BROOKS AUTOMATION INC
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: June 30, 2013
OR

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to _________
Commission File Number 0-25434

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

Delaware (State or other jurisdiction of incorporation or organization)	04-3040660 (I.R.S. Employer Identification No.)

15 Elizabeth Drive
Chelmsford, Massachusetts
(Address of principal executive offices)

01824
(Zip Code)

Registrant's telephone number, including area code: (978) 262-2400

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date, July 26, 2013: common stock, $0.01 par value and 66,468,991 shares outstanding.

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

	June 30, 2013	September 30, 2012
Assets		
Current assets		
Cash and cash equivalents	$61,888	$ 54,639
Restricted cash	—	763
Marketable securities	41,199	85,646
Accounts receivable, net	86,286	78,855
Inventories	92,800	102,985
Deferred tax assets	16,725	15,531
Prepaid expenses and other current assets	12,454	9,070
Total current assets	311,352	347,489
Property, plant and equipment, net	55,417	64,478
Long-term marketable securities	47,639	59,946
Long-term deferred tax assets	96,068	104,626
Goodwill	114,893	88,440
Intangible assets, net	61,821	39,400
Equity investment in joint ventures	23,582	31,428
Other assets	9,658	6,153
Total assets	$720,430	$ 741,960
Liabilities and equity		
Current liabilities		
Accounts payable	$31,162	$ 28,988
Deferred revenue	16,262	9,986
Accrued warranty and retrofit costs	7,704	7,329
Accrued compensation and benefits	15,047	14,118
Accrued restructuring costs	1,802	2,098
Accrued income taxes payable	198	1,699
Accrued expenses and other current liabilities	11,881	16,973
Total current liabilities	84,056	81,191
Income taxes payable	7,563	6,356
Long-term pension liability	1,441	1,688
Other long-term liabilities	3,538	3,424
Total liabilities	96,598	92,659
Contingencies (Note 17)		
Equity		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value, 125,000,000 shares authorized, 79,926,322 shares issued and 66,464,453 shares outstanding at June 30, 2013, 79,790,557 shares issued and 66,328,688 shares outstanding at September 30, 2012	799	798
Additional paid-in capital	1,822,531	1,817,706

Accumulated other comprehensive income	17,431	23,642
Treasury stock at cost, 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(1,016,676)	(992,524)
Total Brooks Automation, Inc. stockholders' equity	623,129	648,666
Noncontrolling interest in subsidiaries	703	635
Total equity	623,832	649,301
Total liabilities and equity	$720,430	$ 741,960

The accompanying notes are an integral part of these unaudited consolidated financial statements.
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BROOKS AUTOMATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(In thousands, except per share data)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Nine months ended June 30, 2013	Nine months ended June 30, 2012
Revenues				
Product	$95,547	$119,172	$268,363	$333,891
Services	22,525	21,265	64,353	66,111
Total revenues	118,072	140,437	332,716	400,002
Cost of revenues				
Product	64,399	77,821	183,034	217,553
Services	13,987	16,376	44,226	47,570
Total cost of revenues	78,386	94,197	227,260	265,123
Gross profit	39,686	46,240	105,456	134,879
Operating expenses				
Research and development	12,136	11,691	35,684	36,169
Selling, general and administrative	22,600	25,344	73,332	76,356
Restructuring and other charges	560	880	6,086	1,125
In-process research and development	—	—	—	3,026
Total operating expenses	35,296	37,915	115,102	116,676
Operating income (loss)	4,390	8,325	(9,646)	18,203
Interest income	255	292	795	844
Interest expense	—	(5)	(1)	(12)
Other income, net	387	202	371	497
Income (loss) before income taxes and equity in earnings of joint ventures	5,032	8,814	(8,481)	19,532
Income tax provision (benefit)	3,700	985	(99)	626
Income (loss) before equity in earnings of joint ventures	1,332	7,829	(8,382)	18,906
Equity in earnings of joint ventures	236	196	220	1,676
Net income (loss)	$1,568	$8,025	(8,162)	20,582
Net (income) loss attributable to noncontrolling interests	(24)	3	(68)	(10)
Net income (loss) attributable to Brooks Automation, Inc.	$1,544	$8,028	(8,230)	20,572
Basic net income (loss) per share attributable to Brooks Automation, Inc. common stockholders	$0.02	$0.12	$(0.13)	$0.32
Diluted net income (loss) per share attributable to Brooks Automation, Inc. common stockholders	$0.02	$0.12	$(0.13)	$0.31
Shares used in computing earnings (loss) per share				
Basic	66,041	65,264	65,831	65,038
Diluted	66,687	65,781	65,831	65,677

