UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

o **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 000-30833

BRUKER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**04-3110160**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Manning Road, Billerica, MA 01821

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(978) 663-3660**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x
Non-accelerated filer o
Accelerated filer o
Smaller reporting company o
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

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

Class	Outstanding at November 5, 2018
Common Stock, $0.01 par value per share	156,567,873 shares

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BRUKER CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2018

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PART I FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

		September 30, 2018		December 31, 2017
ASSETS				
Current assets:				
Cash and cash equivalents	$	270.1	$	325.0
Short-term investments				114.2
Accounts receivable, net		323.4		319.3
Inventories		518.6		486.2
Other current assets		149.4		114.1
Total current assets		1,261.5		1,358.8
Property, plant and equipment, net		260.9		266.5
Goodwill		199.9		169.8
Intangibles, net and other long-term assets		166.8		153.4
Total assets	$	1,889.1	$	1,948.5
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Current portion of long-term debt	$	15.4	$	
Accounts payable		100.0		90.8
Customer advances		110.4		111.7
Other current liabilities		337.3		322.0
Total current liabilities		563.1		524.5
Long-term debt		225.2		415.6
Other long-term liabilities		275.6		274.9
Commitments and contingencies (Note 13)				
Shareholders equity:				
Preferred stock, $0.01 par value 5,000,000 shares authorized, none issued or outstanding				
Common stock, $0.01 par value 260,000,000 shares authorized, 172,537,082 and 171,875,076 shares issued and 156,512,202 and 155,865,977 shares outstanding at September 30, 2018 and December 31, 2017, respectively		1.7		1.7
Treasury stock, at cost, 16,024,880 and 16,009,099 shares at September 30, 2018 and December 31, 2017, respectively		(401.5)		(401.2)
Accumulated other comprehensive income		12.7		27.0
Other shareholders equity		1,204.0		1,097.9
Total shareholders equity attributable to Bruker Corporation		816.9		725.4

Noncontrolling interest in consolidated subsidiaries		8.3		8.1
Total shareholders equity		825.2		733.5
Total liabilities and shareholders equity	$	1,889.1	$	1,948.5

The accompanying notes are an integral part of these statements.

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BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in millions, except per share data)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Product revenue	$ 385.5	$ 364.4	$ 1,105.8	$ 1,029.2
Service revenue	79.6	70.0	230.8	200.4
Other revenue	1.5	1.2	5.4	5.8
Total revenue	466.6	435.6	1,342.0	1,235.4
Cost of product revenue	197.3	195.6	571.6	559.8
Cost of service revenue	46.6	40.5	142.2	114.9
Cost of other revenue	0.1	0.6	1.0	0.9
Total cost of revenue	244.0	236.7	714.8	675.6
Gross profit	222.6	198.9	627.2	559.8
Operating expenses:				
Selling, general and administrative	106.5	102.7	327.4	303.3
Research and development	41.8	40.6	128.6	118.5
Other charges, net	5.2	4.3	15.2	13.8
Total operating expenses	153.5	147.6	471.2	435.6
Operating income	69.1	51.3	156.0	124.2
Interest and other income (expense), net	(3.7)	(3.9)	(11.5)	(15.0)
Income before income taxes and noncontrolling interest in consolidated subsidiaries	65.4	47.4	144.5	109.2
Income tax provision	21.2	9.8	41.4	25.9
Consolidated net income	44.2	37.6	103.1	83.3
Net income attributable to noncontrolling interest in consolidated subsidiaries	0.8	0.6	1.5	1.3
Net income attributable to Bruker Corporation	$ 43.4	$ 37.0	$ 101.6	$ 82.0
Net income per common share attributable to Bruker Corporation shareholders:				
Basic	$ 0.28	$ 0.23	$ 0.65	$ 0.52
Diluted	$ 0.28	$ 0.23	$ 0.65	$ 0.51
Weighted average common shares outstanding:				
Basic	156.4	157.5	156.1	158.9
Diluted	157.4	158.7	157.2	159.9
Comprehensive income	$ 41.9	$ 61.2	$ 88.3	$ 170.3
Less: Comprehensive income attributable to noncontrolling interests	0.5	0.7	0.9	1.9
Comprehensive income attributable to Bruker Corporation	$ 41.4	$ 60.5	$ 87.4	$ 168.4
Dividend declared per common share	$ 0.04	$ 0.04	$ 0.12	$ 0.12

The accompanying notes are an integral part of these statements.

