



# Conference Call Brooks Automation Second Quarter FY16 Financial Results

April 28, 2016

# Safe Harbor Statement



“Safe Harbor” Statement under the U.S. Private Securities Litigation Reform Act of 1995; certain matters in this presentation, including forecasts of future demand and future Company performance, are forward-looking statements that are subject to risks and uncertainties that could cause actual results to materially differ, either better or worse, from those projected. Further discussions of risk factors are available in the Company’s most recent SEC filings including form 10-K for the fiscal year ended September 30, 2015. The Company assumes no obligation to update the information in this presentation.

## **Regulation G**

This presentation contains certain non-GAAP measures which are provided to assist in an understanding of the Brooks business and its operational performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of all non-GAAP amounts to the relevant GAAP amount are provided in either an attachment to our first quarter financial results press release issued on April 28, 2016 or as an attachment to call slides used to accompany prepared comments made during our financial results conference call of the same date. Both documents are available on our website at [www.brooks.com](http://www.brooks.com).

# Quarterly Operating Performance



\$ millions, except EPS	<b>GAAP</b>		<b>non - GAAP</b>	
	<b>Q2'16</b>	<b>Change</b>	<b>Q2'16</b>	<b>Change</b>
Revenue	135	15.3	135	15.3
Gross profit	47	6.2	48	5.8
<i>Gross profit margin</i>	<i>34.6%</i>	<i>0.8 pts</i>	<i>35.3%</i>	<i>0.3 pts</i>
R&D expenses	13	(0.2)	13	(0.2)
SG&A expenses	33	(1.4)	29	0.5
Restructuring	7	5.9	-	-
Operating income (loss)	(6)	2.0	5	5.5
<i>Operating margin</i>	<i>-4.7%</i>	<i>2.3 pts</i>	<i>3.9%</i>	<i>4.1 pts</i>
Other income (expense)	(0)	(0.2)	(0)	(0.2)
Tax benefit (provision)	(78)	(81.6)	(1)	(2.1)
JV earnings (losses)	1	0.6	1	0.6
Net income (loss)	(84)	(79.3)	5	3.7
<i>Net income margin</i>	<i>-62.0%</i>	<i>(58.2) pts</i>	<i>3.6%</i>	<i>2.6 pts</i>
Diluted EPS	(1.22)	(1.16)	0.07	0.05
<i>Adjusted EBITDA</i>			<i>11</i>	<i>3.8</i>

- GAAP Net Loss driven by \$79 million reserve increase for deferred tax assets and \$7 million restructuring charge previously announced on March 7
- Non-GAAP Net Income of \$5 million includes \$1.7 million or \$0.02 per share benefit of incentive compensation accruals reversed for separated employees

\* See Appendix to this presentation for a reconciliation of GAAP to non-GAAP.

# Quarterly Revenue Performance



<b>\$ millions</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Change</b>
Consolidated Revenue	120	135	15.3
Brooks Product Solutions	77	87	10.2
Brooks Global Services	23	22	(0.5)
Brooks Life Science Systems	21	26	5.6

- 13% growth in Product Solutions with a rebound in Semi customer demand
- 27% growth in Life Science Systems driven by BioStorage

# Brooks Product Solutions – Sequential Performance



\$ millions	<u>Q1'16</u>	<u>Q2'16</u>	<u>Change</u>
Revenue	77	87	10.2
Gross profit *	28	31	3.2
<i>Gross profit margin *</i>	<i>36.6%</i>	<i>36.0%</i>	<i>(0.6) pts</i>
Operating expenses	27	26	(1.0)
Operating income *	<u>1</u>	<u>5</u>	<u>4.2</u>
<i>Operating margin *</i>	<i>1.7%</i>	<i>6.3%</i>	<i>4.6 pts</i>

- Product Solutions growth led by vacuum robots and vacuum pumps
- Gross margin improvement in Automation products was offset by impact of absorption and inventory reserves in the Polycold products, where volumes have slowed with reuse of smart phone manufacturing tooling

\* Non-GAAP measure. See Appendix to this presentation for a reconciliation to the appropriate GAAP measure.