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Net income (loss)	$1,568	$8,025	$(8,162)	$20,582
Change in cumulative translation adjustment	92	(1,785)	(6,286)	(4,105)
Unrealized gain (loss) on marketable securities	(187)	(51)	(339)	295
Actuarial gain (loss)	14	2	414	(85)
Comprehensive income (loss)	1,487	6,191	(14,373)	16,687
Comprehensive (income) loss attributable to noncontrolling interests	(24)	3	(68)	(10)
Comprehensive income (loss) attributable to Brooks Automation, Inc.	$1,463	$6,194	$(14,441)	$16,677

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

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

	Nine months ended June 30,	
	2013	2012
Cash flows from operating activities		
Net income (loss)	$(8,162)	$20,582
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	18,258	16,159
Stock-based compensation	5,625	6,903
Amortization of premium on marketable securities	972	1,804
Undistributed earnings of joint ventures	(220)	(1,676)
Deferred income tax benefit	(364)	—
Pension settlement	87	—
Loss (gain) on disposal of long-lived assets	375	(62)
Changes in operating assets and liabilities, net of acquisitions and disposals:		
Accounts receivable	(3,508)	(10,007)
Inventories	17,334	961
Prepaid expenses and other current assets	(1,585)	(1,141)
Accounts payable	(758)	6,496
Deferred revenue	6,351	(3,625)
Accrued warranty and retrofit costs	(1,194)	(72)
Accrued compensation and benefits	(211)	(3,869)
Accrued restructuring costs	(579)	465
Accrued expenses and other current liabilities	(2,784)	(344)
Net cash provided by operating activities	29,637	32,574
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,710)	(6,364)
Purchases of marketable securities	(72,581)	(93,306)
Sale/maturity of marketable securities	127,582	96,499
Acquisition, net of cash acquired	(59,005)	(8,716)
Proceeds from the sale of property, plant and equipment	3,169	—
Payment of deferred leasing cost	(3,134)	—
Other investment	—	(3,000)
Decrease in restricted cash	763	531
Net cash used in investing activities	(5,916)	(14,356)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	969	841
Common stock dividend paid	(15,987)	(15,719)
Net cash used in financing activities	(15,018)	(14,878)
Effects of exchange rate changes on cash and cash equivalents	(1,454)	(609)
Net increase in cash and cash equivalents	7,249	2,731
Cash and cash equivalents, beginning of period	54,639	58,833
Cash and cash equivalents, end of period	$61,888	$61,564

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

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

The unaudited consolidated financial statements of Brooks Automation, Inc. and its subsidiaries (“Brooks” or the “Company”) included herein have been prepared in accordance with 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. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full fiscal year. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted and, accordingly, the accompanying financial information should be read in conjunction with the 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, 2012 (the "2012 Annual Report on Form 10-K").

Recently Enacted Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("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 stockholders’ equity. On October 1, 2012 the Company adopted this guidance and elected to present two separate but consecutive statements.

In February 2013, the FASB issued guidance to provide information about the amounts reclassified out of accumulated other comprehensive income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. On January 1, 2013 the Company adopted this standard, which had no impact on its financial position or results of operations.

2. Stock-Based Compensation

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

The following table reflects stock-based compensation expense recorded during the three and nine months ended June 30, 2013 and 2012 (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Restricted stock	$498	$1,859	$5,264	$6,484
Employee stock purchase plan	117	120	361	419
	$615	$1,979	$5,625	$6,903

The fair value per share of restricted stock is equal to the quoted price of the Company’s common stock on the date of grant, net of estimated forfeitures. 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.