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BRUKER CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities:		
Consolidated net income	$ 103.1	$ 83.3
Adjustments to reconcile consolidated net income to cash flows from operating activities:		
Depreciation and amortization	48.3	48.2
Write-down of inventories to net realizable value	12.8	9.5
Stock-based compensation expense	8.2	8.4
Deferred income taxes	(8.6)	(5.0)
Other non-cash expenses, net	15.9	(3.4)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(6.9)	(8.4)
Inventories	(55.3)	(37.5)
Accounts payable and accrued expenses	(1.2)	(8.6)
Income taxes payable, net	(8.5)	(6.3)
Deferred revenue	4.8	(0.2)
Customer advances	2.1	(34.7)
Other changes in operating assets and liabilities, net	(7.3)	5.4
Net cash provided by operating activities	107.4	50.7
Cash flows from investing activities:		
Purchases of short-term investments		(118.5)
Maturities of short-term investments	117.0	134.0
Cash paid for acquisitions, net of cash acquired	(55.3)	(65.8)
Purchases of property, plant and equipment	(28.9)	(31.3)
Proceeds from sales of property, plant and equipment	0.1	6.9
Net cash provided by (used in) investing activities	32.9	(74.7)
Cash flows from financing activities:		
Repayments of Note Purchase Agreement		(20.0)
Repayments of revolving lines of credit	(202.5)	(65.0)
Proceeds from revolving lines of credit	27.5	154.0
Repayment of other debt, net	(0.9)	(1.0)
Proceeds from issuance of common stock, net	8.9	15.3
Payment of contingent consideration	(2.3)	(3.5)
Repurchase of common stock		(129.7)
Payment of dividends	(18.8)	(19.1)
Cash payments to noncontrolling interest	(0.9)	(0.5)
Net cash used in financing activities	(189.0)	(69.5)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(5.4)	15.4
Net change in cash, cash equivalents and restricted cash	(54.1)	(78.1)
Cash, cash equivalents and restricted cash at beginning of period	328.9	345.9
Cash, cash equivalents and restricted cash at end of period	$ 274.8	$ 267.8

The accompanying notes are an integral part of these statements.

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BRUKER CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Bruker Corporation, together with its consolidated subsidiaries (Bruker or the Company), develops, manufactures and distributes high-performance scientific instruments and analytical and diagnostic solutions that enable its customers to explore life and materials at microscopic, molecular and cellular levels. Many of the Company s products are used to detect, measure and visualize structural characteristics of chemical, biological and industrial material samples. The Company s products address the rapidly evolving needs of a diverse array of customers in life science research, pharmaceuticals, biotechnology, applied markets, cell biology, clinical research, microbiology, in-vitro diagnostics, nanotechnology and materials science research.

The Company has two reportable segments, *Bruker Scientific Instruments (BSI)*, which represented approximately 89.4% and 89.9% of the Company s revenues during the three and nine months ended September 30, 2018, respectively, and 89.7% and 89.0% of the Company s revenues during the three and nine months ended September 30, 2017, respectively; and *Bruker Energy & Supercon Technologies (BEST)*, which represented the remainder of the Company s revenues. For financial reporting purposes, the Bruker BioSpin Group, Bruker CALID Group and Bruker Nano Group operating segments are aggregated into the BSI reportable segment, (the BSI Segment) because each has similar economic characteristics, production processes, service offerings, types and classes of customers, methods of distribution and regulatory environments.

Bruker BioSpin The Bruker BioSpin Group designs, manufactures and distributes enabling life science tools based on magnetic resonance technology. The majority of the Bruker BioSpin Group s revenues are generated by academic and government research customers. Other customers include pharmaceutical and biotechnology companies and nonprofit laboratories, as well as chemical, food and beverage, clinical and other industrial companies.

Bruker CALID (Chemicals, Applied Markets, Life Science, In-Vitro Diagnostics, Detection) The Bruker CALID Group designs, manufactures and distributes life science mass spectrometry and ion mobility spectrometry solutions, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies and radiological/nuclear detectors for Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) detection. Customers of the Bruker CALID Group include: academic institutions and medical schools; pharmaceutical, biotechnology and diagnostics companies; contract research organizations; nonprofit and for-profit forensics laboratories; agriculture, food and beverage safety laboratories; environmental and clinical microbiology laboratories; hospitals and government departments and agencies.

