	<b>119,983</b>
Income tax provision	985	3,300	626	5,323
<b>Income before equity in earnings of joint ventures</b>	<b>7,829</b>	<b>65,289</b>	<b>18,906</b>	<b>114,660</b>
Equity in earnings of joint ventures	196	1,632	1,676	3,057
<b>Net income</b>	<b>\$ 8,025</b>	<b>\$ 66,921</b>	<b>\$ 20,582</b>	<b>\$ 117,717</b>
Net loss (income) attributable to noncontrolling interests	3	(6)	(10)	(24)
<b>Net income attributable to Brooks Automation, Inc.</b>	<b>\$ 8,028</b>	<b>\$ 66,915</b>	<b>\$ 20,572</b>	<b>\$ 117,693</b>
<b>Basic net income per share attributable to Brooks Automation, Inc. common stockholders</b>	<b>\$ 0.12</b>	<b>\$ 1.03</b>	<b>\$ 0.32</b>	<b>\$ 1.83</b>

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

Diluted net income per share attributable to Brooks Automation, Inc. common stockholders	\$	0.12	\$	1.03	\$	0.31	\$	1.81
--	----	------	----	------	----	------	----	------

Shares used in computing earnings per share

Basic	65,264	64,668	65,038	64,481
Diluted	65,781	65,141	65,677	64,941

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



**Table of Contents**

## BROOKS AUTOMATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands)

	Nine months ended June 30,	
	2012	2011
<b>Cash flows from operating activities</b>		
Net income	\$ 20,582	\$ 117,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,159	12,336
Stock-based compensation	6,903	5,211
Amortization of premium on marketable securities	1,804	1,534
Undistributed earnings of joint ventures	(1,676)	(3,057)
(Gain) loss on disposal of long-lived assets	(62)	24
Sale of contract manufacturing business		(45,009)
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable	(10,007)	(461)
Inventories	961	(11,248)
Prepaid expenses and other current assets	(1,141)	3,245
Accounts payable	6,496	(11,812)
Deferred revenue	(3,625)	(1,410)
Accrued warranty and retrofit costs	(72)	(638)
Accrued compensation and benefits	(3,869)	(72)
Accrued restructuring costs	465	(2,943)
Accrued expenses and other current liabilities	(344)	3,802
<b>Net cash provided by operating activities</b>	<b>32,574</b>	<b>67,219</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(6,364)	(4,163)
Purchases of marketable securities	(93,306)	(145,821)
Sale/maturity of marketable securities	96,499	78,644
Proceeds from the sale of the contract manufacturing business		75,664
Proceeds from assets sold		4,372
Acquisitions, net of cash acquired	(8,716)	(3,381)
Other investment	(3,000)	
Decrease (increase) in restricted cash	531	(760)
<b>Net cash (used in) provided by investing activities</b>	<b>(14,356)</b>	<b>4,555</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issuance of common stock, net of issuance costs	841	681
Common stock dividend paid	(15,719)	
<b>Net cash (used in) provided by financing activities</b>	<b>(14,878)</b>	<b>681</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(609)</b>	<b>837</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,731</b>	<b>73,292</b>

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

Cash and cash equivalents, beginning of period	58,833	59,823
Cash and cash equivalents, end of period	\$ 61,564	\$ 133,115

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

**Table of Contents****BROOKS AUTOMATION, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****1. Basis of Presentation**

The unaudited consolidated financial statements of Brooks Automation, Inc. and its subsidiaries ( Brooks or the Company ) included herein have been prepared in accordance with generally accepted accounting principles, or GAAP. In the opinion of management, all material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected.

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 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, 2011. Certain reclassifications have been made in the prior period consolidated financial statements to conform to the current presentation.

**Revision of Prior Period Financial Statements**

In the third quarter of fiscal 2012, the Company identified prior period errors related to the accounting for its equity method investment in ULVAC Cryogenics, Inc. ( UCI ). Specifically, the Company determined that certain subsidiaries of UCI were not fully included in the results of UCI reported to the Company. Therefore the Company s portion of these subsidiaries of the joint venture were not reflected within equity in earnings of joint ventures in the Company s consolidated statements of operations or within equity investment in joint ventures in the Company s consolidated balance sheets for the quarterly and annual periods beginning in the fiscal year ended September 30, 2006 through the quarterly period ended March 31, 2012. In evaluating whether the Company s previously issued consolidated financial statements were materially misstated, the Company considered the guidance in Accounting Standard Codification (ASC) Topic 250, *Accounting Changes and Error Corrections*, ASC Topic 250-10-S99-1, *Assessing Materiality*, and ASC Topic 250-10-S99-2, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. The Company concluded these errors were not material individually or in the aggregate to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. However, if the entire correction was recorded in the third quarter of 2012, the cumulative amount would be material in the year ended September 30, 2012 and would have impacted comparisons to prior periods. As such, the revisions for these corrections to the applicable prior periods are reflected in the financial information herein and will be reflected in future filings containing such financial information. The revision had no net impact on the Company s consolidated statements of cash flows for any prior period.

The following table summarizes the effects of the error on the prior period financial statements (in thousands, except per share data):

**Revised Consolidated Balance Sheet Amounts**

	As of September 30, 2011		
	As Previously Reported	Adjustment	As Revised
Equity investments in joint ventures	\$ 34,612	\$ 338	\$ 34,950
Total assets	636,620	338	636,958
Accumulated other comprehensive income	19,480	(2,156)	17,324
Accumulated deficit	(1,110,599)	2,494	(1,108,105)
Total Brooks Automation, Inc. stockholders' equity	518,009	338	518,347
Total equity	518,598	338	518,936
Total liabilities and equity	636,620	338	636,958

**Table of Contents****Revised Consolidated Statement of Operations Amounts**

	Three Months Ended December 31, 2011			Three Months Ended March 31, 2012			Six Months Ended March 31, 2012		
	As		As Revised	As		As Revised	As		As Revised
	Previously Reported	Adjustment		Previously Reported	Adjustment		Previously Reported	Adjustment	
Equity in earnings of joint ventures	\$ 1,225	\$ (175)	\$ 1,050	\$ 195	\$ 235	\$ 430	\$ 1,420	\$ 60	\$ 1,480
Net income	3,006	(175)	2,831	9,491	235	9,726	12,497	60	12,557
Net income attributable to Brooks Automation, Inc.	2,998	(175)	2,823	9,486	235	9,721	12,484	60	12,544
Net income per share attributable to Brooks Automation, Inc. common shareholders:									
Basic	\$ 0.05	\$ (0.00)	\$ 0.04	\$ 0.15	\$ 0.00	\$ 0.15	\$ 0.19	\$ 0.00	\$ 0.19
Diluted	\$ 0.05	\$ (0.00)	\$ 0.04	\$ 0.14	\$ 0.00	\$ 0.15	\$ 0.19	\$ 0.00	\$ 0.19

	Three Months Ended December 31, 2010			Three Months Ended March 31, 2011			Three Months Ended June 30, 2011		
	As		As Revised	As		As Revised	As		As Revised
	Previously Reported	Adjustment		Previously Reported	Adjustment		Previously Reported	Adjustment	
Equity in earnings of joint ventures	\$ 310	\$ 469	\$ 779	\$ 408	\$ 238	\$ 646	\$ 900	\$ 732	\$ 1,632
Net income	23,486	469	23,955	26,603	238	26,841	66,189	732	66,921
Net income attributable to Brooks Automation, Inc.	23,486	469	23,955	26,585	238	26,823	66,183	732	66,915
Net income per share attributable to Brooks Automation, Inc. common shareholders:									
Basic	\$ 0.37	\$ 0.01	\$ 0.37	\$ 0.41	\$ 0.00	\$ 0.42	\$ 1.02	\$ 0.01	\$ 1.03
Diluted	\$ 0.36	\$ 0.01	\$ 0.37	\$ 0.41	\$ 0.00	\$ 0.41	\$ 1.02	\$ 0.01	\$ 1.03

	Three Months Ended September 30, 2010			Six Months Ended March 31, 2011			Nine Months Ended June 30, 2011		
	As		As Revised	As		As Revised	As		As Revised
	Previously Reported	Adjustment		Previously Reported	Adjustment		Previously Reported	Adjustment	
Equity in earnings of joint ventures	\$ 1,164	\$ 594	\$ 1,758	\$ 718	\$ 707	\$ 1,425	\$ 1,618	\$ 1,439	\$ 3,057
Net income	12,126	594	12,720	50,089	707	50,796	116,278	1,439	117,717
Net income attributable to Brooks Automation, Inc.	12,098	594	12,692	50,071	707	50,778	116,254	1,439	117,693
Net income per share attributable to Brooks Automation, Inc. common shareholders:									
Basic	\$ 0.19	\$ 0.01	\$ 0.20	\$ 0.78	\$ 0.01	\$ 0.79	\$ 1.80	\$ 0.02	\$ 1.83
Diluted	\$ 0.19	\$ 0.01	\$ 0.20	\$ 0.77	\$ 0.01	\$ 0.78	\$ 1.79	\$ 0.02	\$ 1.81

**Table of Contents**

	Year Ended September 30, 2011			Year Ended September 30, 2010			Year Ended September 30, 2009		
	As		As	As		As	As		As
	Previously Reported	Adjustment		Previously Reported	Adjustment		Previously Reported	Adjustment	
Equity in earnings of joint ventures	\$ 2,782	\$ 2,033	\$ 4,815	\$ 215	\$ 859	\$ 1,074	\$ (213)	\$ 246	\$ 33
Net income (loss)	128,404	2,033	130,437	59,025	859	59,884	(227,773)	246	(227,527)
Net income (loss) attributable to Brooks Automation, Inc.	128,352	2,033	130,385	58,982	859	59,841	(227,858)	246	(227,612)
Net income (loss) per share attributable to Brooks Automation, Inc. common shareholders:									
Basic	\$ 1.99	\$ 0.03	\$ 2.02	\$ 0.92	\$ 0.01	\$ 0.94	\$ (3.62)	\$ 0.00	\$ (3.62)
Diluted	\$ 1.97	\$ 0.03	\$ 2.01	\$ 0.92	\$ 0.01	\$ 0.93	\$ (3.62)	\$ 0.00	\$ (3.62)

**Recently Enacted Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board ( FASB ) issued an amendment to the accounting requirements of goodwill, which requires a qualitative approach to considering impairment for a reporting unit with zero or negative carrying value. On October 1, 2011 the Company adopted this standard, which had no impact on its financial position or results of operations.