# Brooks Global Services – Sequential Performance



<b>\$ millions</b>	<u>Q1'16</u>	<u>Q2'16</u>	<u>Change</u>
Revenue	23	22	(0.5)
Gross profit *	8	6	(1.3)
<i>Gross profit margin</i> *	<i>34.0%</i>	<i>28.9%</i>	<i>(5.1) pts</i>
Operating expenses	5	5	(0.4)
Operating income *	<u>3</u>	<u>2</u>	<u>(0.8)</u>
<i>Operating margin</i> *	<i>12.0%</i>	<i>8.5%</i>	<i>(3.5) pts</i>

- Services revenue and margin decline due to the mix of repair activity providing lower pricing on similar physical repair cost

\* Non-GAAP measure. See Appendix to this presentation for a reconciliation to the appropriate GAAP measure.

# Brooks Life Science Systems – Sequential Performance



<b>\$ millions</b>	<u>Q1'16</u>	<u>Q2'16</u>	<u>Change</u>
Revenue	21	26	5.6
Gross profit *	6	10	3.9
<i>Gross profit margin</i> *	<i>30.1%</i>	<i>38.5%</i>	<i>8.4 pts</i>
Operating expenses	10	12	1.6
Operating income (loss) *	(4)	(2)	2.3
<i>Operating margin</i> *	<i>-20.2%</i>	<i>-7.1%</i>	<i>13.0 pts</i>

- BioStorage drove \$4.9 million revenue growth with 3 full months of ownership and strong sample registration in the quarter
- Legacy Life Sciences grew 4%
- Operating loss reduced by half, as forecasted

\* Non-GAAP measure. See Appendix to this presentation for a reconciliation to the appropriate GAAP measure.

# Summary Balance Sheet



\$ millions	Q1'16	Q2'16
Cash and marketable securities	65	68
Accounts receivable, net	103	104
Inventories	100	101
Other current assets	17	22
Net deferred tax assets, current	18	3
Accounts payable	(39)	(39)
Deferred revenue	(28)	(34)
Other current liabilities	(48)	(54)
Net working capital	122	102
Current assets held for sale	3	3
Property, plant and equipment	55	55
Goodwill and intangible assets	296	292
Net long-term deferred tax assets (liabilities)	56	(7)
Other net long-term assets (liabilities)	24	25
Stockholders' equity	620	538

- Deferred tax valuation allowance driving \$79 million reduction of assets
- Other working capital lines affected by:
  - \$6 million deferred revenue
  - \$6 million other current liabilities – restructuring
  - + \$5 million other current assets – prepaids and other assets



# Fiscal 2016 Q2 Cash Flow



<b>\$ millions</b>	<b><u>Q2 FY'16</u></b>
Net income	(83.9)
Depreciation & Amortization	7.4
Stock compensation	1.9
Change in working capital	10.8
Deferred income tax benefit	77.3
Other operating items	<u>(0.7)</u>
Cash flow from operations	12.8
Divestitures (acquisitions), net	-
Capital expenditures	(3.6)
Dividends	(6.9)
Other	<u>0.8</u>
Net change in cash and marketable sec.	3.1
Cash and marketable securities	<u>68.3</u>

# Summary and Guidance



<b>\$ millions, except EPS</b>	<b>Q2'16</b>	<b>Guidance Q3'16</b>
Revenue	135	140 - 147
Adjusted EBITDA*	11	14 - 18
Non-GAAP diluted EPS*	0.07	.10 - .14

\* Non-GAAP measure. See Appendix to this presentation for a reconciliation to the appropriate GAAP measure.