Bruker Nano The Bruker Nano Group designs, manufactures and distributes advanced X-ray instruments; atomic force microscopy instrumentation; advanced fluorescence optical microscopy instruments; analytical tools for electron microscopes and X-ray metrology; defect-detection equipment for semiconductor process control; handheld, portable and mobile X-ray fluorescence spectrometry instruments; and spark optical emission spectroscopy systems. Customers of the Bruker Nano Group include academic institutions, governmental customers, nanotechnology companies, semiconductor companies, raw material manufacturers, industrial companies, biotechnology and pharmaceutical companies and other businesses involved in materials analysis.

The Company s BEST reportable segment develops and manufactures superconducting and non-superconducting materials and devices for use in renewable energy, energy infrastructure, healthcare and big science research. The segment focuses on metallic low temperature superconductors for use in magnetic resonance imaging, nuclear magnetic resonance, fusion energy research and other applications, as well as ceramic high temperature superconductors primarily for energy grid and magnet applications.

The unaudited condensed consolidated financial statements represent the consolidated accounts of the Company. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements as of September 30, 2018 and December 31, 2017, and for the three and nine months ended September 30, 2018 and 2017, have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and

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Exchange Commission (SEC) for Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial information presented herein does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement have been included. The results for interim periods are not necessarily indicative of the results expected for any other interim period or the full year.

At September 30, 2018, the Company s significant accounting policies and estimates, which are detailed in the Company s Annual Report on Form 10-K for the year ended December 31, 2017, have not changed other than for revenue recognition as detailed in Footnote 2.

2. Revenue

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* which supersedes the revenue recognition requirements under Accounting Standards Codification (ASC) Topic 605. The new guidance was the result of a joint project between the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop common revenue standards for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance was effective as of January 1, 2018 and was applied on a modified retrospective basis. The Company elected the practical expedient and only evaluated contracts for which substantially all revenue had not been recognized under ASC 605 with the cumulative effect of the new guidance recorded as of the date of initial application. The impact of adoption was an increase to beginning retained earnings of $8.2 million, offset in part by a $2.1 million impact related to taxes. As the adoption of this standard did not have a material impact on the Company s unaudited condensed consolidated financial statements, transitional disclosures were not provided.

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The key elements of ASC 606 are: 1) identifying a contract with the customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) each performance obligation is satisfied.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Some of the Company s contracts have multiple performance obligations, most commonly due to providing additional goods or services along with a system, such as installation, accessories, parts and services. For contracts with multiple performance obligations, the Company allocates the contract s transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service being provided to the customer. The Company s best evidence of standalone selling price is its normal selling pricing and discounting practices for the specific product or service when sold on a standalone basis. Alternatively, when not sold separately, the Company may determine standalone selling price using an expected cost plus a margin approach.

The Company s performance obligations are typically satisfied at a point in time, most commonly either on shipment or customer acceptance. Certain performance obligations, such as maintenance contracts and extended warranty, are recognized over time based on the contractual obligation period. In addition, certain arrangements to provide more customized deliverables may be satisfied over time based on the extent of progress towards completion. Typically, progress is measured using a cost-to-cost method based on cost incurred to date relative to total estimated costs upon completion as this best depicts the transfer of control to the customer. Application of the cost-to-cost method requires the Company to make reasonable estimates of the extent of progress toward completion and the total costs the Company expects to incur. Losses are recorded immediately when the Company estimates that contracts will ultimately result in a loss.

The Company includes costs incurred in connection with shipping and handling of products within selling, general and administrative costs. Amounts billed to customers in connection with these costs are included in total revenues. When control of the goods transfers prior to the completion of the Company s obligation to ship the products to its customers, the Company has elected the practical expedient to account for the shipping services as a fulfillment cost. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period is one year or less or the amount is immaterial. The Company excludes from the transaction price all taxes assessed by a governmental authority on revenue-producing transactions that are collected by the Company from a customer.