In December 2010, the FASB issued an amendment to the accounting requirements of business combinations, which establishes accounting and reporting standards for pro forma revenue and earnings of the combined entity for the current and comparable reporting periods. On October 1, 2011 the Company adopted this standard, which had no impact on its financial position or results of operations.

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between GAAP and International Financial Reporting Standards. This guidance includes amendments which change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. On January 1, 2012 the Company adopted this standard, which had no impact on its financial position or results of operations.

In June 2011, the FASB issued an amendment to the accounting guidance for presentation of comprehensive income. Under the amended guidance, a company may present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This authoritative guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholder s equity. This amendment is effective for annual periods beginning after December 15, 2011. Other than a change in presentation, the adoption of this guidance will not have an impact on the Company s financial position or results of operations.

In September 2011, the FASB issued revised guidance intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. On October 1, 2011 the Company adopted this standard, which had no impact on its financial position or results of operations.

**2. Stock-Based Compensation**

The following table reflects stock-based compensation expense recorded during the three and nine months ended June 30, 2012 and 2011 (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Restricted stock	1,859	1,476	6,484	4,843
Employee stock purchase plan	120	119	419	368
	\$ 1,979	\$ 1,595	\$ 6,903	\$ 5,211

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

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. 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. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates.

**Table of Contents**

During the three months ended December 31, 2011 and March 31, 2012, the Company granted 1,377,000 shares and 150,000 shares, respectively, of restricted stock to members of senior management of which 369,250 shares and 37,500 shares, respectively, vest over the service period and the remaining 1,007,750 shares and 112,500 shares, respectively, vest upon the achievement of certain financial performance goals which will be measured at the end of fiscal year 2014. Total compensation expense on these awards is a maximum of \$19.4 million. Awards subject to service criteria are being recorded to expense ratably over the vesting period. Awards subject to performance criteria are expensed over the related service period when attainment of the performance condition is considered probable. The total amount of compensation recorded will depend on the Company's achievement against performance targets. Changes to the projected attainment against performance targets during the vesting period may result in an adjustment to the amount of cumulative compensation recorded as of the date the estimate is revised.

During the three months ended December 31, 2011, the Company's Chief Executive Officer was granted an award of 100,000 cash settled phantom units, which are subject to the same vesting terms as the performance-based restricted stock units. The Company's unaudited consolidated balance sheet at June 30, 2012 includes a liability of approximately \$93,000 for this potential cash payment. The Company incurred an expense of \$10,000 and \$93,000 for the three and nine months ended June 30, 2012, respectively, in connection with the cash settled phantom unit award.

*Stock Option Activity*

The following table summarizes stock option activity for the nine months ended June 30, 2012:

	Number of Options	Weighted- Average Remaining Contractual Term	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
Outstanding at September 30, 2011	370,137		\$ 14.57	
Exercised	(13,320)		7.75	
Forfeited/expired	(133,635)		17.29	
Outstanding at June 30, 2012	223,182	0.6 year	\$ 13.34	\$ 20
Vested at June 30, 2012	223,182	0.6 year	\$ 13.34	\$ 20
Options exercisable at June 30, 2012	223,182	0.6 year	\$ 13.34	\$ 20

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of \$9.44 as of June 29, 2012, which would have been received by the option holders had all option holders exercised their options as of that date.

No stock options were granted during the three and nine months ended June 30, 2012 and 2011. The total intrinsic value of options exercised during the three and nine months ended June 30, 2012 was \$0 and \$56,000, respectively. The total intrinsic value of options exercised during the three and nine months ended June 30, 2011 was \$0 and \$15,000, respectively. The total cash received from participants as a result of stock option exercises during the three and nine months ended June 30, 2012 was \$0 and \$103,000, respectively. The total cash received from participants as a result of stock option exercises during the three and nine months ended June 30, 2011 was \$0 and \$6,000, respectively.

As of June 30, 2012 there was no future compensation cost related to stock options as all outstanding stock options have vested.

*Restricted Stock Activity*

A summary of the status of the Company's restricted stock as of June 30, 2012 and changes during the nine months ended June 30, 2012 is as follows:

	Nine months ended June 30, 2012
Shares	Weighted Average Grant-

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

		<b>Date Fair Value</b>
Outstanding at September 30, 2011	1,590,989	\$ 10.15
Awards granted	1,850,419	11.80
Awards vested	(592,962)	9.69
Awards canceled	(103,332)	11.68
Outstanding at June 30, 2012	2,745,114	\$ 10.46



**Table of Contents**

The fair value of restricted stock awards vested during the three months ended June 30, 2012 and 2011 was \$2.0 million and \$0.9 million, respectively. The fair value of restricted stock awards vested during the nine months ended June 30, 2012 and 2011 was \$5.6 million and \$7.3 million, respectively.

As of June 30, 2012, the unrecognized compensation cost related to restricted stock that is expected to vest is \$12.6 million and will be recognized over an estimated weighted average amortization period of 2.0 years.

*Employee Stock Purchase Plan*

There were no shares purchased under the employee stock purchase plan during the three months ended June 30, 2012 and 2011. There were 90,433 shares purchased under the employee stock purchase plan during the nine months ended June 30, 2012 for aggregate proceeds of \$0.7 million. There were 103,684 shares purchased under the employee stock purchase plan during the nine months ended June 30, 2011 for aggregate proceeds of \$0.7 million.

**3. Acquisitions**

On December 30, 2011, the Company acquired the Celigo<sup>®</sup> Cell Cytometer product line ( Celigo ) from Cytellect, Inc., for \$8.7 million in cash, plus a deferred cash payment of \$0.5 million that was paid in July 2012. The Celigo product line provides life science customers with cellular imaging in a high-throughput, easy-to-use and affordable platform. Celigo s operations were based in San Diego, California, and have been integrated into the Company s nearby Poway, California-based life sciences operation shortly after the acquisition. The Celigo product line resides in the Brooks Life Science Systems segment. The acquisition of Celigo provides a complementary analysis tool for customers currently using the Company s automated sample management systems.

The assets and liabilities associated with Celigo were recorded at their fair values as of the acquisition date and the amounts follow (in thousands):

Accounts receivable	\$ 896
Inventory	1,139
Property, plant and equipment	202
Completed technology	3,540
Trademarks and trade names	70
Goodwill	3,713
Accounts payable	(13)
Deferred revenue	(326)
Other current liabilities	(6)
 Total purchase price, net of cash acquired	 \$ 9,215

The estimated fair value attributed to the completed technologies was determined based upon a discounted cash flow forecast. Cash flows were discounted at a rate of 25%. The fair value of the completed technologies will be amortized over a period of 6 years on a straight-line basis, which approximates the pattern in which the economic benefits of the completed technologies are expected to be realized.

The fair value of the trade names will be amortized over 6 years on a straight-line basis, which approximates the pattern in which the economic benefits of the trade names will 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. Goodwill arising from the acquisition will be deductible for tax purposes.

Celigo s operating results have been included in the Company s results of operations from the acquisition date. Pro forma results are not provided as Celigo s results of operations were not material. Transaction costs related to this acquisition were \$105,000 for the first quarter ended December 31, 2011, and are included in selling, general and administrative expense. There were no transaction costs subsequent to December 31, 2011.

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

During the three months ended March 31, 2012, the Company acquired primarily intellectual property from Intevac, Inc. for \$3.0 million. Management evaluated this asset purchase to determine if this acquisition would be considered an acquisition of a business. Since only a limited amount of assets were acquired, management concluded that the inputs and processes required to meet the definition of a business were not acquired in this transaction, therefore, this transaction was treated as the purchase of an asset group. This asset group includes primarily intellectual property that will be utilized in the development of the Company's next generation of semiconductor automation tools that resides within the Brooks Product Solutions segment. The Company expensed essentially all of this asset purchase as an in-process research and development cost in the three months ended March 31, 2012.

**Table of Contents****4. Goodwill and Intangible Assets**

The components of the Company's goodwill by business segment at June 30, 2012 are as follows (in thousands):

	<b>Brooks Products Solutions</b>	<b>Brooks Global Services</b>	<b>Brooks Life Science Systems</b>	<b>Contract Manufacturing</b>	<b>Other</b>	<b>Total</b>
Gross goodwill at September 30, 2011	\$ 485,844	\$ 151,238	\$ 36,589	\$ 18,593	\$ 7,421	\$ 699,685
Less: aggregate impairment charges recorded	(437,706)	(151,238)		(18,593)	(7,421)	(614,958)
Goodwill, less accumulated impairments at September 30, 2011	\$ 48,138	\$	\$ 36,589	\$	\$	\$ 84,727
Acquisitions and adjustments during the nine months ended June 30, 2012			3,713			3,713
Goodwill, less accumulated impairments at June 30, 2012	\$ 48,138	\$	\$ 40,302	\$	\$	\$ 88,440

Components of the Company's identifiable intangible assets are as follows (in thousands):

	<b>June 30, 2012</b>			<b>September 30, 2011</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Patents	\$ 7,808	\$ 7,067	\$ 741	\$ 7,808	\$ 6,989	\$ 819
Completed technology	54,522	41,824	12,698	50,975	39,235	11,740
Trademarks and trade names	4,012	3,858	154	3,941	3,719	222
Customer relationships	48,315	20,797	27,518	49,029	17,496	31,533
	\$ 114,657	\$ 73,546	\$ 41,111	\$ 111,753	\$ 67,439	\$ 44,314

**5. Income Taxes**

The Company recorded an income tax provision of \$1.0 million and \$0.6 million for the three and nine months ended June 30, 2012, respectively. The \$0.6 million provision for the first nine months of the year consists of foreign income taxes arising from the Company's international sales mix, certain state income taxes and interest related to unrecognized tax benefits. This provision is partially offset by a tax benefit which is driven by \$1.4 million of reductions in uncertain tax positions as a result of the lapse in statutes of limitations.

