OSI SYSTEMS INC
Form 10-Q
April 28, 2016
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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 March 31, 2016

OR

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 000-23125

OSI SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**33-0238801** (I.R.S. Employer Identification No.)

12525 Chadron Avenue

Hawthorne, California 90250

(Address of principal executive offices) (Zip Code)

(310) 978-0516

(Registrant s telephone number, including area code)

N/A

(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 x No o

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 x No o

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.

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

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

As of April 26, 2016, there were 18,895,330 shares of the registrant s common stock outstanding.

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OSI SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OSI SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share amounts)

		June 30, 2015		(Unaudited) March 31, 2016
ASSETS				
Current Assets:				
Cash and cash equivalents	$	47,593	$	97,425
Accounts receivable, net		178,519		159,787
Inventories		230,421		291,092
Deferred taxes		44,887		43,466
Prepaid expenses and other current assets		40,101		53,057
Total current assets		541,521		644,827
Property and equipment, net		225,703		187,204
Goodwill		98,167		122,297
Intangible assets, net		50,413		58,373
Other assets		63,870		62,601
Total assets	$	979,674	$	1,075,302
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities:				
Bank lines of credit	$		$	125,000
Current portion of long-term debt		2,801		2,759
Accounts payable		61,932		84,655
Accrued payroll and related expenses		33,169		29,818
Advances from customers		41,389		59,918
Deferred revenue		47,787		34,796
Income taxes payable		9,610		7,595
Other accrued expenses and current liabilities		52,593		61,442
Total current liabilities		249,281		405,983
Long-term debt		8,556		6,770
Deferred income taxes		65,435		68,887
Other long-term liabilities		74,623		61,543
Total liabilities		397,895		543,183
Commitments and contingencies (Note 8)				
Stockholders Equity:				
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued or outstanding				
Common stock, $0.001 par value authorized, 100,000,000 shares; issued and outstanding, 19,716,507 shares at June 30, 2015 and 18,893,137 shares at March 31, 2016		279,212		212,371
Retained earnings		312,831		333,087

Accumulated other comprehensive loss		(10,264)		(13,339)
Total stockholders equity		581,779		532,119
Total liabilities and stockholders equity	$	979,674	$	1,075,302

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

(Unaudited)

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2016	For the Nine Months Ended March 31, 2015	For the Nine Months Ended March 31, 2016
Net revenues:				
Products	$ 155,915	$ 148,730	$ 503,224	$ 419,398
Services	59,460	62,074	188,377	188,795
Total net revenues	215,375	210,804	691,601	608,193
Cost of goods sold:				
Products	107,019	102,929	340,809	290,036
Services	35,752	37,816	114,672	112,063
Total cost of goods sold	142,771	140,745	455,481	402,099
Gross profit	72,604	70,059	236,120	206,094
Operating expenses:				
Selling, general and administrative	37,970	39,233	130,046	122,767
Research and development	12,559	12,945	38,469	37,871
Impairment, restructuring and other charges	3,620	4,537	6,425	15,634
Total operating expenses	54,149	56,715	174,940	176,272
Income from operations	18,455	13,344	61,180	29,822
Interest and other expense, net	(812)	(666)	(2,508)	(2,083)
Income before income taxes	17,643	12,678	58,672	27,739
Provision for income taxes	4,415	3,335	15,954	7,483
Net income	$ 13,228	$ 9,343	$ 42,718	$ 20,256
Net income per share:				
Basic	$ 0.67	$ 0.48	$ 2.16	$ 1.03
Diluted	$ 0.64	$ 0.47	$ 2.08	$ 1.00
Shares used in per share calculation:				
Basic	19,801	19,336	19,810	19,604
Diluted	20,529	19,941	20,515	20,261

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands)

(Unaudited)

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2016	For the Nine Months Ended March 31, 2015	For the Nine Months Ended March 31, 2016
Net income	$ 13,228	$ 9,343	$ 42,718	$ 20,256
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(3,775)	(599)	(8,909)	(3,263)
Other	109	79	309	188
Other comprehensive loss	(3,666)	(520)	(8,600)	(3,075)
Comprehensive income	$ 9,562	$ 8,823	$ 34,118	$ 17,181

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(Unaudited)