## GAAP to Non-GAAP Reconciliations

# Q2'16 GAAP to Non-GAAP Reconciliation Consolidated Results



\$ millions, except EPS	GAAP Results	Acquisition- Related Costs	Amortization Expense	Restructuring Charges	Tax Valuation Reversal	Non-GAAP Results
Revenue	135.3	-	-	-		135.3
Gross profit	46.8	0.2	0.7	-		47.8
<i>Gross profit margin</i>	<i>34.6%</i>					<i>35.3%</i>
Research and development	(13.1)	-	-	-		(13.1)
Selling, general and administrative	(32.7)	0.2	3.1	-		(29.4)
Restructuring charges	(7.3)	-	-	7.3		-
Operating profit	(6.3)	0.5	3.8	7.3		5.3
<i>Operating profit margin</i>	<i>(4.7%)</i>					<i>3.9%</i>
Interest income, net	0.0	-	-	-	-	0.0
Other income, net	(0.1)	-	-	-	-	(0.1)
Income tax benefit (provision)	(78.2)	(0.1)	(0.7)	(1.3)	79.3	(1.0)
JV and noncontrolling interests	0.7	-	-			0.7
Net Income	(83.9)	0.4	3.1	6.0	79.3	4.9
Diluted earnings per share	(1.22)	0.01	0.05	0.09	1.15	0.07

# Q1'16 GAAP to Non-GAAP Reconciliation Consolidated Results



\$ millions, except EPS	GAAP Results	Acquisition- Related Costs	Amortization Expense	Restructuring Charges	Non-GAAP Results
Revenue	120.0	-	-	-	120.0
Gross profit	40.6	0.1	1.3	-	42.0
<i>Gross profit margin</i>	<i>33.8%</i>				<i>35.0%</i>
Research and development	(13.3)	-	-	-	(13.3)
Selling, general and administrative	(34.1)	3.0	2.2	-	(28.9)
Restructuring charges	(1.5)	-	-	1.5	-
Operating profit	(8.3)	3.1	3.5	1.5	(0.2)
<i>Operating profit margin</i>	<i>(6.9%)</i>				<i>(0.2%)</i>
Interest income, net	0.2	-	-	-	0.2
Other income, net	(0.1)	-	-	-	(0.1)
Income tax benefit (provision)	3.4	(0.6)	(1.1)	(0.5)	1.2
JV and noncontrolling interests	0.2	-	-		0.2
Net Income	(4.6)	2.5	2.4	1.0	1.2
Diluted earnings per share	(0.07)	0.04	0.03	0.01	0.02

# GAAP to Non-GAAP Reconciliation

## EBITDA and Adjusted EBITDA



\$ millions	<u>Q1'16</u>	<u>Q2'16</u>	<u>FY'16</u>
Net income attributable to Brooks	(4.6)	(83.9)	(88.6)
<u>Non-GAAP adjustments:</u>			
Interest income	(0.2)	(0.1)	(0.3)
Interest expense	0.0	0.0	0.0
Income tax provision	(3.4)	78.2	74.9
Depreciation	2.9	3.6	6.5
Amortization of intangible assets	3.5	3.8	7.3
EBITDA	<u>(1.8)</u>	<u>1.7</u>	<u>(0.1)</u>
Purchase accounting impact on inventory and contracts acquired	0.1	0.2	0.4
Stock-based compensation	4.7	1.9	6.6
Restructuring charges	1.5	7.3	8.8
Merger costs	3.0	0.2	3.2
Adjusted EBITDA	<u>7.5</u>	<u>11.3</u>	<u>18.8</u>

# Quarterly GAAP to Non-GAAP Reconciliation Segment Gross Profit and Operating Profit



\$ millions	Brooks Product Solutions		Brooks Global Services		Brooks Life Science Systems	
	Q1'16	Q2'16	Q1'16	Q2'16	Q1'16	Q2'16
GAAP gross profit	27.1	30.6	7.6	6.4	5.9	9.9
<u>Non-GAAP adjustments:</u>						
Amortization of intangible assets	0.8	0.4	0.1	-	0.4	0.3
Purchase accounting impact on inventory and contracts acquired	0.1	0.2	-	-	-	-
Non-GAAP gross profit	28.0	31.2	7.7	6.4	6.3	10.2
Operating expenses	26.8	25.8	5.0	4.5	10.5	12.1
Non-GAAP operating profit	1.3	5.4	2.7	1.9	(4.2)	(1.9)