The Company recorded an income tax provision of \$3.3 million and \$5.3 million for the three and nine months ended June 30, 2011, respectively. These provisions include \$2.4 million of taxes related to the sale of the contract manufacturing business. These provisions also consist of foreign income taxes arising from the Company's international sales mix, certain state income taxes and interest related to unrecognized tax benefits.

The Company continued to provide a full valuation allowance for its net deferred tax assets at June 30, 2012, as Brooks believes it is more likely than not that the future tax benefits from accumulated net operating losses and other temporary differences will not be realized. The Company will continue to assess the need for a valuation allowance in future periods. If the Company continues to generate profits in most of its jurisdictions, it is reasonably possible that there will be a significant reduction in the valuation allowance in the next twelve months. Reduction of the valuation allowance, in whole or in part, would result in a non-cash income tax benefit during the period of reduction.

The Company is subject to U.S. federal income tax and various state, local and international income taxes in various jurisdictions. The amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files. In the normal course of

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

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 international 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, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the Company's statement of financial position. The Company currently anticipates that it is reasonably possible that the unrecognized tax benefit will be reduced by approximately \$2.5 million during the next twelve months primarily as the result of statutes of limitations expiring.

**Table of Contents****6. 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 June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Weighted average common shares outstanding used in computing basic earnings per share	65,264	64,668	65,038	64,481
Dilutive common stock options and restricted stock awards	517	473	639	460
Weighted average common shares outstanding for purposes of computing diluted earnings per share	65,781	65,141	65,677	64,941

Approximately 212,000 and 358,000 options to purchase common stock and 282,000 and 38,000 shares of restricted stock were excluded from the computation of diluted earnings per share attributable to common stockholders for the three months ended June 30, 2012 and 2011, respectively, as their effect would be anti-dilutive. In addition, approximately 256,000 and 399,000 options to purchase common stock and 0 and 340,000 shares of restricted stock were excluded from the computation of diluted earnings per share attributable to common stockholders for the nine months ended June 30, 2012 and 2011, respectively, as their effect would be anti-dilutive.

**7. Comprehensive Income**

The calculation of the Company's comprehensive income for the three and nine months ended June 30, 2012 and 2011 is as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Net income	\$ 8,025	\$ 66,921	\$ 20,582	\$ 117,717
Change in cumulative translation adjustment	(1,785)	2,097	(4,105)	4,770
Unrealized gain (loss) on marketable securities	(51)	67	295	(159)
Actuarial gain (loss)	2	(1)	(85)	(48)
Comprehensive income	6,191	69,084	16,687	122,280
Add: Comprehensive loss (income) attributable to noncontrolling interests	3	(6)	(10)	(24)
Comprehensive income attributable to Brooks Automation, Inc.	\$ 6,194	\$ 69,078	\$ 16,677	\$ 122,256

**8. Segment Information**

The Company reports financial results in four segments: Brooks Product Solutions, Brooks Global Services, Brooks Life Science Systems and Contract Manufacturing. A description of segments is included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011.

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. Intersegment revenues between Brooks Product Solutions and Contract Manufacturing were eliminated from Contract Manufacturing revenues. The profits reported on intercompany transactions are based on the transfer prices charged which approximates fair value to third parties. Other unallocated corporate expenses (primarily certain legal costs associated with the Company's past equity incentive-related practices and costs to indemnify a former executive in connection with these matters), amortization of acquired intangible assets (excluding completed technology) and restructuring are excluded from the segments' operating income (loss). The Company's non-allocable overhead costs, which include various

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

general and administrative expenses, are allocated among the segments based upon various cost drivers associated with the respective administrative function, including segment revenues, segment headcount, or an analysis of the segments that benefit from a specific administrative function. Segment assets exclude investments in joint ventures, marketable securities and cash equivalents.

**Table of Contents**

Financial information for the Company's business segments is as follows (in thousands):

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Contract Manufacturing	Total
<b>Three months ended June 30, 2012</b>					
Revenues					
Product	\$ 107,725	\$ 2,981	\$ 8,466	\$	\$ 119,172
Services		18,543	2,722		21,265
	\$ 107,725	\$ 21,524	\$ 11,188	\$	\$ 140,437
Gross profit	\$ 36,195	\$ 5,868	\$ 4,177	\$	\$ 46,240
Segment operating income (loss)	\$ 10,733	\$ 1,984	\$ (2,061)	\$	\$ 10,656
<b>Three months ended June 30, 2011</b>					
Revenues					
Product	\$ 119,092	\$ 3,573	\$ 1,677	\$ 42,316	\$ 166,658
Services		18,996	482		19,478
	\$ 119,092	\$ 22,569	\$ 2,159	\$ 42,316	\$ 186,136
Gross profit	\$ 44,433	\$ 7,903	\$ 650	\$ 3,984	\$ 56,970
Segment operating income (loss)	\$ 18,737	\$ 3,522	\$ (1,196)	\$ 2,006	\$ 23,069
<b>Nine months ended June 30, 2012</b>					
Revenues					
Product	\$ 296,475	\$ 8,373	\$ 29,043	\$	\$ 333,891
Services		56,480	9,631		66,111
	\$ 296,475	\$ 64,853	\$ 38,674	\$	\$ 400,002
Gross profit	\$ 100,481	\$ 19,595	\$ 14,803	\$	\$ 134,879
Segment operating income (loss)	\$ 19,415	\$ 7,128	\$ (2,799)	\$	\$ 23,744
<b>Nine months ended June 30, 2011</b>					
Revenues					
Product	\$ 352,757	\$ 11,020	\$ 1,677	\$ 137,329	\$ 502,783
Services		53,889	482		54,371
	\$ 352,757	\$ 64,909	\$ 2,159	\$ 137,329	\$ 557,154
Gross profit	\$ 135,013	\$ 23,090	\$ 650	\$ 17,210	\$ 175,963
Segment operating income (loss)	\$ 56,884	\$ 9,094	\$ (1,196)	\$ 10,650	\$ 75,432
<b>Assets</b>					
June 30, 2012	\$ 237,455	\$ 56,036	\$ 106,205	\$	\$ 399,696
September 30, 2011	\$ 235,322	\$ 52,354	\$ 101,331	\$	\$ 389,007

Revenues for the Brooks Product Solutions segment for the three months and nine months ended June 30, 2011 include intercompany sales of \$16.2 million and \$49.2 million, respectively, from this segment to the Contract Manufacturing segment. These intercompany revenues have been eliminated from the revenues of Contract Manufacturing.

Revenues for the Contract Manufacturing segment for the three months and nine months ended June 30, 2011 exclude intercompany sales of \$2.9 million and \$10.7 million, respectively, from this segment to the Brooks Product Solutions segment.

**Table of Contents**

A reconciliation of the Company's reportable segment operating income to the corresponding consolidated amounts for the three and nine month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Segment operating income	\$ 10,656	\$ 23,069	\$ 23,744	\$ 75,432
Other unallocated corporate expenses	316	305	(2,100)	839
Amortization of acquired intangible assets	1,135	495	3,490	1,394
Restructuring charges	880	97	1,125	557
In-process research and development			3,026	
Total operating income	\$ 8,325	\$ 22,172	\$ 18,203	\$ 72,642

A reconciliation of the Company's reportable segment assets to the corresponding consolidated amounts as of June 30, 2012 and September 30, 2011 is as follows (in thousands):

	June 30, 2012	September 30, 2011
Segment assets	\$ 399,696	\$ 389,007
Investments in cash equivalents, marketable securities, joint ventures, and other unallocated corporate net assets	245,627	247,951
Total assets	\$ 645,323	\$ 636,958

**9. Significant Customers**

The Company had two customers that each accounted for more than 10% of revenues, at 14% and 11%, respectively, in the three months ended June 30, 2012. The Company had three customers that each accounted for more than 10% of revenues, at 17%, 13% and 11%, respectively, in the three months ended June 30, 2011. The Company had one customer that accounted for more than 10% of revenues, at 14%, in the nine months ended June 30, 2012. The Company had three customers that each accounted for more than 10% of revenues, at 18%, 14% and 10%, respectively, in the nine months ended June 30, 2011.

**10. Restructuring-Related Charges and Accruals**

The Company recorded charges to operations of \$880,000 and \$1,125,000 in the three and nine months ended June 30, 2012, respectively, for severance costs related primarily to a series of workforce reductions implemented to improve the Company's cost structure. A total of 46 individuals were impacted by these reductions. The severance costs by operating segment for the three months ended June 30, 2012 were: Brooks Product Solutions - \$196,000, Brooks Global Services - \$514,000, Brooks Life Science Systems - \$111,000 and Corporate Support functions - \$59,000. Severance costs by operating segment for the nine months ended June 30, 2012 were: Brooks Product Solutions - \$369,000, Brooks Global Services - \$580,000, Brooks Life Science Systems - \$45,000 and Corporate Support functions - \$131,000. Severance costs are reported net of reversals for two Brooks Life Science Systems employees that accepted other positions within the Company. The accruals for workforce reductions are expected to be paid over the next six months.