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The Company requires an advance deposit based on the terms and conditions of contracts with customers for many of its contracts. Typically, revenue is recognized within one year of receiving an advance deposit. The Company does not have any material payment terms that extend beyond one year. For contracts where an advance payment is received greater than one year from expected revenue recognition, or a portion of the payment due extends beyond one year, the Company determined it does not constitute a significant financing component. There is minimal variable consideration included in the transaction price of the Company s contracts.

The Company s revenues and cash flows may be adversely impacted by unfavorable changes in economic or political conditions in the countries and markets in which they operate, including, among others, adverse changes in interest rates or tax rates, volatility in financial and commodity markets, contraction in the availability of credit in the marketplace, and changes in capital spending patterns. Economic factors that could adversely influence demand for the Company s products include uncertainty about global economic conditions leading to reduced levels of investment, changes in government spending levels and/or priorities, the size and availability of government budgets, customers and suppliers access to credit and other macroeconomic factors affecting government, academic or industrial spending behavior. Slower economic growth or deterioration in economic conditions could result in a decrease in government funding for scientific research, a delay in orders from current or potential customers or a reduction in purchases of our products. The Company cannot predict how changes in economic conditions or political instability will affect customers and suppliers or how any negative impact on customers and suppliers might adversely impact the Company s business results or financial condition.

The following table presents the Company s revenues by Group and end customer geographical location for the three and nine month periods ended September 30, 2018 (dollars in millions):

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue by Group:		
Bruker BioSpin	$ 139.5	$ 411.2
Bruker CALID	134.6	393.9
Bruker Nano	143.0	401.4
BEST	50.9	139.2
Eliminations	(1.4)	(3.7)
Total revenue	$ 466.6	$ 1,342.0

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue by End Customer Geography:		
United States	$ 134.1	$ 347.3
Germany	44.9	135.3
Rest of Europe	114.6	346.4
Asia Pacific	134.4	396.8
Other	38.6	116.2
Total revenue	$ 466.6	$ 1,342.0

Revenue for the Company recognized at a point in time versus over time is as follows for the three and nine month periods ended September 30, 2018 (dollars in millions):

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		Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018
Revenue recognized at a point in time	$	427.1	$	1,227.6
Revenue recognized over time		39.5		114.4
Total revenue	$	466.6	$	1,342.0

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction price allocated to a promise to transfer a good or service that is fully or partially unsatisfied at the end of the period. As of September 30, 2018, remaining performance obligations were approximately $1,044.1 million. The Company expects to recognize revenue on approximately 81.2% of the remaining performance obligations over the next twelve months and the remaining performance obligations primarily within one to three years.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the Company s unaudited condensed consolidated balance sheets.

Contract assets Most of the Company s long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Billing often occurs subsequent to revenue recognition, resulting in contract assets. Contract assets are generally classified as other current assets in the unaudited condensed consolidated balance sheets. The balance of contract assets as of September 30, 2018 and January 1, 2018, the date of adoption of ASC 606, was $26.7 million and $12.8 million, respectively. The increase in the contract asset balance during the nine month period ended September 30, 2018 is primarily a result of foreign currency translation and contracts that have been recognized as revenue during the nine month period ending September 30, 2018 for which billing cannot contractually occur as of September 30, 2018.

Contract liabilities The Company often receives cash payments from customers in advance of the Company s performance, resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the unaudited condensed consolidated balance sheet based on the timing of when revenue recognition is expected. As of September 30, 2018 and January 1, 2018, the date of adoption of ASC 606, contract liabilities were $285.6 million and $291.3 million, respectively. The decrease in the contract liability balance during the nine month period ended September 30, 2018 is primarily a result of satisfying performance obligations and foreign currency translation which were offset in part by new cash payments received. Approximately $145.8 million of the contract liability balance on January 1, 2018, the date of adoption of ASC 606, was recognized as revenue during the nine month period ended September 30, 2018.

