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BIO RAD LABORATORIES INC

Form 10-Q

November 02, 2016

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission file number 1-7928

BIO-RAD LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-1381833

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

1000 Alfred Nobel Drive, Hercules, California

94547

(Address of principal executive offices)

(Zip Code)

(510) 724-7000

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ 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 (§232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ 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 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 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 issuer's classes of common stock, as of the latest practicable date.

Title of Class

Shares Outstanding at October 27, 2016

Class A Common Stock, Par Value \$0.0001 per share 24,417,421

Class B Common Stock, Par Value \$0.0001 per share 5,123,819

BIO-RAD LABORATORIES, INC.

FORM 10-Q SEPTEMBER 30, 2016

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BIO-RAD LABORATORIES, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS:		
Cash and cash equivalents	\$417,939	\$457,549
Short-term investments	388,177	328,718
Restricted investments	4,210	4,210
Accounts receivable, net	367,662	391,485
Inventories:		
Raw materials	117,562	109,928
Work in process	130,964	114,438
Finished goods	307,832	265,858
Total inventories	556,358	490,224
Other current assets	115,757	105,410
Total current assets	1,850,103	1,777,596
Property, plant and equipment, at cost	1,217,176	1,117,086
Less: accumulated depreciation and amortization	(742,509)	(679,396)
Property, plant and equipment, net	474,667	437,690
Goodwill, net	506,573	495,948
Purchased intangibles, net	220,904	214,026
Other investments	903,658	719,840
Other assets	63,821	64,618
Total assets	\$4,019,726	\$3,709,718
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable, accrued payroll and employee benefits	\$280,453	\$280,248
Current maturities of long-term debt and notes payable	297	298
Income and other taxes payable	22,274	29,339
Other current liabilities	139,694	131,466
Total current liabilities	442,718	441,351
Long-term debt, net of current maturities	434,137	433,883
Deferred income taxes	295,245	233,475
Deferred revenue	4,400	3,743
Other long-term liabilities	140,535	106,763
Total liabilities	1,317,035	1,219,215
Stockholders' equity:		
Class A common stock, shares issued 24,417,541 and 24,230,448 at 2016 and 2015, respectively; shares outstanding 24,417,419 and 24,230,326 at 2016 and 2015, respectively	2	2
Class B common stock, shares issued 5,124,738 and 5,130,558 at 2016 and 2015, respectively; shares outstanding 5,123,821 and 5,129,641 at 2016 and 2015, respectively	1	1
Additional paid-in capital	324,636	300,408

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Class A treasury stock at cost, 122 shares at 2016 and 2015	(12	) (12	)
Class B treasury stock at cost, 917 shares at 2016 and 2015	(89	) (89	)
Retained earnings	1,856,750	1,808,055	
Accumulated other comprehensive income	521,403	382,138	
Total stockholders' equity	2,702,691	2,490,503	
Total liabilities and stockholders' equity	\$4,019,726	\$3,709,718	

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

BIO-RAD LABORATORIES, INC.

Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net sales	\$508,745	\$469,961	\$1,496,719	\$1,448,884
Cost of goods sold	229,276	206,509	672,989	635,729
Gross profit	279,469	263,452	823,730	813,155
Selling, general and administrative expense	201,452	187,445	596,704	568,845
Research and development expense	49,924	43,336	150,681	137,085
Income from operations	28,093	32,671	76,345	107,225
Interest expense	5,634	5,822	16,846	15,658
Foreign currency exchange losses, net	1,210	2,166	3,576	8,910
Other (income) expense, net	(1,439)	(732)	(13,824)	(8,992)
Income before income taxes	22,688	25,415	69,747	91,649
Provision for income taxes	(4,283)	(8,045)	(21,052)	(28,038)
Net income	\$18,405	\$17,370	\$48,695	\$63,611
Basic earnings per share:				
Net income per basic share	\$0.63	\$0.59	\$1.66	\$2.18
Weighted average common shares - basic	29,444	29,195	29,402	29,141
Diluted earnings per share:				
Net income per diluted share	\$0.62	\$0.59	\$1.65	\$2.17
Weighted average common shares - diluted	29,671	29,439	29,592	29,372

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

BIO-RAD LABORATORIES, INC.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$18,405	\$17,370	\$48,695	\$63,611
Other comprehensive income:				
Foreign currency translation adjustments	3,423	(27,743)	22,936	(10,147)
Foreign other post-employment benefits adjustments, net of income taxes	32	89	(73)	513
Net unrealized holding gains on available-for-sale (AFS) investments, net of income taxes	58,387	74,987	116,402	170,069
Other comprehensive income, net of income taxes	61,842	47,333	139,265	160,435
Comprehensive income	\$80,247	\$64,703	\$187,960	\$224,046