The Company recorded charges to operations of \$97,000 and \$557,000 in the three and nine months ended June 30, 2011, respectively. These charges include severance related costs of \$73,000 and \$346,000 for the three and nine month periods, and facility-related costs of \$24,000 and \$211,000 for the three and nine month periods. The severance costs consist primarily of costs to adjust contingent severance arrangements related to general corporate positions eliminated in prior periods. The facility costs relate to facilities exited in previous years. The costs for these exited facilities ended as of September 30, 2011.





**Table of Contents**

The activity for the three and nine months ended June 30, 2012 and 2011 related to the Company's restructuring-related accruals is summarized below (in thousands):

	Activity Three Months Ended June 30, 2012			Balance June 30, 2012
	Balance March 31, 2012	Expense	Utilization	
Workforce-related	\$ 120	\$ 880	\$ (249)	\$ 751

	Activity Three Months Ended June 30, 2011			Balance June 30, 2011
	Balance March 31, 2011	Expense	Utilization	
Facilities and other	\$ 1,553	\$ 24	\$ (1,011)	\$ 566
Workforce-related		73	(73)	
	\$ 1,553	\$ 97	\$ (1,084)	\$ 566

	Activity Nine Months Ended June 30, 2012			Balance June 30, 2012
	Balance September 30, 2011	Expense	Utilization	
Workforce-related	\$ 293	\$ 1,125	\$ (667)	\$ 751

	Activity Nine Months Ended June 30, 2011			Balance June 30, 2011
	Balance September 30, 2010	Expense	Utilization	
Facilities and other	\$ 3,509	\$ 211	\$ (3,154)	\$ 566
Workforce-related		346	(346)	
	\$ 3,509	\$ 557	\$ (3,500)	\$ 566

**11. Employee Benefit Plans**

On October 26, 2005, the Company purchased Helix Technology Corporation and assumed responsibility for the liabilities and assets of the Helix Employees' Pension Plan (the "Helix Plan"). The Plan is a final average pay pension plan. In May 2006, the Company's Board of Directors approved the freezing of benefit accruals and future participation in the Plan effective October 31, 2006. During the quarter ended March 31, 2012, the Company advised participants of the Helix Plan that it intends to settle this pension obligation during fiscal year 2012. This settlement is expected to result in cash payments of approximately \$6 million by the Company to fully satisfy the pension liability, and will result in an accelerated amortization of approximately \$8 million of prior pension losses. A significant portion of this settlement is expected to occur during the fourth quarter of fiscal year 2012. Absent this settlement, the Company is required to contribute \$0.7 million to the Helix Plan in fiscal 2012.

The Company acquired Nexus on July 25, 2011, and in connection with this acquisition, assumed responsibility for the liabilities of the Nexus Biosystems AG Pension Plan (the "Nexus Plan"). The Nexus Plan covers substantially all employees of the Company's Swiss subsidiary. Admittance for risk benefits (disability and death) is as of January 1 for employees who are 17 or older. Admittance into the pension plan with retirement pension occurs as of January 1 for employees who are age 24 or older. Pension benefits are based on the accumulated savings credits plus interest. The amount of the savings credit is based on the employee's age. The Company expects to contribute \$0.3 million to the Nexus Plan in fiscal 2012.

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

The Company also has a pension plan covering certain employees of its Taiwan subsidiary that were employed by this entity on or before July 1, 2005 (the Taiwan Plan ). After July 1, 2005, most participants of this plan decided to join a defined contribution plan and as a result, their service earned under the Taiwan Plan was frozen.

**Table of Contents**

The components of the Company's net pension cost related to the Helix Plan, the Nexus Plan and the Taiwan Plan for the three and nine months ended June 30, 2012 and 2011 is as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Service cost	\$ 148	\$ 29	\$ 448	\$ 86
Interest cost	248	192	745	577
Amortization of losses	116	116	347	348
Expected return on assets	(234)	(188)	(704)	(563)
Net periodic pension cost	\$ 278	\$ 149	\$ 836	\$ 448

**12. Other Balance Sheet Information**

Components of other selected captions in the Consolidated Balance Sheets are as follows (in thousands):

	June 30, 2012	September 30, 2011
Accounts receivable	\$ 88,077	\$ 77,318
Less allowances	780	617
	\$ 87,297	\$ 76,701
Inventories		
Raw materials and purchased parts	\$ 67,810	\$ 65,770
Work-in-process	22,304	29,460
Finished goods	16,705	12,424
	\$ 106,819	\$ 107,654

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 nine months ended June 30, 2012 and 2011 is as follows (in thousands):

**Activity Three Months Ended June 30, 2012**

Balance March 31, 2012	Accruals	Settlements	Balance June 30, 2012
\$ 7,281	\$ 3,365	\$ (3,276)	\$ 7,370
	<b><u>Activity Three Months Ended June 30, 2011</u></b>		

Accruals

Settlements

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

<b>Balance March 31, 2011</b>			<b>Balance June 30, 2011</b>
\$ 7,667	\$ 3,659	\$ (3,709)	\$ 7,617
<b><u>Activity Nine Months Ended June 30, 2012</u></b>			

<b>Balance September 30, 2011</b>	<b>Adjustments for acquisitions and divestitures</b>	<b>Accruals</b>	<b>Settlements</b>	<b>Balance June 30, 2012</b>
\$ 7,438	\$ 7	\$ 10,288	\$ (10,363)	\$ 7,370

**Table of Contents****Activity Nine Months Ended June 30, 2011**

Balance September 30, 2010	Accruals	Settlements	Balance June 30, 2011
\$ 8,195	\$ 8,580	\$ (9,158)	\$ 7,617

**13. Joint Ventures**

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. The Company has revised UCI's previously reported earnings as discussed in Note 1 and the results herein reflect the revisions. For the three months ended June 30, 2012 and 2011, the Company recorded income associated with UCI of \$0.3 million and \$1.4 million, respectively. For the nine months ended June 30, 2012 and 2011, the Company recorded income associated with UCI of \$1.8 million and \$2.9 million, respectively. At June 30, 2012, the carrying value of UCI in the Company's consolidated balance sheet was \$32.0 million. For each of the three months ended June 30, 2012 and 2011, management fee payments received by the Company from UCI were \$0.2 million. For the nine months ended June 30, 2012 and 2011, management fee payments received by the Company from UCI were \$0.8 million and \$0.7 million, respectively. For the three months ended June 30, 2012 and 2011, the Company incurred charges from UCI for products or services of \$0.2 million and \$0.3 million, respectively. For the nine months ended June 30, 2012 and 2011, the Company incurred charges from UCI for products or services of \$0.7 million and \$0.5 million, respectively. At June 30, 2012 and September 30, 2011 the Company owed UCI \$0.0 million and \$0.1 million, respectively, in connection with accounts payable for unpaid products and services.

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. For the three months ended June 30, 2012 and 2011, the Company recorded income (loss) associated with YBA of \$(0.1) million and \$0.2 million, respectively. For the nine months ended June 30, 2012 and 2011, the Company recorded income (loss) associated with YBA of \$(0.1) million and \$0.2 million, respectively. At June 30, 2012, the carrying value of YBA in the Company's consolidated balance sheet was \$3.7 million. For the three months ended June 30, 2012 and 2011, revenues earned by the Company from YBA were \$1.7 million and \$1.6 million, respectively. For the nine months ended June 30, 2012 and 2011, revenues earned by the Company from YBA were \$5.7 million and \$7.6 million, respectively. The amount due from YBA included in accounts receivable at June 30, 2012 and September 30, 2011 was \$2.0 million and \$2.2 million, respectively. For the three months and nine months ended June 30, 2012, the Company incurred charges from YBA for products or services of \$0.1 million and \$0.3 million, respectively. For the three months and nine months ended June 30, 2011, the Company incurred charges from YBA for products or services of \$0.1 million and \$0.4 million, respectively. At June 30, 2012 and September 30, 2011 the Company owed YBA \$0.1 million in connection with accounts payable for unpaid products and services.

These investments are accounted for using the equity method. Under this method of accounting, the Company records in income a proportionate share of the earnings of the joint ventures with a corresponding increase in the carrying value of the investment.

**14. Investment in Variable Interest Entity**

During the three months ended June 30, 2012, the Company provided a strategic partner (the Borrower) in the life science industry a loan of \$3.0 million to support their future product development and other working capital requirements. The loan bears interest at a rate of 9%. The outstanding principal and interest under the loan is payable in May 2015. The Company also received warrants to purchase the Borrower's common stock in the event of an equity offering by the Borrower. The Company determined that the loan and the warrants had fair values of \$2.8 million and \$0.2 million, respectively, as of June 30, 2012. The fair value of the loan and the warrants are recorded as long-term other assets in the Consolidated Balance Sheets. The loan agreement also provides the Company with certain other rights related to conversion of the loan, first refusal to acquire the Borrower and a redemption premium. The loan is secured by a security agreement that gives the Company the first interest in substantially all of the assets of the Borrower.

The Company determined that the level of equity investment at risk is not sufficient for the entity to finance its activities without additional financial support and as a result, represents a variable interest entity. However, the Company does not hold any equity interest in the Borrower, does not have the power to direct the activities that most significantly impact the Borrower's economic performance and would not absorb the majority of the expected losses from the Borrower, and therefore does not qualify as the primary beneficiary. The Company has no future contractual funding commitments to the Borrower and as a result, the Company's exposure to loss is limited to the outstanding principal and

interest.

**Table of Contents****15. Derivative Instruments**

The Company has transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in Euros, sterling and a variety of Asian currencies. These transactions and balances, including short-term advances between the Company and its subsidiaries, subject the Company's operations to exposure from exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. We mitigate the impact of potential currency translation gains and losses on short-term intercompany advances through timely settlement of each transaction, generally within 30 days. During the three months ended June 30, 2012, the Company entered into foreign exchange contracts to reduce its exposure to currency translation. Under forward contracts arrangements, the Company typically agrees to purchase a fixed amount of U.S. Dollars in exchange for a fixed amount of a foreign currency on specified dates with maturities of three months or less. These transactions do not qualify for hedge accounting and, accordingly, the instrument is recorded at fair value with the corresponding gains and losses recorded in the Consolidated Statements of Income.