	For the Nine Months Ended March 31, 2015	For the Nine Months Ended March 31, 2016
Cash flows from operating activities:		
Net income	$ 42,718	$ 20,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,448	42,544
Stock based compensation expense	18,135	13,582
Impairment charges		8,741
Other	5,449	1,571
Changes in operating assets and liabilities net of business acquisitions:		
Accounts receivable	19,817	21,442
Inventories	(29,414)	(53,974)
Prepaid expenses and other assets	(11,003)	(17,746)
Accounts payable	14,212	21,813
Advances from customers	(8,871)	(201)
Deferred revenue	(9,797)	(12,890)
Other	1,002	(4,902)
Net cash provided by operating activities	87,696	40,236
Cash flows from investing activities:		
Acquisition of property and equipment	(10,113)	(8,965)
Acquisition of businesses, net of cash acquired	(14,687)	(19,565)
Acquisition of intangible and other assets	(5,335)	(4,256)
Net cash used in investing activities	(30,135)	(32,786)
Cash flows from financing activities:		
Net borrowings (repayments) on bank lines of credit	(18,000)	125,000
Proceeds from long-term debt	1,406	583
Payments on long-term debt	(2,485)	(2,209)
Proceeds from exercise of stock options and employee stock purchase plan	3,237	6,132
Repurchase of common shares	(23,391)	(73,368)
Taxes paid related to net share settlements of equity awards	(7,050)	(13,187)
Net cash provided by (used in) financing activities	(46,283)	42,951
Effect of exchange rate changes on cash	(1,068)	(569)
Net increase in cash and cash equivalents	10,210	49,832
Cash and cash equivalents-beginning of period	38,831	47,593
Cash and cash equivalents-end of period	$ 49,041	$ 97,425
Supplemental disclosure of cash flow information:		
Cash paid, net during the period for:		
Interest	$ 1,554	$ 1,563
Income taxes	$ 23,246	$ 20,075

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Description of Business

OSI Systems, Inc., together with its subsidiaries (the Company), is a vertically integrated designer and manufacturer of specialized electronic systems and components for critical applications. The Company sells its products and provides related services in diversified markets, including homeland security, healthcare, defense and aerospace.

The Company has three reporting segments: (i) Security, providing security inspection systems, turnkey security screening solutions and related services, (ii) Healthcare, providing patient monitoring, diagnostic cardiology, anesthesia systems and defibrillator products, and related services and (iii) Optoelectronics and Manufacturing, providing specialized electronic components and electronic manufacturing services for the Security and Healthcare Divisions as well as to external original equipment manufacturing clients for applications in the defense, aerospace, medical and industrial markets, among others.

Through its Security Division, the Company provides security screening products and related services worldwide. These products fall into the following categories: baggage and parcel inspection; cargo and vehicle inspection, hold (checked) baggage screening, people screening, radiation detection and explosive and narcotics trace detection. In addition to these products, the Company provides site design, installation, training and technical support services to its customers. The Company also provides turnkey security screening solutions, which may include the construction, staffing and long-term operation of security screening checkpoints for its customers.

Through its Healthcare Division, the Company designs, manufactures, markets and services patient monitoring, diagnostic cardiology, anesthesia delivery and ventilation systems, defibrillator products, and related supplies and accessories worldwide. These products are used by care providers in critical care, emergency and perioperative areas within hospitals as well as physicians offices, medical clinics and ambulatory surgery centers among others. The defibrillators are also used in public facilities.

Through its Optoelectronics and Manufacturing Division, the Company designs, manufactures and markets optoelectronic devices and provides electronics manufacturing services worldwide for use in a broad range of applications, including aerospace and defense electronics, security and inspection systems, medical imaging and diagnostic products, telecommunications, computer peripherals, industrial automation systems, automotive diagnostic systems, gaming systems and consumer products. This Division provides products and services to original equipment manufacturers and end users as well as to the Company s own Security and Healthcare Divisions.

Basis of Presentation

The condensed consolidated financial statements include the accounts of OSI Systems, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conjunction with the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded in accordance with SEC rules and regulations. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented. These condensed consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2015. The results of operations for the three and nine months ended March 31, 2016 are not necessarily indicative of the operating results to be expected for the full 2016 fiscal year or any future periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and costs of sales during the reporting period. The most significant of these estimates and assumptions for the Company include, but are not limited to, revenue recognition, fair values of assets acquired and liabilities assumed in business combinations, collectability of accounts receivable, market values for inventories reported at lower of cost or market, stock-based compensation expense, income taxes, accrued product warranty costs, contingent liabilities, and the recoverability, useful lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Actual amounts will likely differ from these estimates and could differ materially.