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

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BIO-RAD LABORATORIES, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Nine Months Ended	
	September 30,	
	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$1,530,605	\$1,443,672
Cash paid to suppliers and employees	(1,365,548)	(1,278,255)
Interest paid, net	(11,195)	(9,620)
Income tax payments, net	(37,373)	(15,646)
Investment proceeds and miscellaneous receipts, net	14,360	9,695
Excess tax benefits from share-based compensation	(1,094)	(3,242)
(Payments for) proceeds from forward foreign exchange contracts, net	(8,441)	3,654
Net cash provided by operating activities	121,314	150,258
Cash flows from investing activities:		
Capital expenditures	(96,323)	(84,013)
Proceeds from dispositions of property, plant and equipment	378	41
Payments for acquisition and long-term investment	(11,785)	(3,490)
Payments for purchases of intangible assets	(6)	(1,375)
Payments for purchases of marketable securities and investments	(217,820)	(172,440)
Proceeds from sales of marketable securities and investments	59,687	56,630
Proceeds from maturities of marketable securities and investments	102,112	121,556
Net cash used in investing activities	(163,757)	(83,091)
Cash flows from financing activities:		
Net borrowings from line-of-credit arrangements and notes payable	—	74
Payments on long-term borrowings	(231)	(206)
Payments of contingent consideration	(3,500)	(2,983)
Proceeds from issuances of common stock for share-based compensation	8,828	4,726
Excess tax benefits from share-based compensation	1,094	3,242
Net cash provided by financing activities	6,191	4,853
Effect of foreign exchange rate changes on cash	(3,358)	22,058
Net (decrease) increase in cash and cash equivalents	(39,610)	94,078
Cash and cash equivalents at beginning of period	457,549	413,251
Cash and cash equivalents at end of period	\$417,939	\$507,329
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$48,695	\$63,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	110,156	97,970
Share-based compensation	14,318	12,309
Gains on dispositions of securities	(93)	(19)
Excess tax benefits from share-based compensation	(1,094)	(3,242)
Changes in fair value of contingent consideration	(2,164)	(730)
Decrease in accounts receivable	32,650	16,996
Increase in inventories	(67,938)	(67,609)
(Increase) decrease in other current assets	(2,018)	2,620
(Decrease) increase in accounts payable and other current liabilities	(4,645)	17,869
(Decrease) increase in income taxes payable	(8,423)	14,760

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(Decrease) increase in deferred income taxes	(8,480	) 2,350
Net decrease/increase in other long-term assets/liabilities	10,350	(6,627)
Net cash provided by operating activities	\$ 121,314	\$ 150,258

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

BIO-RAD LABORATORIES, INC

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1.BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of Presentation

In this report, “Bio-Rad,” “we,” “us,” “the Company” and “our” refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

Use of Estimates

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

Recent Accounting Standards Updates

In October 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2016-16, “Intra-Entity Transfers of Assets Other Than Inventory.” ASU 2016-16 requires immediate recognition of income tax consequences of intercompany asset transfers, other than inventory transfers. Existing GAAP prohibits recognition of income tax consequences of intercompany asset transfers whereby the seller defers any net tax effect and the buyer is prohibited from recognizing a deferred tax asset on the difference between the newly created tax basis of the asset in its tax jurisdiction and its financial statement carrying amount as reported in the consolidated financial statements. ASU 2016-16 specifically excludes from its scope intercompany inventory transfers whereby the recognition of tax consequences will take place when the inventory is sold to third parties. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is

permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. We are currently evaluating the effect ASU 2016-16 will have on our consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect ASU 2016-15 will have on our consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the effect ASU 2016-13 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. We are currently evaluating the effect ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under current guidance, an investor that doesn't consolidate an investment and initially accounts for it under a method other than the equity method is required to retrospectively apply the equity method in prior periods in which it held the investment when it subsequently obtained significant influence. ASU 2016-07 will be applied on a prospective basis and is effective for all entities for fiscal years beginning after December 15, 2016, and interim periods within those years and early adoption is permitted. We do not plan to early adopt ASU 2016-07 and currently do not expect it to affect our consolidated financial statements when adopted on January 1, 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require, among other items, lessees to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We do not plan to early adopt. ASU 2016-02 will be adopted on a modified retrospective basis, with elective reliefs, which requires application of ASU 2016-02 for all periods presented. We are currently evaluating the effect ASU 2016-02 will have on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." Amendments under ASU 2016-01, among other items, require that all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification, for which changes in fair value are reported in other comprehensive income, for equity securities with readily determinable fair values. For equity investments without readily determinable fair values, the cost method is also eliminated. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these equity investments will be reported in current earnings. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and