3. Acquisitions

2018

On July 11, 2018, the Company acquired a 100% interest in JPK Instruments AG (JPK), a privately held company, for a purchase price of Euro 14.2 million (approximately $16.6 million), with the potential for additional consideration based on various operational achievements throughout 2019 and 2020. JPK adds in-depth expertise in live-cell imaging, cellular mechanics, adhesion, and molecular force measurements, optical trapping, and biological stimulus-response characterization to Bruker s capabilities. JPK is located in Berlin, Germany and is being integrated into the Bruker Nano Group within the BSI Segment. The components and fair value allocation of the consideration transferred in connection with the acquisition were as follows (dollars in millions):

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Consideration Transferred:		
Cash paid	$	16.6
Cash acquired		(0.2)
Contingent consideration		4.3
Total consideration transferred	$	20.7
Allocation of Consideration Transferred:		
Inventories	$	3.0
Accounts receivable		1.8
Other current and non-current assets		0.7
Intangible assets:		
Technology		7.0
Customer relationships		7.5
Backlog		1.1
Trade name		0.6
Goodwill		8.0
Deferred taxes, net		(4.9)
Liabilities assumed		(4.1)
Total consideration allocated	$	20.7

The preliminary fair value allocation included contingent consideration in the amount of $4.3 million, which represented the estimated fair value of future payments to the former shareholders of JPK based on JPK achieving various operational achievements for the years 2019 and 2020. The Company expects to complete the fair value allocation in the fourth quarter of 2018. The amortization period for all intangible assets acquired in connection with JPK is eight years, except for backlog which will be amortized over one year.

The results of JPK, including the amount allocated to goodwill that is attributable to expected synergies and not expected to be deductible for tax purposes, have been included in the BSI Segment from the date of acquisition. Pro forma financial information reflecting the acquisition of JPK has not been presented because the impact on revenues, net income and total assets is not material.

On April 8, 2018, the Company acquired a 100% interest in Anasys Instruments Corp. (Anasys), a privately held company, for a purchase price of $27.0 million with the potential for additional consideration based on revenue achievements in 2019 and 2020. Anasys develops and manufactures nanoscale infrared spectroscopy and thermal measurement instruments. Anasys is being integrated into the Bruker Nano Group within the BSI Segment. The acquisition of Anasys was accounted for under the acquisition method. The components and fair value allocation of the consideration transferred in connection with the acquisition were as follows (dollars in millions):

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Consideration Transferred:		
Cash paid	$	27.0
Contingent consideration		5.3
Total consideration transferred	$	32.3
Allocation of Consideration Transferred:		
Inventories	$	2.8
Accounts receivable		0.8
Other current and non-current assets		1.1
Intangible assets:		
Technology		7.3
Customer relationships		8.0
Backlog		1.8
Trade name		0.6
Goodwill		16.6
Deferred taxes, net		(3.2)
Liabilities assumed		(3.5)
Total consideration allocated	$	32.3

The preliminary fair value allocation included contingent consideration in the amount of $5.3 million, which represented the estimated fair value of future payments to the former shareholders of Anasys based on Anasys achieving annual revenue targets for the years 2019 and 2020. The Company expects to complete the fair value allocation in the fourth quarter of 2018. The amortization period for all intangible assets acquired in connection with Anasys is eight years, except for backlog which will be amortized over one year.

The results of Anasys, including the amount allocated to goodwill that is attributable to expected synergies and not expected to be deductible for tax purposes, have been included in the BSI Segment from the date of acquisition. Pro forma financial information reflecting the acquisition of Anasys has not been presented because the impact on revenues, net income and total assets is not material.

2017

On May 5, 2017, the Company acquired 100% of the shares of Luxendo GmbH (Luxendo), a privately held spin-off of the European Molecular Biology Laboratory (EMBL), for a purchase price of Euro 17 million (approximately $18.8 million), with the potential for additional consideration based on Luxendo revenue achievements in 2018 through 2021. Luxendo is a developer and manufacturer of proprietary light-sheet fluorescence microscopy instruments and the Company believes the acquisition enhances the Company s portfolio of swept-field confocal, super-resolution, and multiphoton fluorescence microscope product lines for small organism embryology, live-cell imaging, brain development and cleared brain tissue and optogenetics applications. Luxendo is located in Heidelberg, Germany and is being integrated into the Bruker Nano Group within the BSI Segment. The acquisition of Luxendo was accounted for under the acquisition method. The components and fair value allocation of the consideration transferred in connection with the acquisition were as follows (dollars in millions):

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Consideration Transferred:		
Cash paid	$	20.1
Cash acquired		(1.3)
Contingent consideration		3.1
Total consideration transferred	$	21.9
Allocation of Consideration Transferred:		
Inventories	$	1.1
Other current and non-current assets		0.4
Property, plant and equipment		0.3
Intangible assets:		
Existing technology		10.9
Trade name		0.8
Goodwill		11.2
Deferred taxes, net		(2.4)
Liabilities assumed		(0.4)
Total consideration allocated	$	21.9

The amortization period for intangible assets acquired in connection with the acquisition of Luxendo is ten years for trade names and seven years for technology.