The Company had the following notional amounts outstanding under foreign currency contracts at June 30, 2012 (in thousands):

Buy Currency	Notional Amount of Buy Currency	Sell Currency	Maturity	Notional Amount of Sell Currency in U.S. Dollars	Fair Value of Assets	Fair Value of Liabilities
U.S. Dollar	\$ 1,290	Korean Won	July 2012	\$ 1,294	\$	\$ 4
U.S. Dollar	1,000	Taiwan Dollar	July 2012	1,001		1
U.S. Dollar	1,006	Japanese Yen	July 2012	1,006		
U.S. Dollar	935	Singapore Dollar	July 2012	943		8
U.S. Dollar	549	British Pound	July 2012	549		
	\$ 4,780			\$ 4,793	\$	\$ 13

There were no forward contracts outstanding at September 30, 2011.

The fair values of the forward contracts described above are recorded in our Consolidated Balance Sheets as other current liabilities at June 30, 2012. The amount recorded in the results of operations related to these forward contracts are recorded in other income, net in the Consolidated Statements of Income.

**16. Marketable Securities**

The Company invests its cash in marketable securities and classifies them as available-for-sale. The Company records these securities at fair value. Marketable securities reported as current assets represent investments that mature within one year from the balance sheet date. Long-term marketable securities represent investments with maturity dates greater than one year from the balance sheet date. At the time the maturity dates of these investments become one year or less, the securities are reclassified to current assets. Unrealized gains and losses are excluded from earnings and reported in a separate component of stockholders' equity until they are sold or mature. At the time of sale, any gains or losses, calculated by the specific identification method, will be recognized as a component of operating results.

The following is a summary of marketable securities (included in short and long-term marketable securities in the consolidated balance sheets), including accrued interest receivable, as of June 30, 2012 and September 30, 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>June 30, 2012:</b>				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 46,046	\$ 11	\$ (29)	\$ 46,028
Corporate securities	61,967	95	(17)	62,045
Mortgage-backed securities(1)	1,441	33	(5)	1,469
Other debt securities	84			84
Municipal securities	29,724	16	(3)	29,737



Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

Bank certificate of deposits	2,740	1	2,741
	\$ 142,002	\$ 156	\$ (54) \$ 142,104

**Table of Contents**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2011:</b>				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 53,342	\$ 17	\$ (21)	\$ 53,338
Corporate securities	66,045	50	(203)	65,892
Mortgage-backed securities(1)	1,576	26	(53)	1,549
Other debt securities	434			434
Municipal securities	24,125	9	(17)	24,117
Bank certificate of deposits	1,655			1,655
	\$ 147,177	\$ 102	\$ (294)	\$ 146,985

(1) Fair value amounts include approximately \$0.7 million of investments in the Federal Home Loan Mortgage and Federal National Mortgage Association.

The fair value of the marketable securities at June 30, 2012 by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties (in thousands).

	Fair Value
Due in one year or less	\$ 87,606
Due after one year through five years	50,650
Due after ten years	3,848
	\$ 142,104

**17. Fair Value Measurements**

The fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset and liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities of the Company measured at fair value on a recurring basis as of June 30, 2012 and September 30, 2011 are summarized as follows (in thousands):

Description	June 30, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

(Level 1)

Assets				
Cash Equivalents	\$ 20,613	\$ 20,613	\$	\$
Available-for-sale securities	142,104	62,008	80,096	
Total Assets	\$ 162,717	\$ 82,621	\$ 80,096	\$
Liabilities				
Foreign exchange contracts	\$ 13	\$	\$ 13	\$

**Table of Contents**

Description	Fair Value Measurements at Reporting Date Using			
	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash Equivalents	\$ 9,576	\$ 9,576	\$	\$
Available-for-sale securities	146,985	63,331	83,654	
Total Assets	\$ 156,561	\$ 72,907	\$ 83,654	\$

**Cash Equivalents**

Cash equivalents of \$20.6 million, consisting of Money Market Funds, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

**Available-For-Sale Securities**

Available-for-sale securities of \$62.0 million, consisting of highly rated Corporate Bonds, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets of identical assets or liabilities. Available-for-sale securities of \$80.1 million, consisting of Asset Backed Securities, Municipal Bonds, and Government Agencies are classified within Level 2 of the fair value hierarchy because they are valued using matrix pricing and benchmarking. Matrix pricing is a mathematical technique used to value securities by relying on the securities' relationship to other benchmark quoted prices.

**Foreign Exchange Contracts**

Foreign exchange contracts of \$13,000 are classified within Level 2 of the fair value hierarchy because there may not be an active market for each contract, however, the inputs used to calculate the value of the contract were obtained from an active market.

**18. Contingencies**

On August 22, 2006, an action captioned as *Mark Levy v. Robert J. Therrien and Brooks Automation, Inc.*, was filed in the United States District Court for the District of Delaware, seeking recovery, on behalf of Brooks, from Mr. Therrien (the Company's former Chairman and CEO) under Section 16(b) of the Exchange Act for alleged short-swing profits earned by Mr. Therrien due to the loan and stock option exercise in November 1999, and a sale by Mr. Therrien of Brooks stock in March 2000. The complaint sought disgorgement of all profits earned by Mr. Therrien on the transactions, attorneys' fees and other expenses. On February 20, 2007, a second Section 16(b) action, concerning the same loan and stock option exercise in November 1999 discussed above and seeking the same remedy, was filed in the United States District Court of the District of Delaware, captioned *Aron Rosenberg v. Robert J. Therrien and Brooks Automation, Inc.* On April 4, 2007, the court issued an order consolidating the *Levy* and *Rosenberg* actions (the Section 16(b) Action).

On February 24, 2011, the parties executed a settlement agreement which, upon court approval, would resolve the Section 16(b) Action. Pursuant to this agreement, Mr. Therrien sold 150,000 shares of Brooks stock, the proceeds of which form the settlement fund and totaled approximately \$1.9 million. The plaintiffs agreed to seek a fee not exceeding 30 percent of this settlement fund, the remainder of which would be delivered to the Company following court approval. Notice of the proposed settlement, which described the proposed settlement in further detail, was mailed to shareholders of record as of March 31, 2011.

In connection with the agreement to settle the Section 16(b) Action, the Company reached an agreement with Mr. Therrien and the Company's former Directors and Officers Liability Insurance Carriers (the Global Settlement Agreement) to resolve (1) Mr. Therrien's civil litigation with the United States Securities and Exchange Commission (SEC), (2) any of the Company's advancement or indemnification obligations to Mr. Therrien in connection with that matter, and (3) the Company's claim against these insurance carriers for reimbursement of certain defense costs which the Company paid to Mr. Therrien pursuant to his indemnification agreement with the Company. Pursuant to the Global Settlement Agreement, Mr. Therrien agreed to enter into a settlement with the SEC. If approved by the SEC and the court in that matter, in addition to delivering to the Company the net proceeds of the sale of 150,000 shares of Brooks stock in connection with the Section 16(b) matter, Mr. Therrien would pay the SEC approximately \$728,000 in disgorgement and \$100,000 in fines. To resolve any indemnification claim by Mr. Therrien against the Company in connection with this matter, the Company has agreed to reimburse him \$500,000 towards his disgorgement payment. Finally, upon resolution of both the Section 16(b) matter and the SEC matter, the Company's insurers agreed to pay Brooks a net sum

Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

of approximately \$3.5 million to resolve any claim the Company may have against its former insurers for certain defense costs paid to Mr. Therrien.

**Table of Contents**

On May 17, 2011, the court in the Section 16(b) Action held a hearing to determine the fairness of the proposed settlement in that action. Following the hearing, the court approved that settlement, finding that the settlement in the Section 16(b) Action and the Global Settlement Agreement were both in the best interest of the parties and the Company's shareholders. On June 16, 2011, the settlement of the Section 16(b) Action became final and the Company received \$1.3 million in settlement proceeds of which 50% will be paid to the Company's insurance company and the remaining 50% has been recorded as income. On February 1, 2012, the court approved Mr. Therrien's settlement with the SEC, and the Company subsequently received additional net insurance proceeds to reimburse litigation related costs previously incurred of approximately \$3.3 million which was recorded as a reduction to Selling, General & Administrative costs during the three months ended March 31, 2012.

The Company is subject to various legal proceedings, both asserted and unasserted, that arise in the ordinary course of business. The Company believes that none of these claims will have a material adverse effect on its consolidated financial condition or results of operations.

**19. Subsequent Events**

On August 8, 2012, the Company's Board of Directors declared a cash dividend of \$0.08 per share payable on September 28, 2012 to common stockholders of record on September 7, 2012. Dividends are declared at the discretion of the Company's Board of Directors and depend on actual cash from operations, the Company's financial condition and capital requirements and any other factors the Company's Board of Directors may consider relevant. Future dividend declarations, as well as the record and payment dates for such dividends, will be determined by the Company's Board of Directors on a quarterly basis.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements which involve known risks, uncertainties and other factors which may cause the actual results, our performance or our achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include the Risk Factors which are set forth in our Annual Report on Form 10-K for the most recently completed fiscal year and which are incorporated herein by reference. Precautionary statements made in our Annual Report on Form 10-K should be read as being applicable to all related forward-looking statements whenever they appear in this report.

**Overview**

We are a leading provider of automation, vacuum and instrumentation solutions for multiple markets and are a valued business partner to original equipment manufacturers (OEMs) and equipment users throughout the world. We serve markets where equipment productivity and availability are critical factors for our customers' success, typically in demanding temperature and/or pressure environments. Our largest served market is the semiconductor capital equipment industry, which represented approximately 71% of our fiscal year 2010 revenues, 65% of our fiscal year 2011 revenues and 56% of our revenues for the first nine months of fiscal year 2012. These decreases are the result of our efforts to target certain non-semiconductor revenue opportunities, including acquisitions and a divestiture which has led to an increase in the non-semiconductor portion of our revenues. The non-semiconductor markets served by us include life sciences, industrial capital equipment and other adjacent markets which include clean energy.