interim periods within those fiscal years. We are currently evaluating the effect ASU 2016-01 will have, if any, on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under ASU 2015-16, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The measurement period cannot exceed one year from the date of the acquisition. ASU 2015-16 was effective on January 1, 2016, and we adopted it at the same time as a change in accounting policy, which had no impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an "approximately normal profit margin" (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory "at the lower of cost and NRV." ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein, with early adoption permitted. We will not early adopt. We do not expect ASU 2015-11 to have a material impact to our consolidated financial statements when adopted on January 1, 2017.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. Under prior U.S. GAAP, debt issuance costs were reported on the balance sheet as assets and amortized as interest expense. Under ASU 2015-03, debt issuance costs will continue to be amortized to interest expense using the effective interest method. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" to clarify the SEC staff's position that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, which is our current practice. We adopted ASU 2015-03 on January 1, 2016 on a retrospective basis as a change in accounting policy. The Condensed Consolidated Balance Sheet as of December 31, 2015, was retrospectively adjusted by decreasing Other assets and Long-term debt, net of current maturities by \$1.8 million, respectively.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 to defer the effective date for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the original effective date in ASU 2014-09, which is annual reporting periods beginning after December 15, 2016, however, we will not early adopt. In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," which amends and clarifies certain aspects in ASU 2014-09 that include collectibility, presentation of sales and other taxes collected from customers, noncash consideration, contract modifications and completed contracts at transition. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing," which amends the guidance in ASU 2014-09 on accounting for licenses of intellectual property and identifying performance obligations. In March 2016, The FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which amends the principal versus agent guidance in ASU 2014-09. The standards are to be applied retrospectively and permit the use of either the retrospective or cumulative effect transition method. We will use the cumulative effect transition method once we adopt ASUs 2014-09, 2016-12, 2016-10 and 2016-08 on January 1, 2018. We are currently evaluating the effect that these ASUs will have on our consolidated financial statements and related disclosures.

2.ACQUISITIONS

Propel Labs, Inc.

In January 2016, we acquired a high performance analytical flow cytometer platform from Propel Labs (Propel) that will enable advanced and novice users to perform basic and multi-parameter cytometry for a wide range of applications and chemistries. This asset acquisition was accounted for as a business combination, as the new analytical flow cytometer platform represented an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return and therefore constitutes a business in accordance with GAAP. The amount of the acquisition-related cost was minimal as Bio-Rad primarily represented itself during the acquisition process. This business acquisition is included in our Life Science segment's results of operations from the acquisition date.

The fair value of the consideration as of the acquisition date was \$38.8 million, which included \$9.5 million paid in cash at the closing date and \$29.3 million in contingent consideration potentially payable to Propel. The contingent consideration was based on a probability-weighted income approach related to the achievement of certain sales milestones, and was recognized at its estimated fair value of \$29.3 million as of September 30, 2016 (see Note 3, "Fair Value Measurements").

The final fair values of the net assets acquired from Propel as of the acquisition date were determined to be \$36.0 million of definite-lived intangible assets and \$2.8 million of goodwill. We expect the goodwill recorded to be deductible for income tax purposes. The acquired analytical flow cytometer platform fits well into Bio-Rad's existing Life Science segment product offerings and may offer researchers greater access to this technology.

In addition, Bio-Rad contracted with Propel to provide development services concurrent with and included in the purchase agreement. Bio-Rad is receiving future manufacturing, engineering and marketing support from Propel on which payments will be made upon the successful completion of all contracted services. As a result, these services are not included in the total purchase consideration and a majority will be expensed in future periods.

3.FAIR VALUE MEASUREMENTS

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

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

Financial assets and liabilities carried at fair value and measured on a recurring basis as of September 30, 2016 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	\$—	\$11.6	\$—	\$11.6
Municipals	—	0.7	—	0.7
Foreign time deposits	10.3	—	—	10.3
Domestic time deposits	—	20.0	—	20.0
Money market funds	6.5	—	—	6.5
Total cash equivalents (a)	16.8	32.3	—	49.1
Restricted investment:	4.2	—	—	4.2
Available-for-sale investments:				
Corporate debt securities	—	185.6	—	185.6
U.S. government sponsored agencies	—	76.8	—	76.8
Foreign government obligations	—	5.2	—	5.2
Brokered CD's	—	3.1	—	3.1
Municipal obligations	—	14.8	—	14.8
Marketable equity securities	844.5	—	—	844.5
Asset-backed securities	—	67.5	—	67.5
Total available-for-sale investments (b)	844.5	353.0	—	1,197.5
Forward foreign exchange contracts (c)	—	0.6	—	0.6
Total financial assets carried at fair value	\$865.5	\$385.9	\$—	\$1,251.4
Financial Liabilities Carried at Fair Value:				
Forward foreign exchange contracts (d)	\$—	\$0.8	\$—	\$0.8
Contingent consideration (e)	—	—	42.7	42.7
Total financial liabilities carried at fair value	\$—	\$0.8	\$42.7	\$43.5

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2015 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial Assets Carried at Fair Value:				
Cash equivalents:				
Commercial paper	\$	—\$33.2	\$	—\$33.2
Foreign government obligations	—	0.6	—	0.6
Foreign time deposits	11.9	—	—	11.9
U.S. government sponsored agencies	—	14.6	—	14.6
Money market funds	11.3	—	—	11.3
Total cash equivalents (a)	23.2	48.4	—	71.6
Restricted investment:	4.2	—	—	4.2
Available-for-sale investments:				