The results of Luxendo, including the amount allocated to goodwill that is attributable to expected synergies and not expected to be deductible for tax purposes, have been included in the BSI Segment from the date of acquisition. Pro forma financial information reflecting the acquisition of Luxendo has not been presented because the impact on revenues, net income and total assets is not material.

On January 23, 2017, the Company acquired 100% of the shares of Hysitron, Incorporated (Hysitron), a privately held company. The acquisition adds Hysitron s nanomechanical testing instruments to the Company s existing portfolio of atomic force microscopes, surface profilometers, and tribology and mechanical testing systems. Hysitron is included in the Bruker Nano Group within the BSI Segment. The acquisition of Hysitron was accounted for under the acquisition method. The components and fair value allocation of the consideration transferred in connection with the acquisition of Hysitron were as follows (dollars in millions):

Consideration Transferred:		
Cash paid	$	27.9
Cash acquired		(0.7)
Contingent consideration		1.6
Total consideration transferred	$	28.8
Allocation of Consideration Transferred:		
Accounts receivable, net	$	3.0
Inventories		3.8
Other current assets		0.2
Property, plant and equipment		0.6
Intangible assets:		
Customer relationships		5.8
Existing technology		4.7
Trade name		1.2
Other		0.6
Goodwill		16.6
Deferred taxes, net		(4.1)

Capital lease		(0.2)
Liabilities assumed		(3.4)
Total consideration allocated	$	28.8

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The amortization period for intangible assets acquired in connection with Hysitron is seven years for customer relationships, trademarks and other intangibles and five years for existing technology.

The results of Hysitron, including the amount allocated to goodwill that is attributable to expected synergies and not expected to be deductible for tax purposes, have been included in the BSI Segment from the date of acquisition. Pro forma financial information reflecting the acquisition of Hysitron has not been presented because the impact on revenues, net income and total assets is not material.

4. Stock-Based Compensation

On May 14, 2010, the Bruker Corporation 2010 Incentive Compensation Plan (the 2010 Plan) was approved by the Company s stockholders. The 2010 Plan provided for the issuance of up to 8,000,000 shares of the Company s common stock. The 2010 Plan allowed a committee of the Board of Directors (the Compensation Committee) to grant incentive stock options, non-qualified stock options and restricted stock awards. The Compensation Committee had the authority to determine which employees would receive the awards, the amount of the awards and other terms and conditions of any awards. Awards granted under the 2010 Plan typically were made subject to a vesting period of three to five years.

On May 20, 2016, the Bruker Corporation 2016 Incentive Compensation Plan (the 2016 Plan) was approved by the Company s stockholders. With the approval of the 2016 Plan, no further grants will be made under the 2010 Plan. The 2016 Plan provides for the issuance of up to 9,500,000 shares of the Company s common stock and permits the grant of awards of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, performance shares and performance units, as well as cash-based awards. The 2016 Plan is administered by the Compensation Committee. The Compensation Committee has the authority to determine which employees will receive awards, the amount of any awards, and other terms and conditions of such awards. Awards granted under the 2016 Plan typically vest over a period of one to four years.

The Company recorded stock-based compensation expense as follows in the unaudited condensed consolidated statements of income and comprehensive income (dollars in millions):

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Stock options	$ 1.2	$ 1.8	$ 3.2	$ 5.2
Restricted stock awards	0.3	0.4	0.7	1.1
Restricted stock units	1.8	0.9	4.3	2.1
Total stock-based compensation	$ 3.3	$ 3.1	$ 8.2	$ 8.4

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Costs of product revenue	$ 0.5	$ 0.5	$ 1.2	$ 1.3
Selling, general and administrative	2.3	2.1	5.8	5.8
Research and development	0.5	0.5	1.2	1.3
Total stock-based compensation	$ 3.3	$ 3.1	$ 8.2	$ 8.4

Stock-based compensation expense is recognized on a straight-line basis over the underlying requisite service period of the stock-based award.