Although we have entered into transactions to expand the non-semiconductor portions of our business, we will continue to make investments to maintain and grow our semiconductor product and service offerings. On January 6, 2012, we acquired primarily intangible assets from Intevac, Inc. for \$3.0 million. We will use these assets in the development of a next generation of semiconductor automation tools. We expensed essentially all of this asset purchase as an in-process research and development cost in the three months ended March 31, 2012.

During the three months ended June 30, 2012, the Company provided a strategic partner (the Borrower) in the life science industry a loan of \$3.0 million to support their future product development and other working capital requirements. The outstanding principal and interest under the loan is payable to us in May 2015.

We report financial results in four segments: Brooks Product Solutions, Brooks Global Services, Brooks Life Science Systems and Contract Manufacturing. This financial reporting structure was implemented effective as of the beginning of our fourth quarter of fiscal year 2011 in response to changes in our management structure as well as the acquisition of two life science companies in the second half of fiscal 2011. Historic results included in this quarterly report have been reclassified where applicable to conform to this new operating segment structure.

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

The Brooks Product Solutions segment provides a variety of products critical to technology equipment productivity and availability. Those products include atmospheric and vacuum tool automation systems, atmospheric and vacuum robots and robotic modules and cryogenic vacuum pumping, thermal management and vacuum measurement solutions which are used to create, measure and control critical process vacuum applications.

## **Table of Contents**

The Brooks Global Services segment provides an extensive range of support services including on and off-site repair services, on and off-site diagnostic support services, and installation services to enable our customers to maximize process tool uptime and productivity. This segment also provides end-user customers with spare parts support services to maximize customer tool productivity.

The Brooks Life Science Systems segment provides automated sample management systems for automated cold sample storage, automated blood fractionation equipment, sample preparation and handling equipment, cellular imaging, consumables, and parts and support services to a wide range of life science customers including pharmaceutical companies, biotechnology companies, biobanks, national laboratories, research institutes and research universities.

The Contract Manufacturing segment provided services to build equipment front-end modules, vacuum transport modules and other subassemblies which enabled our customers to effectively source high quality and high reliability process tools for semiconductor market applications. We sold this segment on June 28, 2011.

In the third quarter of fiscal 2012, we identified prior period errors related to the accounting for our equity method investment in ULVAC Cryogenics, Inc. ( UCI ). We determined that certain subsidiaries of UCI were not fully included in the results UCI reported to us and therefore not reflected within equity in earnings of joint ventures in our consolidated statements of operations or within equity investment in joint ventures in our consolidated balance sheets for the quarterly and annual periods beginning in the fiscal year ended September 30, 2006 through the quarterly period ended March 31, 2012. We concluded that these errors were not material individually or in the aggregate to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. However, if the entire correction was recorded in the third quarter of 2012, the cumulative amount would be material in the year ended September 30, 2012 and would have impacted comparisons to prior periods. As such, the revisions for these corrections to the applicable prior periods are reflected in the financial information herein and will be reflected in future filings containing such financial information. The revision had no net impact on the Company's consolidated statements of cash flows for any prior period. The specific amount of each revision is detailed in Note 1 to our consolidated financial statements.

### **Three and Nine Months Ended June 30, 2012, Compared to Three and Nine Months Ended June 30, 2011**

#### **Revenues**

We reported revenues of \$140.4 million for the three months ended June 30, 2012, compared to \$186.1 million in the same prior year period, a decrease of 25%. These decreases were primarily due to the sale of our Contract Manufacturing segment in June 2011, which decreased revenues by \$42.3 million as compared to the same prior year period, and reduced demand for our products, which reduced our revenues by \$11.4 million as compared to the same prior year period. These decreases were partially offset by the RTS and Nexus acquisitions which increased revenues by \$9.0 million as compared to the same prior year period.

We reported revenues of \$400.0 million for the nine months ended June 30, 2012, compared to \$557.2 million in the same prior year period, a decrease of 28%. These decreases were primarily due to the sale of our Contract Manufacturing segment in June 2011, which decreased revenues by \$137.3 million as compared to the same prior year period, and reduced demand for our products, primarily from our semiconductor equipment customers, which reduced our revenues by \$56.3 million as compared to the same prior year period. These decreases were partially offset by the RTS and Nexus acquisitions which increased revenues by \$36.5 million as compared to the same prior year period. Recent demand for semiconductor capital equipment has declined, and we expect this reduction in demand to result in lower revenues in the near term as compared to the revenues achieved in the first nine months of fiscal year 2012.

Our Brooks Product Solutions segment reported revenues of \$107.7 million for the three months ended June 30, 2012, a decrease of 10% from \$119.1 million in the same prior year period. This segment reported revenues of \$296.5 million for the nine months ended June 30, 2012, a decrease of 16% from \$352.8 million in the same prior year period. These decreases were mostly attributable to lower volumes of shipments to semiconductor capital equipment customers and other adjacent end markets.

Our Brooks Global Services segment reported revenues of \$21.5 million for the three months ended June 30, 2012, a 5% decrease from \$22.6 million in the same prior year period. These decreases were attributable to a \$0.6 million decrease in the sale of spare parts and a \$0.5 million decrease in service contract and repair services revenue. This segment reported revenues of \$64.8 million for the nine months ended June 30, 2012, relatively flat from \$64.9 million in the same prior year period. A \$2.7 million decrease in the sale of spare parts was mostly offset by a \$2.6 million increase in service contract and repair services revenue.

Our Brooks Life Science Systems segment reported revenues of \$11.2 million and \$38.7 million for the three and nine months ended June 30, 2012. Since we acquired RTS and Nexus in the second half of fiscal 2011, we had nominal revenue of \$2.2 million in each of the three and nine months ended June 30, 2011.



## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

Our Contract Manufacturing segment reported revenues of \$42.3 million and \$137.3 million for the three and nine months ended June 30, 2011. This segment was sold on June 28, 2011.

---

**Table of Contents**

Revenues for the Brooks Product Solutions segment for the three months and nine months ended June 30, 2011 include intercompany sales of \$16.2 million and \$49.2 million, respectively, from this segment to the Contract Manufacturing segment. These intercompany revenues have been eliminated from the revenues of Contract Manufacturing.

Revenues for the Contract Manufacturing segment for the three months and nine months ended June 30, 2011 exclude intercompany sales of \$2.9 million and \$10.7 million, respectively, from this segment to the Brooks Product Solutions segment.

**Gross Margin**

Gross margin percentage increased to 32.9% for the three months ended June 30, 2012, compared to 30.6% for the same prior year period. This increase was primarily attributable to a more favorable product mix with the addition of our higher margin Brooks Life Science Systems segment and the sale of our lower margin Contract Manufacturing segment. Gross margin percentage increased to 33.7% for the nine months ended June 30, 2012, compared to 31.6% for the same prior year period. This increase was primarily attributable to a more favorable product mix with the addition of our higher margin Brooks Life Science Systems segment and the sale of our lower margin Contract Manufacturing segment.

Gross margin percentage for our Brooks Product Solutions segment decreased to 33.6% for the three months ended June 30, 2012 as compared to 37.3% in the same prior year period. This decrease was due in part to a less favorable product mix, which decreased gross margin by 1.8%, with the balance of the decrease mostly attributable to the reduction in demand for our products, which led to reduced production and lower absorption of our fixed costs. Gross margin percentage for our Brooks Product Solutions segment decreased to 33.9% for the nine months ended June 30, 2012 as compared to 38.3% in the same prior year period. The decrease was due in part to a less favorable product mix, which decreased gross margin by 1.8%, plus increased charges for excess and obsolete inventory which reduced gross margin by 0.3%. The balance of the reduction in gross margin is mostly attributable to the reduction in demand for our products, which led to reduced production and lower absorption of our fixed costs.

Gross margin percentage for our Brooks Global Services segment decreased to 27.3% for the three months ended June 30, 2012 as compared to 35.0% in the same prior year period. This decrease is due to lower sales of higher margin spare parts, which reduced gross margin by 2.2%, higher charges for excess and obsolete inventory which reduced gross margin by 1.4%, with the balance of the decrease primarily attributable to investments in service infrastructure. Gross margin percentage for our Brooks Global Services segment decreased to 30.2% for the nine months ended June 30, 2012 as compared to 35.6% in the same prior year period. This decrease is due to lower sales of higher margin spare parts, which reduced gross margin by 2.2%, higher charges for excess and obsolete inventory which reduced gross margin by 1.4%, with the balance of the decrease primarily attributable to investments in service infrastructure in advance of revenue growth.

Gross margin percentage for our Brooks Life Science Systems segment was 37.3% for the three months ended June 30, 2012, which includes a reduction of 0.3% to expense the step-up in value of inventories resulting from purchase accounting and 4.1% for amortization of completed technology intangible assets. Gross margin percentage for our Brooks Life Science Systems segment was 38.3% for the nine months ended June 30, 2012, which includes a reduction of 2.2% to expense the step-up in value of inventories resulting from purchase accounting and 3.2% for amortization of completed technology intangible assets.

Gross margin percentage for our Contract Manufacturing segment for the three and nine months ended June 30, 2011 was 9.4% and 12.5%, respectively. The sale of this lower gross margin segment at the end of our third quarter of fiscal year 2011 has led to an overall increase in our post-sale gross margin percentage.