# Reconciliation to Adjusted Net Income and EPS excluding stock compensation FY'13 – FY'15



\$ millions	Year to Date					
	FY13		FY14		FY15	
	\$	per diluted share	\$	per diluted share	\$	per diluted share
Net income attributable to Brooks Automation, Inc. continuing operations	(7.2)	(0.11)	1.4	0.02	14.2	0.21
Adjusted net income attributable to Brooks Automation, Inc.	7.7	0.12	17.2	0.25	30.5	0.45
<i>Stock-based compensation, pretax</i>	<i>7.8</i>		<i>10.9</i>		<i>12.2</i>	
<i>Tax rate</i>	<i>20 %</i>		<i>24 %</i>		<i>27 %</i>	
Stock-based compensation, net of tax	6.2	0.10	8.3	0.12	8.9	0.13
Adjusted net income attributable to Brooks Automation, Inc. - excluding stock-based compensation	13.9	0.21	25.4	0.38	39.4	0.58

*The tax rate represents the effective tax rate on non-GAAP taxable ordinary income. We expanded our disclosure to correct and clarify the after tax impact of stock-based compensation on non-GAAP adjusted net income and diluted EPS.*



# Quarterly reconciliation to Adjusted Net Income and EPS excluding stock compensation FY'15 – FY'16



\$ millions	Quarter Ended											
	Q1'15		Q2'15		Q3'15		Q4'15		Q1'16		Q2'16	
	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share
Net income attributable to Brooks Automation, Inc. continuing operations	(2.7)	(0.04)	2.7	0.04	7.7	0.11	6.6	0.10	(4.6)	(0.07)	(83.9)	(1.22)
Adjusted net income attributable to Brooks Automation, Inc.	3.4	0.05	5.4	0.08	10.3	0.15	11.4	0.17	1.2	0.02	4.9	0.07
<i>Stock-based compensation, pretax</i>	3.5		3.6		2.4		2.6		4.7		1.9	
<i>Tax rate</i>	29 %		30 %		29 %		17 %		30 %		16 %	
Stock-based compensation, net of tax	2.5	0.04	2.5	0.04	1.7	0.02	2.2	0.03	3.3	0.05	1.6	0.02
Adjusted net income attributable to Brooks Automation, Inc. - excluding stock-based compensation	5.9	0.09	8.0	0.12	12.0	0.17	13.6	0.20	4.5	0.07	6.5	0.09

\$ millions	Year to Date											
	Q1'15		Q2'15		Q3'15		Q4'15		Q1'16		Q2'16	
	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share	\$	per diluted share
Net income attributable to Brooks Automation, Inc. continuing operations	(2.7)	(0.04)	(0.0)	-	7.7	0.11	14.2	0.21	(4.6)	(0.07)	(88.6)	(1.30)
Adjusted net income attributable to Brooks Automation, Inc.	3.4	0.05	8.9	0.13	19.1	0.28	30.5	0.45	1.2	0.02	6.2	0.09
<i>Stock-based compensation, pretax</i>	3.5		7.1		9.5		12.2		4.7		6.6	
<i>Tax rate</i>	29 %		30 %		30 %		27 %		30 %		26 %	
Stock-based compensation, net of tax	2.5	0.04	5.0	0.07	6.7	0.10	8.9	0.13	3.3	0.05	4.9	0.07
Adjusted net income attributable to Brooks Automation, Inc. - excluding stock-based compensation	5.9	0.09	13.9	0.20	25.8	0.38	39.4	0.58	4.5	0.07	11.0	0.16

*The tax rate represents the effective tax rate on non-GAAP taxable ordinary income. We expanded our disclosure to correct and clarify the after tax impact of stock-based compensation on non-GAAP adjusted net income and diluted EPS.*