Stock options to purchase the Company s common stock are periodically awarded to executive officers and other employees of the Company subject to a vesting period of three to four years. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions for the nine months ended September 30, 2018 and 2017 regarding volatility, expected life, dividend yield and risk-free interest rates are required for the Black-Scholes model and are presented in the table below:

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	2018	2017
Risk-free interest rates	2.80%	1.78% - 2.09%
Expected life	5.38 years	5.56 years
Volatility	28.46%	30.78% - 34.13%
Expected dividend yield	0.47%	0.55% - 0.74%

Stock option activity for the nine months ended September 30, 2018 was as follows:

	Shares Subject to Options	Weighted Average Option Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value (in millions) (b)
Outstanding at December 31, 2017	3,235,673	$ 20.16		
Granted	126,260	35.86		
Exercised	(529,357)	18.03		
Forfeited	(186,263)	20.19		
Outstanding at September 30, 2018	2,646,313	$ 21.33	5.8	$ 32.4
Exercisable at September 30, 2018	1,653,296	$ 19.35	5.2	$ 23.3
Exercisable and expected to vest at September 30, 2018 (a)	2,571,939	$ 21.23	5.8	$ 31.7

(a) In addition to the options that are vested at September 30, 2018, the Company expects a portion of the unvested options to vest in the future. Options expected to vest in the future are determined by applying an estimated forfeiture rate to the options that are unvested as of September 30, 2018.

(b) The aggregate intrinsic value is based on the positive difference between the fair value of the Company s common stock price of $33.45 on September 30, 2018 and the exercise price of the underlying stock options.

The weighted average fair value of options granted was $9.50 and $7.61 per share during the nine months ended September 30, 2018 and 2017, respectively.

The total intrinsic value of options exercised was $7.2 million and $10.9 million for the nine months ended September 30, 2018 and 2017, respectively.

Restricted stock award activity for the nine months ended September 30, 2018 was as follows:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value

Outstanding at December 31, 2017	85,529	$	20.39
Vested	(54,343)		20.12
Forfeited	(6,553)		24.80
Outstanding at September 30, 2018	24,633	$	19.82

The total fair value of restricted stock vested was $1.1 million and $1.5 million in the nine months ended September 30, 2018 and 2017, respectively.

Restricted stock unit activity for the nine months ended September 30, 2018 was as follows:

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	Shares Subject to Restriction		Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	652,123	$	25.47
Granted	412,097		33.86
Vested	(145,356)		25.62
Forfeited	(55,357)		26.44
Outstanding at September 30, 2018	863,507	$	29.39

The total fair value of restricted stock units vested was $3.7 million and $0.2 million for the nine months ended September 30, 2018 and 2017, respectively.

At September 30, 2018, the Company expects to recognize pre-tax stock-based compensation expense of $5.3 million associated with outstanding stock option awards granted under the Company s stock plans over the weighted average remaining service period of 2.21 years. The Company expects to recognize additional pre-tax stock-based compensation expense of $0.4 million associated with outstanding restricted stock awards granted under the Company s stock plans over the weighted average remaining service period of 0.85 year. The Company also expects to recognize additional pre-tax stock-based compensation expense of $20.7 million associated with outstanding restricted stock units granted under the 2016 Plan over the weighted average remaining service period of 3.25 years.

5. Earnings Per Share

Net income per common share attributable to Bruker Corporation shareholders is calculated by dividing net income attributable to Bruker Corporation by the weighted-average shares outstanding during the period. The diluted net income per share computation includes the effect of shares that would be issuable upon the exercise of outstanding stock options and the vesting of restricted stock, reduced by the number of shares that are assumed to be purchased by the Company under the treasury stock method.

The following table sets forth the computation of basic and diluted weighted average shares outstanding and net income per common share attributable to Bruker shareholders (dollars in millions, except per share amounts):

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2018		2017		2018		2017
Net income attributable to Bruker Corporation, as reported	$	43.4	$	37.0	$	101.6	$	82.0
Weighted average shares outstanding:								
Weighted average shares outstanding-basic		156.4		157.5		156.1		158.9
Effect of dilutive securities:								
Stock options and restricted stock awards and units		1.0		1.2		1.1		1.0
		157.4		158.7		157.2		159.9
Net income per common share attributable to Bruker Corporation shareholders:								

Basic	$ 0.28	$ 0.23	$ 0.65	$ 0.52
Diluted	$ 0.28	$ 0.23	$ 0.65	$ 0.51

Stock options to purchase approximately 0.6 million shares and 1.0 million shares were excluded from the computation of diluted earnings per share in the three months ended September 30, 2018 and 2017, respectively, as their effect would have been anti-dilutive. Approximately 0.6 million shares and 1.7 million shares were excluded from the computation of diluted earnings per share in the nine months ended September 30, 2018 and 2017, respectively, as their effect would have been anti-dilutive.