**Research and Development**

Research and development, or R&D, expenses for the three months ended June 30, 2012 were \$11.7 million, an increase of \$1.7 million, compared to \$10.0 million in the same prior year period. R&D expenses for the nine months ended June 30, 2012 were \$36.2 million, an increase of \$7.8 million, compared to \$28.4 million in the same prior year period. This increase includes \$2.0 million and \$6.1 million of R&D expenses for Nexus and RTS for the three and nine months ended June 30, 2012, which were not included in the same prior year periods, as well as increased expenses to enhance our current product offerings and internally create products and services to grow longer-term revenues for technology markets outside of the semiconductor market.

**Selling, General and Administrative**

Selling, general and administrative expenses, or SG&A, were \$25.3 million for the three months ended June 30, 2012, an increase of \$0.6 million compared to \$24.7 million in the same prior year period. The increase is primarily attributable to an increase of \$1.2 million for the

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

acquisitions of Nexus and RTS, including \$0.6 million of amortization of intangible assets along with an increase of \$1.1 million in strategic consulting costs in connection with our initiatives to improve certain operating efficiencies. These increases have been partially offset by a \$1.4 million reduction of labor-related costs as a result of lower accruals for incentive based compensation due to the Company's reduced financial performance. SG&A expenses were \$76.4 million for the nine months ended June 30, 2012, an increase of \$2.0 million compared to \$74.4 million in the same prior year period. The increase is primarily attributable to the acquisitions of Nexus and RTS, which increased SG&A costs by \$5.8 million, including \$2.1 million of

## **Table of Contents**

amortization of intangible assets. Other cost increases include \$2.6 million of higher consulting costs in connection with our initiatives to improve certain operating efficiencies. These increases have been partially offset by \$3.3 million of net insurance proceeds as reimbursement of litigation related costs previously incurred which was recorded as a reduction to SG&A during the three months ended March 31, 2012 along with a \$4.2 million reduction of labor-related costs as a result of lower accruals for incentive based compensation due to the Company's reduced financial performance.

### **Restructuring Charges**

We recorded charges to operations of \$880,000 and \$1,125,000 in the three and nine months ended June 30, 2012, respectively, for severance costs related primarily to a series of workforce reductions implemented to improve our cost structure. A total of 46 individuals were impacted by these reductions. The severance costs by operating segment for the three months ended June 30, 2012 were: Brooks Product Solutions - \$196,000, Brooks Global Services - \$514,000, Brooks Life Science Systems - \$111,000 and Corporate Support functions - \$59,000. Severance costs by operating segment for the nine months ended June 30, 2012 were: Brooks Product Solutions - \$369,000, Brooks Global Services - \$580,000, Brooks Life Science Systems - \$45,000 and Corporate Support functions - \$131,000. Severance costs are reported net of reversals for two Brooks Life Science Systems employees that accepted other positions within Brooks.

We recorded a restructuring charge of \$97,000 and \$557,000 for the three and nine month periods ended June 30, 2011. These charges include severance related costs of \$73,000 and \$346,000 for the three and nine month periods, which are adjustments for contingent severance arrangements for corporate management positions eliminated in prior periods. We also incurred \$211,000 of facility-related costs during the nine month period which relates to facilities exited in previous years. The costs for our exited facilities ended as of September 30, 2011.

### **In-process research and development**

During the three months ended March 31, 2012, we acquired primarily intellectual property from Intevac, Inc. for \$3.0 million. This intellectual property will be utilized in the development of a next generation of semiconductor automation tools that resides within the Brooks Product Solutions segment. We expensed essentially all of this asset purchase as an in-process research and development cost in the three months ended March 31, 2012.

### **Interest Income**

Interest income was \$0.3 million and \$0.8 million for the three and nine month periods ended June 30, 2012, as compared to \$0.4 million and \$0.9 million for the same prior year periods. The cash balances available for investing have increased during the three and nine months ended June 30, 2012 as compared to the same prior year periods. However, lower interest rates available in the short to intermediate term fixed income market have offset the increased interest income on higher cash balances.

### **Sale of Contract Manufacturing Business in 2011**

We closed the sale of our extended factory contract manufacturing business on June 28, 2011 with affiliates of Celestica Inc. The gross proceeds on this transaction were \$81.8 million, of which \$79.3 million was received on the closing. The balance of \$2.5 million represented a working capital normalizing adjustment, and was received during our fourth quarter of 2011. The gross proceeds included the reimbursement of \$1.3 million of cash on hand at the closing offset by \$2.3 million of transaction expenses. The pre-tax gain on the sale was \$45.0 million. Our income tax provision included \$2.4 million of incremental taxes on this gain.

### **Other Income, Net**

Other income, net, was \$0.2 million for the three months ended June 30, 2012 and consists primarily of joint venture management fee income. Other income, net, was \$0.5 million for the nine months ended June 30, 2012 and consists primarily of joint venture management fee income, partially offset by foreign exchange losses. Other income, net, was \$1.1 million and \$1.5 million for the three and nine months ended June 30, 2011, respectively. Other income, net for the three months ended June 30, 2011 was \$1.1 million and includes \$0.7 million from a litigation settlement and \$0.3 million of joint venture management fee income. Other income, net for the nine months ended June 30, 2011 was \$1.5 million and includes \$0.7 million from a litigation settlement and \$0.7 million of joint venture management fee income.

### **Income Tax Provision**

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

We recorded an income tax provision of \$1.0 million and \$0.6 million for the three and nine months ended June 30, 2012, respectively. The \$0.6 million provision for the first nine months of the year consists of foreign income taxes arising from our international sales mix, certain state income taxes and interest related to unrecognized tax benefits. This provision is partially offset by a tax benefit which is driven by \$1.4 million of reductions in uncertain tax positions as a result of the lapse in statutes of limitations. We recorded an income tax provision of \$3.3 million and \$5.3 million for the three and nine months ended June 30, 2011, respectively. This provision includes \$2.4 million of foreign and U.S. state income taxes on the sale of our contract manufacturing business, and the balance consists mostly of foreign income taxes arising from our international sales mix, certain state income taxes and interest related to unrecognized tax benefits.

---

**Table of Contents**

We continued to provide a full valuation allowance for our net deferred tax assets at June 30, 2012, as we believe it is more likely than not that the future tax benefits from accumulated net operating losses and other temporary differences will not be realized. We will continue to assess the need for a valuation allowance in future periods. If we continue to generate profits in most of our jurisdictions, it is reasonably possible that there will be a significant reduction in the valuation allowance in the next twelve months. Reduction of the valuation allowance, in whole or in part, would result in a non-cash income tax benefit during the period of reduction.

**Equity in Earnings of Joint Ventures**

Income associated with our 50% interest in ULVAC Cryogenics, Inc., or UCI, a joint venture with ULVAC Corporation of Japan, was \$0.3 million and \$1.4 million for the three months ended June 30, 2012 and 2011, respectively. This decrease was the result of lower revenues due to a cyclical slowing of demand for UCI products. These numbers reflect the revision to UCI's earnings as discussed in Note 1. The gain (loss) associated with our 50% interest in Yaskawa Brooks Automation, Inc., a joint venture with Yaskawa Electric Corporation of Japan was \$(0.1) million and \$0.2 million for the three months ended June 30, 2012 and 2011, respectively.

Income associated with our 50% interest in UCI was \$1.8 million and \$2.9 million for the nine months ended June 30, 2012 and 2011, respectively. The income (loss) associated with our 50% interest in Yaskawa Brooks Automation, Inc., a joint venture with Yaskawa Electric Corporation of Japan was \$(0.1) million and \$0.2 million for the nine months ended June 30, 2012 and 2011, respectively.

**Liquidity and Capital Resources**

A considerable portion of our revenues are dependent on the demand for semiconductor capital equipment. Demand for this equipment has historically experienced periodic downturns. This cyclical nature makes estimates of a considerable portion of our future revenues and cash flows inherently uncertain.

At June 30, 2012, we had cash, cash equivalents and marketable securities aggregating \$203.7 million. This amount was comprised of \$61.6 million of cash and cash equivalents, \$87.6 million of investments in short-term marketable securities and \$54.5 million of investments in long-term marketable securities.

Cash and cash equivalents were \$61.6 million at June 30, 2012, an increase of \$2.7 million from September 30, 2011. This increase was primarily due to cash provided by operating activities of \$32.6 million and \$3.2 million of net sales of marketable securities. These sources of cash were mostly offset by a payment of cash dividends of \$15.7 million, a cash outflow of \$8.7 million in connection with the acquisition of Celigo, \$6.4 million of capital expenditures and an investment of \$3.0 million.

Cash provided by operating activities was \$32.6 million for the nine months ended June 30, 2012, and was comprised of net income of \$20.6 million, and further increased by \$24.9 million for non-cash related charges such as \$16.2 million of depreciation and amortization and \$6.9 million of stock-based compensation. Cash provided by operations was offset by \$11.1 million of increases in working capital. The increases in working capital are due primarily to increases in accounts receivable of \$10.0 million, decreases in accrued compensation of \$3.9 million and decreases in deferred revenue of \$3.6 million related mostly to our growing sales from our Brooks Life Science Systems segment. The increase in accounts receivable was due to the timing of shipments in the third fiscal quarter. These increases were partially offset by an increase of \$6.5 million of accounts payable.

Cash used in investing activities was \$14.4 million for the nine months ended June 30, 2012, and is principally comprised of \$8.7 million in connection with the acquisition of Celigo, \$6.4 million of capital expenditures and an investment of \$3.0 million. Cash used in investing activities was partially offset by net sales of marketable securities of \$3.2 million and a \$0.5 million decrease in restricted cash related to expirations of certain cash collateralized international letters of credit. Capital expenditures include \$2.0 million for building renovations to expand R&D capabilities, expand international manufacturing and consolidate facilities. In addition, we spent \$1.0 million for the implementations of software, including further international implementations of our Oracle ERP system and a new global Human Resource Information System.

Cash used in financing activities for the nine months ended June 30, 2012 is comprised of \$15.7 million for our quarterly cash dividends paid on December 30, 2011, March 30, 2012 and June 29, 2012.