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Per Share Computations

The Company computes basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. The Company computes diluted earnings per share by dividing net income available to common stockholders by the sum of the weighted average number of common and dilutive potential common shares outstanding. Potential common shares consist of the shares issuable upon the exercise of stock options and restricted stock or unit awards under the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2016**	**2015**	**2016**
Net income for diluted earnings per share calculation	$ 13,228	$ 9,343	$ 42,718	$ 20,256
Weighted average shares outstanding for basic earnings per share calculation	19,801	19,336	19,810	19,604
Dilutive effect of stock awards	728	605	705	657
Weighted average shares outstanding for diluted earnings per share calculation	20,529	19,941	20,515	20,261
Basic net income per share	$ 0.67	$ 0.48	$ 2.16	$ 1.03
Diluted net income per share	$ 0.64	$ 0.47	$ 2.08	$ 1.00
Shares excluded from computation of diluted net income per share:				
Weighted average stock options excluded from computation due to anti-dilutive effect	49	70	43	39

Reclassifications

Certain reclassifications have been made to prior year amounts within the condensed consolidated balance sheet and condensed consolidated statement of cash flows to conform to the current year s presentation.

Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of approximately three months or less as of the acquisition date to be cash equivalents.

Fair Value of Financial Instruments

The Company s financial instruments consist primarily of cash, marketable securities, derivative instruments, accounts receivable, accounts payable and debt instruments. The carrying values of financial instruments, other than long-term debt instruments, are representative of their fair values due to their short-term maturities. The carrying values of the Company s long-term debt instruments are considered to approximate their fair values because the interest rates of these instruments are variable or comparable to current rates available to the Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Level 1 category includes assets and liabilities at the quoted prices in active markets for identical assets and liabilities. Level 2 category includes assets and liabilities from observable inputs other than quoted market prices. Level 3 category includes assets and liabilities whose valuation techniques are unobservable and significant to the fair value measurement. There were no assets where Level 3 valuation techniques were used. As further discussed in Note 8 to the condensed consolidated financial statements, the Company s contingent payment obligations related to acquisitions are valued in accordance with Level 3 valuation techniques. Such obligations were measured at fair value on a recurring basis.

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The fair values of our financial assets and liabilities as of June 30, 2015 and March 31, 2016 are categorized as follows (in thousands):

	June 30, 2015				March 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities	$ 291	$ 2,150	$	$ 2,441	$ 317	$		$ 317
Insurance company contracts		20,100		20,100		20,651		20,651
Interest rate contract		(41)		(41)		(22)		(22)
Total assets	$ 291	$ 22,209	$	$ 22,500	$ 317	$ 20,629	$	$ 20,946
Liabilities Contingent payment obligations	$	$	$ 17,175	$ 17,175	$	$	$ 21,832	$ 21,832

Derivative Instruments and Hedging Activity

The Company s use of derivatives consists of an interest rate swap agreement. The interest rate swap agreement was entered into to improve the predictability of cash flows from interest payments related to variable, London Interbank Offered Rate (LIBOR)-based debt for the duration of the term loan. The interest rate swap matures in October 2019. The interest rate swap is considered an effective cash flow hedge, and, as a result, the net gains or losses on such instrument were reported as a component of other comprehensive income in the condensed consolidated financial statements and are reclassified as net income when the hedge transaction settles.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged while assets are used in service and are computed using the straight-line method over the estimated useful lives of the assets taking into consideration any estimated salvage value. Amortization of leasehold improvements is calculated on the straight-line method over the shorter of the useful life of the asset or the lease term. Leased capital assets are included in property and equipment. Amortization of property and equipment under capital leases is included with depreciation expense. In the event that property and equipment are idle, as a result of excess capacity or the early termination, non-renewal or reduction in scope of a turnkey screening operation, such assets are assessed for impairment on a periodic basis or if any indicators of impairment exist. Certain fixed assets related to the Company s turnkey security screening program in Mexico are not currently in use. As of March 31, 2016, the net value of these assets is approximately $15 million, which is included in property and equipment in the condensed consolidated balance sheet.