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6. Fair Value of Financial Instruments

The Company applies the following hierarchy to determine the fair value of financial instruments, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The levels in the hierarchy are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation techniques that may be used by the Company to determine the fair value of Level 2 and Level 3 financial instruments are the market approach, the income approach and the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value based on current market expectations about those future amounts, including present value techniques, option-pricing models and the excess earnings method. The cost approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

The following tables set forth the Company s financial instruments that are measured at fair value on a recurring basis and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at September 30, 2018 and December 31, 2017 (dollars in millions):

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September 30, 2018		Total		Quoted Prices in Active Markets Available (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Assets:								
Embedded derivatives in purchase and delivery contracts	$	0.6	$		$	0.6	$	
Foreign exchange contracts		0.4				0.4		
Total assets recorded at fair value	$	1.0	$		$	1.0	$	
Liabilities:								
Contingent consideration	$	16.9	$		$		$	16.9
Foreign exchange contracts		2.7				2.7		
Embedded derivatives in purchase and delivery contracts		1.3				1.3		
Fixed price commodity contracts		0.4				0.4		
Total liabilities recorded at fair value	$	21.3	$		$	4.4	$	16.9

December 31, 2017		Total		Quoted Prices in Active Markets Available (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Assets:								
Foreign exchange contracts	$	4.5	$		$	4.5	$	
Embedded derivatives in purchase and delivery contracts		0.9				0.9		
Fixed price commodity contracts		0.8				0.8		
Total assets recorded at fair value	$	6.2	$		$	6.2	$	
Liabilities:								
Contingent consideration	$	12.7	$		$		$	12.7
Foreign exchange contracts		0.1				0.1		
Embedded derivatives in purchase and delivery contracts		2.9				2.9		
Total liabilities recorded at fair value	$	15.7	$		$	3.0	$	12.7

The Company s financial instruments consist primarily of cash equivalents, short-term investments, restricted cash, derivative instruments consisting of foreign exchange contracts, commodity contracts, derivatives embedded in certain purchase and sale contracts, accounts receivable, borrowings under a revolving credit agreement, accounts payable, contingent consideration and long-term debt. The carrying amounts of the Company s cash equivalents, short-term investments and restricted cash, accounts receivable, borrowings under a revolving credit agreement and accounts payable approximate fair value because of their short-term nature. Derivative assets and liabilities are measured at fair value on a recurring basis. The Company s long-term debt consists principally of a private placement arrangement entered into in 2012 with various fixed interest rates based on the maturity date. The fair value of the long-term fixed interest rate debt, which has been classified as Level 2, was $228.9 million and $231.3 million at September 30, 2018 and December 31, 2017, respectively, based on the outstanding amount at September 30, 2018 and December 31, 2017, market prices and observable sources with similar maturity dates.

The Company measures certain assets and liabilities at fair value with changes in fair value recognized in earnings. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company did not elect to remeasure any of its existing financial assets or

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liabilities and did not elect the fair value option for any financial assets or liabilities which originated during the three or nine months ended September 30, 2018 or 2017.

Excluded from the table above are restricted cash and short-term investments related to time and call deposits. The Company has a program to enter into time deposits with varying maturity dates ranging from one to twelve months, as well as call deposits for which the Company has the ability to redeem the invested amounts over a period of 95 days. The Company has classified these investments within cash and cash equivalents or short-term investments within the consolidated balance sheets based on call and maturity dates and these are not subject to fair value measurement. The following tables set forth the balances of restricted cash and short-term investments as of September 30, 2018 and December 31, 2017 (dollars in millions):

	September 30, 2018	**December 31, 2017**
Restricted Cash	$ 4.7	$ 3.9
Short-term Investments		114.2