During the three months ended December 31, 2012, March 31, 2013 and June 30, 2013, the Company granted 1,183,500 shares, 40,500 shares and 60,000 shares, respectively, of restricted stock to members of senior management of which 524,250 shares, 22,375 shares and 60,000 shares, respectively, vest over the service period and the remaining 659,250 shares, 18,125 shares, and 0 shares, respectively, vest upon the achievement of certain financial performance goals which will be measured at the end of fiscal year 2013. Total compensation expense on these awards is a maximum of $14.0 million, net of cancellations. During the three months ended December 31, 2011 and March 31, 2012, the Company granted 1,377,000 shares

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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 $15.1 million, net of cancellations. 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 granted in the three months ended December 31, 2011. The Company’s unaudited consolidated balance sheet at June 30, 2013 and September 30, 2012 includes a liability of approximately $0 and $78,000, respectively, for this potential cash payment. The Company incurred an expense of $(155,000) and $10,000 for the three months ended June 30, 2013 and 2012, respectively, in connection with the cash settled phantom unit award. The Company incurred an expense of $(78,000) and $93,000 for the nine months ended June 30, 2013 and 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, 2013:

	Number of Options	Weighted-Average Remaining Contractual Term	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
Outstanding at September 30, 2012	193,182		$13.11	
Exercised	(8,600)		7.75	
Forfeited/expired	(159,042)		13.23	
Outstanding at June 30, 2013	25,540	1.1 years	$14.19	$—
Vested at June 30, 2013	25,540	1.1 years	$14.19	$—
Options exercisable at June 30, 2013	25,540	1.1 years	$14.19	$—

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company’s closing stock price of $9.73 as of June 28, 2013, 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 or nine months ended June 30, 2013 or 2012. The total intrinsic value of options exercised during the three and nine months ended June 30, 2013 was $0 and $19,000, respectively. 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 cash received from participants as a result of stock option exercises during the three and nine months ended June 30, 2013 was $0 and $67,000, 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.
As of June 30, 2013, 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, 2013 and changes during the nine months ended June 30, 2013 is as follows:

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	Nine months ended June 30, 2013	
	Shares	Weighted Average Grant-Date Fair Value
Outstanding at September 30, 2012	2,732,448	$10.47
Awards granted	1,357,439	9.26
Awards vested	(668,982)	9.75
Awards canceled	(372,409)	11.35
Outstanding at June 30, 2013	3,048,496	$10.93

The fair value of restricted stock awards vested during the three months ended June 30, 2013 and 2012 was $0.5 million and $2.0 million, respectively. The fair value of restricted stock awards vested during the nine months ended June 30, 2013 and 2012 was $6.5 million and $5.6 million, respectively.

As of June 30, 2013, the unrecognized compensation cost related to restricted stock that is expected to vest is $6.2 million and will be recognized over an estimated weighted average amortization period of 1.6 years.

Employee Stock Purchase Plan

There were no shares purchased under the employee stock purchase plan during the three months ended June 30, 2013 and 2012. A total of 115,751 shares were purchased under the employee stock purchase plan during the nine months ended June 30, 2013 for aggregate proceeds of $0.9 million. A total of 90,433 shares were purchased under the employee stock purchase plan during the nine months ended June 30, 2012 for aggregate proceeds of $0.7 million.

3. Acquisition

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

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

Accounts receivable	$5,356
Inventory	8,668
Prepaid expenses	610
Other current assets	1,358
Property, plant and equipment	2,270
Completed technology	10,530
Customer relationships	20,010
Goodwill	26,453
Other long term assets	885
Accounts payable	(3,024)
Accrued liabilities	(5,172)
Deferred revenue	(319)
Other current liabilities	(388)
Other long-term liabilities	(8,232)
Total purchase price, net of cash acquired	$59,005

In performing the purchase price allocation, the Company considered, among other factors, its intention for future use of the acquired assets, analyses of historical financial performance, and estimates of future cash flows from Crossing’s