During the quarter ended March 31, 2012, we advised participants of our frozen U.S. pension plan that we intend to settle this pension obligation during fiscal year 2012. This settlement is expected to result in cash payments of approximately \$6 million by the Company to fully satisfy the pension liability, and will result in an accelerated amortization of approximately \$8 million of prior pension losses. A significant portion of this settlement is expected to occur during the fourth quarter of fiscal year 2012.

At June 30, 2012, we had approximately \$3.3 million of letters of credit outstanding.

---

## **Table of Contents**

On June 21, 2010, we filed a registration statement on Form S-3 with the SEC to sell up to \$200 million of securities, before any fees or expenses of the offering. Securities that may be sold include common stock, preferred stock, warrants or debt securities. Any such offering, if it does occur, may happen in one or more transactions. Specific terms of any securities to be sold will be described in supplemental filings with the SEC.

On August 8, 2012, our Board of Directors approved a cash dividend of \$0.08 per share of the Company's common stock. The total dividend of approximately \$5.2 million will be paid on September 28, 2012 to shareholders of record at the close of business on September 7, 2012. This dividend is our fifth consecutive quarterly dividend. Dividends are declared at the discretion of our Board of Directors and depend on actual cash from operations, our financial condition and capital requirements and any other factors our Board of Directors may consider relevant. We intend to pay quarterly cash dividends in the future; however, the amount and timing of these dividends may be impacted by the cyclical nature of the semiconductor capital equipment market. We may reduce, delay or cancel a quarterly cash dividend based on the severity of a cyclical downturn.

We believe that we have adequate resources to fund our currently planned working capital and capital expenditure requirements for the next twelve months. The cyclical nature of our served markets and uncertainty with the current global economic environment makes it difficult for us to predict longer-term liquidity requirements with certainty. We may be unable to obtain any required additional financing on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to successfully develop or enhance products, respond to competitive pressure or take advantage of acquisition opportunities, any of which could have a material adverse effect on our business.

### **Other Key Indicators of Financial Condition and Operating Performance**

EBITDA and Adjusted EBITDA presented below are supplemental measures of our performance that are not required by, or presented in accordance with GAAP. EBITDA and Adjusted EBITDA are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP.

EBITDA represents net income (loss) before interest income, income tax provision, depreciation and amortization. Adjusted EBITDA is defined as EBITDA further adjusted to give effect to certain non-recurring and non-cash items and other adjustments. We believe that the inclusion of EBITDA and Adjusted EBITDA in this Form 10-Q is appropriate because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties. We use Adjusted EBITDA internally as a critical measurement of operating effectiveness. We believe EBITDA and Adjusted EBITDA facilitates operating performance comparison from period to period and company to company by backing out potential differences caused by variations in capital structures, tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense).

In determining Adjusted EBITDA, we eliminate the impact of a number of items. For the reasons indicated herein, you are encouraged to evaluate each adjustment and whether you consider it appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

they do not reflect our cash expenditures for capital expenditure or contractual commitments;

they do not reflect changes in, or cash requirements for, our working capital requirements;

other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. For these purposes, we rely on our GAAP results. For more information, see our consolidated financial statements and notes thereto appearing elsewhere in this report.





**Table of Contents**

The following table sets forth a reconciliation of net income to EBITDA for the periods indicated (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Net income attributable to Brooks Automation, Inc.	\$ 8,028	\$ 66,915	\$ 20,572	\$ 117,693
Interest income, net	(287)	(340)	(832)	(847)
Provision for income taxes	985	3,300	626	5,323
Depreciation and amortization	5,538	4,024	16,159	12,336
<b>EBITDA</b>	<b>\$ 14,264</b>	<b>\$ 73,899</b>	<b>\$ 36,525</b>	<b>\$ 134,505</b>

The following table sets forth a reconciliation of EBITDA to Adjusted EBITDA for the periods indicated (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
EBITDA	\$ 14,264	\$ 73,899	\$ 36,525	\$ 134,505
Stock-based compensation	1,979	1,595	6,903	5,211
Restructuring costs	880	97	1,125	557
Purchase accounting impact on sales contracts	35	313	866	313
Merger costs			221	
In-process research and development			3,026	
Sale of contract manufacturing business		(45,009)		(45,009)
Litigation settlement		(664)		(664)
<b>Adjusted EBITDA</b>	<b>\$ 17,158</b>	<b>\$ 30,231</b>	<b>\$ 48,666</b>	<b>\$ 94,913</b>

The decrease in EBITDA for the three and nine months ended June 30, 2012 as compared to the same prior year periods was primarily related to the \$45.7 million decrease in revenues for the three month period and the \$157.2 million decrease for the nine month period. This decrease was partially offset by \$3.3 million of net insurance proceeds received during the three months ended March 31, 2012 as reimbursement of litigation related costs incurred in prior fiscal years. For a further discussion of the factors impacting our revenues, see the discussion of our results of operations above.

Stock-based compensation increased for the three and nine months ended June 30, 2012 as compared to the same prior year periods due to the granting of additional awards during the 2012 period.

For a discussion of our restructuring charges and charges for in-process research and development, see the discussion of our results of operations above.

Merger costs include \$105,000 of transactions costs for the acquisition of the Celigo product line, and \$116,000 of additional transaction costs related to the Nexus acquisition for the first half of fiscal 2012.

**Recently Enacted Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board ( FASB ) issued an amendment to the accounting requirements of goodwill, which requires a qualitative approach to considering impairment for a reporting unit with zero or negative carrying value. On October 1, 2011 we adopted this standard, which had no impact on our financial position or results of operations.

In December 2010, the FASB issued an amendment to the accounting requirements of business combinations, which establishes accounting and reporting standards for pro forma revenue and earnings of the combined entity for the current and comparable reporting periods. On October 1, 2011 we adopted this standard, which had no impact on our financial position or results of operations.

## Edgar Filing: BROOKS AUTOMATION INC - Form 10-Q

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between GAAP and International Financial Reporting Standards. This guidance includes amendments which change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. On January 1, 2012 we adopted this standard, which had no impact on our financial position or results of operations.

---

## **Table of Contents**

In June 2011, the FASB issued an amendment to the accounting guidance for presentation of comprehensive income. Under the amended guidance, a company may present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This authoritative guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholder's equity. This amendment is effective for annual periods beginning after December 15, 2011. Other than a change in presentation, the adoption of this guidance will not have an impact on our financial position or results of operations.

In September 2011, the FASB issued revised guidance intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. On October 1, 2011 we adopted this standard, which had no impact on our financial position or results of operations.

### **Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our cash and cash equivalents, short-term and long-term investments and fluctuations in foreign currency exchange rates.

#### **Interest Rate Exposure**

As our cash and cash equivalents consist principally of money market securities, which are short-term in nature, our exposure to market risk related to interest rate fluctuations for these investments is not significant. Our short-term and long-term investments consist mostly of highly rated corporate debt securities, and as such, market risk to these investments is not significant. During the nine months ended June 30, 2012, the unrealized gain on marketable securities was \$294,000. A hypothetical 100 basis point change in interest rates would result in an annual change of approximately \$2.0 million in interest income earned.

#### **Currency Rate Exposure**

We have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in Euros, sterling and a variety of Asian currencies. Sales in currencies other than the U.S. dollar were 26% of our total sales for the three months ended June 30, 2012. These foreign sales were made primarily by our foreign subsidiaries, which have cost structures that substantially align with the currency of sale.

In the normal course of our business, we have short-term advances between our legal entities that are subject to foreign currency exposure. These short-term advances were approximately \$15.3 million at June 30, 2012, and relate to the Euro, sterling and a variety of Asian currencies. We utilize forward contracts to hedge our exposures to \$4.8 million of our advances that are exposed to currencies that we believe are more volatile. We incurred a foreign currency loss of \$0.3 million for the nine months ended June 30, 2012, which relates to the currency fluctuation on these advances between the time the transaction occurs and the ultimate settlement of the transaction. A hypothetical 10% change in foreign exchange rates at June 30, 2012 would result in a \$1.0 million change in our net income.

### **Item 4. *Controls and Procedures***

*Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this report, and pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, the Company's management, including our chief executive officer and chief financial officer has concluded that our disclosure controls and procedures are effective.

*Change in Internal Controls.* There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

We are subject to various legal proceedings, both asserted and unasserted, that arise in the ordinary course of business. We believe that none of these claims will have a material adverse effect on our consolidated financial condition or results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

As part of our equity compensation program, we offer recipients of restricted stock awards the opportunity to elect to sell their shares at the time of vesting to satisfy tax obligations in connection with such vesting. The following table provides information concerning shares of our Common Stock \$0.01 par value purchased in connection with the forfeiture of shares to satisfy the employees' obligations with respect to withholding taxes in connection with the vesting of shares of restricted stock during the three months ended June 30, 2012. Upon purchase, these shares are immediately retired.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
April 1 - 30, 2012		\$	
May 1 - 31, 2012	66,943	10.66	66,943
June 1 - 30, 2012			
Total	66,943	\$ 10.66	66,943

**Item 6. Exhibits**

The following exhibits are included herein:

Exhibit No.	Description
31.01	Rule 13a-14(a), 15d-14(a) Certification.
31.02	Rule 13a-14(a), 15d-14(a) Certification.
32	Section 1350 Certifications.
101	The following material from the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to Consolidated Financial Statements.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROOKS AUTOMATION, INC.

DATE: August 9, 2012

/s/ MARTIN S. HEADLEY  
**Martin S. Headley**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

DATE: August 9, 2012

/s/ TIMOTHY S. MATHEWS  
**Timothy S. Mathews**  
**Vice President and Corporate Controller**  
**(Principal Accounting Officer)**

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
31.01	Rule 13a-14(a), 15d-14(a) Certification.
31.02	Rule 13a-14(a), 15d-14(a) Certification.
32	Section 1350 Certifications.
101	The following material from the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to Consolidated Financial Statements.