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products and services. The purchase price was allocated based upon the fair value of the identified assets acquired and liabilities assumed as of the acquisition date from a market participant's perspective.
The Company used the relief-from-royalty method to value the completed technology and the excess earnings method to value the customer relationships. Cash flows were discounted at a rate of 15%. The weighted-average amortization periods are 7.7 years for completed technologies and 8.0 years for customer relationships. The intangible assets acquired will be amortized using methods that approximate the pattern in which the economic benefits are expected to be realized, including variable declining balance and straight-line methods.
Goodwill 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 is not deductible for tax purposes.
The Company completed the final allocation of the purchase price related to Crossing in the second quarter of fiscal 2013. Crossing's operating results have been included in the results of operations for the Brooks Product Solutions and Brooks Global Services segments from the acquisition date. Revenue from Crossing for the three months ended June 30, 2013 was $12.1 million, and the net income was $0.2 million. Revenue from Crossing for the nine months ended June 30, 2013 was $32.8 million, and the net loss was $2.3 million. The net loss for the nine months ended June 30, 2013 includes charges to expense the step-up in value of acquired inventories which increased the net loss by $2.7 million. No charge related to the step-up in the value of acquired inventories was recorded in the three months ended June 30, 2013. The operating results for Crossing also include amortization expense of $1.0 million and $2.7 million for the three and nine months ended June 30, 2013, respectively.
The following pro forma summary presents consolidated information of the Company as if the acquisition of Crossing occurred on October 1, 2011 (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Revenue	$118,072	$154,392	$334,809	$439,290
Net income (loss) attributable to Brooks Automation, Inc.	1,544	7,802	(9,231)	19,762

The pro forma net income (loss) has been adjusted to reflect additional amortization from adjustments to intangible assets as if those adjustments had been applied as of October 1, 2011.
Transaction costs of $3.6 million incurred by Crossing prior to the closing of the acquisition have been eliminated from pro forma net income (loss) as presented above. These costs include banker fees of $1.5 million and one-time incentive compensation payments related to the transaction of $1.2 million. Transaction costs incurred by the Company related to this acquisition were $0 and $642,000 for the three and nine months ended June 30, 2013, and are included in selling, general and administrative expense.

4. Goodwill and Intangible Assets

Goodwill represents the excess of net book value over the estimated fair value of net tangible and identifiable intangible assets of a reporting unit. The Company performs an annual impairment test of its goodwill on September 30 of each fiscal year unless interim indicators of impairment exist. The Company did not identify any indicators of impairment during the nine month period ended June 30, 2013 that would warrant an interim test.

The Company has experienced a decline in revenue and operating profit for the products in the Brooks Life Science Systems segment. In the Company's annual assessment of goodwill impairment as of September 30, 2012, the Company concluded that the fair value of the Brooks Life Science Systems segment exceeded its carrying value by 5%. As of June 30, 2013, management reviewed its current outlook for the Brooks Life Science Systems segment, and after weighing all the negative and positive available evidence, concluded that it is more likely than not that the fair value of the segment exceeds the carrying value. As a result, an interim test of goodwill impairment is not required as of June 30, 2013. However, to the extent that the operating results of the Brooks Life Science Systems segment do not recover as quickly as expected and new life science products being designed to expand the markets we serve are not introduced in a timely manner or accepted by the market, the Company may be required to write down all or a portion of the goodwill and other long-lived assets associated with this segment, which would adversely impact the Company's earnings.

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The components of the Company’s goodwill by business segment at June 30, 2013 are as follows (in thousands):

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Other	Total
Gross goodwill at September 30, 2012	$485,844	$151,238	$40,302	$26,014	$703,398
Less: aggregate impairment charges recorded	(437,706)	(151,238)	—	(26,014)	(614,958)
Goodwill, less accumulated impairments at September 30, 2012	$48,138	$—	$40,302	$—	$88,440
Acquisitions and adjustments during the nine months ended June 30, 2013	20,899	5,554	—	—	26,453
Goodwill, less accumulated impairments at June 30, 2013	$69,037	$5,554	$40,302	$—	$114,893

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

	June 30, 2013			September 30, 2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	$7,808	$7,171	$637	$7,808	$7,093	$715
Completed technology	65,035	45,928	19,107	54,583	42,751	11,832
Trademarks and trade names	4,011	3,935	76	4,014	3,880	134
Customer relationships	68,156	26,155	42,001	48,654	21,935	26,719
	$145,010	$83,189	$61,821	$115,059	$75,659	$39,400

5. Income Taxes

The Company recorded an income tax provision (benefit) of $3.7 million and $(0.1) million for the three and nine months ended June 30, 2013, respectively. The tax benefit for the nine months ended June 30, 2013 includes $0.9 million of tax benefits resulting from the reinstatement of the U.S. federal research and development tax credit, retroactive to January 1, 2012. The benefit also consists of U.S. deferred tax benefits mostly offset by foreign taxes, certain state income taxes and interest related to unrecognized tax benefits.

The Company uses the estimated annual effective tax rate approach to calculate the tax provision in interim periods. The tax provision for the three months ended June 30, 2013 includes reversals to income tax benefits recognized on losses in the first half of the fiscal year as the Company has revised its projections to a loss position in the United States.

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 provision substantially consists of foreign income taxes arising from the Company's international sales mix, certain state income taxes and interest related to unrecognized tax benefits, which is partially offset by $1.4 million of reductions in uncertain tax positions as a result of the lapse in statutes of limitations.

The Company evaluates the realizability of its deferred tax assets by jurisdiction and assesses the need for a valuation allowance on a quarterly basis. As of June 30, 2013, the Company has continued to maintain a valuation allowance in the U.S. against certain tax credits and state net operating losses due to the uncertainty of their realization based on long-term Company forecasts and the expiration dates on these attributes. The Company has also continued to maintain a valuation allowance in certain jurisdictions that have not generated historical cumulative profitability.

The Company is subject to U.S. federal income tax and various state, local and 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 business, the Company is subject to examination by taxing authorities

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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 $1.5 million during the next twelve months primarily as the result of statutes of limitations expiring.

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,	
	2013	2012	2013	2012
Weighted average common shares outstanding used in computing basic earnings per share	66,041	65,264	65,831	65,038
Dilutive common stock options and restricted stock awards	646	517	—	639
Weighted average common shares outstanding for purposes of computing diluted earnings per share	66,687	65,781	65,831	65,677

Options to purchase approximately 26,000 and 212,000 shares of common stock and 10,000 and 282,000 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, 2013 and 2012, respectively, as their effect would be anti-dilutive. In addition, options to purchase approximately 52,000 and 256,000 shares of common stock and 3,020,000 and 0 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, 2013 and 2012, respectively, as their effect would be anti-dilutive. All outstanding stock options and unvested shares of restricted stock were excluded from the computation of diluted earnings per share for the nine months ended June 30, 2013 as a result of the net loss for that period.

7. Segment Information

The Company reports financial results in three segments: Brooks Product Solutions, Brooks Global Services and Brooks Life Science Systems. A description of segments is included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

The Company evaluates performance and allocates resources based on revenues, operating income (loss) and returns on invested assets. Operating income (loss) for each segment includes selling, general and administrative expenses directly attributable to the segment. Other unallocated corporate expenses, amortization of acquired intangible assets (excluding completed technology) and restructuring are excluded from the segments’ operating income (loss). The Company’s non-allocable overhead costs, which include various 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 cash, cash equivalents, restricted cash, marketable securities, deferred tax assets and investments in joint ventures.

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

	Brooks Product Solutions	Brooks Global Services	Brooks Life Science Systems	Total
Three months ended June 30, 2013				
Revenues				
Product	$86,563	$3,028	$5,956	$95,547
Services	—	19,712	2,813	22,525
	$86,563	$22,740	$8,769	$118,072
Gross profit	$28,061	$7,921	$3,704	$39,686
Segment operating income (loss)	$5,070	$3,986	$(2,521)	$6,535
Three months ended June 30, 2012				
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
Nine months ended June 30, 2013				
Revenues				
Product	$234,689	$10,264	$23,410	$268,363
Services	—	55,741	8,612	64,353
	$234,689	$66,005	$32,022	$332,716
Gross profit	$73,500	$19,547	$12,409	$105,456
Segment operating income (loss)	$2,159	$6,533	$(6,418)	$2,274
Nine months ended June 30, 2012				
Revenues				