Revenue Recognition

The Company recognizes revenue from sales of products upon shipment when title and risk of loss passes, and when terms are fixed and collection is probable. Revenue from services includes after-market services, installation and implementation of products, and turnkey security screening services. Generally, revenue from services is recognized when the services are performed. The portion of revenue for the sale attributable to installation is deferred and recognized when the installation service is provided. In an instance where terms of sale include subjective customer acceptance criteria, revenue is deferred until the Company has achieved the acceptance criteria. Concurrent with the revenue recognition, the Company accrues estimated product return reserves and warranty expenses. Critical judgments made by management related to revenue recognition include the determination of whether or not customer acceptance criteria are perfunctory or inconsequential. The determination of whether or not customer acceptance terms are perfunctory or inconsequential impacts the amount and timing of revenue recognized. Critical judgments also include estimates of warranty reserves, which are established based on historical experience and knowledge of the product under warranty. In instances where a contract calls for multiple deliverables and such deliverables qualify as separate units of accounting, the Company may recognize revenue based on the value of the respective deliverables identified in the underlying contract.

In connection with the agreement with the Servicio de Administración Tributaria (SAT) in Mexico, revenue is recognized based upon proportional performance, measured by the actual number of labor hours incurred divided by the total estimated number of labor hours for the project. The impact of changes in the estimated labor hours to service the agreement is reflected in the period during which the change becomes known. In this agreement, customer billings may be submitted for several separate deliverables including: monthly services, activation of services, training of customer personnel and consultation on the design and location of security scanning operations, among others. In the event that payments received from the customer exceed revenue recognition, deferred revenue is recorded. In the event that revenue recognition exceeds payments received from the customer, unbilled receivables are recorded.

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Revenues from out-of-warranty service maintenance contracts are recognized ratably over the term of such contracts. For services not derived from specific maintenance contracts, revenues are recognized as the services are performed. Deferred revenue for such services arises from payments received from customers for services not yet performed. On occasion, the Company receives advances from customers that are amortized against future customer payments pursuant to the underlying agreements. Such advances are classified in the condensed consolidated balance sheets as either a current or long-term liability depending on when the Company estimates the corresponding amortization to occur.

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible and intangible assets acquired, and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customers, acquired technology, and trade names, useful lives and discount rates. Management s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

During the three months ended March 31, 2016, the Company acquired all of the outstanding shares of capital stock of a distributor and manufacturer of electronic components in the United Kingdom, and a distributor and manufacturer of flex circuit and touch panel design products in California. The combined purchase prices consisted of cash payments at closing of $17.5 million, holdbacks of $2.6 million for potential indemnity claims and $12.5 million for the fair value of contingent consideration. The indemnity holdbacks are payable in fiscal 2017, if not used for indemnification claims. The combined purchase prices were allocated to the fair values of the net tangible and intangible assets. The combined allocations of intangible assets consisted of $20.4 million of goodwill and $7.8 million of identifiable intangible assets, which was comprised of $1.2 million of technology, $5.5 million of customer relationships, $0.9 million of trademarks and trade names, and $0.2 million of non-compete covenants.

Recent Accounting Updates Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued an accounting standards update (ASU) amending revenue recognition requirements for multiple-deliverable revenue arrangements. This update provides guidance on how revenue is 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 the goods or services. This determination is made in five steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The ASU is effective for fiscal years beginning after December 15, 2017 and for interim reporting periods within that reporting period. Earlier application is permitted only as of fiscal years beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company has not yet selected a transition method and is currently evaluating the impact this ASU may have on its financial condition and results of operations.

In July 2015, FASB issued an ASU amending some of the guidance on subsequent measurement of inventory. This ASU affects companies that are using first-in, first-out or average cost, or any other methods besides last-in, first out or the retail inventory method. This ASU is effective for fiscal years beginning after December 15, 2016, including interim reporting periods within that reporting period. The amendments in this

ASU should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company has not yet adopted this ASU and is currently evaluating the impact it may have on its financial condition and results of operations.

In September 2015, FASB issued an ASU simplifying measurement-period adjustments for acquisitions. This update provides guidance on how an acquirer recognizes adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This amendment requires the acquirer to recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined rather than retrospectively. This ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period. The Company has not yet adopted this ASU and is currently evaluating the impact it may have on its financial condition and results of operations.

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In November 2015, FASB issued an ASU amending the classification of deferred taxes. Deferred tax liabilities and assets will now be classified as non-current. Previously, the deferred income tax assets and liabilities had to be separated into current and non-current. The amendments in this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within that reporting period. Earlier application is permitted. The Company has not yet adopted this ASU and its adoption is not expected to have a material effect on the Company s financial statements.

In January 2016, FASB issued an ASU which affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This guidance retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient permitted by the guidance to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within that reporting period. Early application is permitted. The Company has not yet adopted this ASU and is currently evaluating the impact it may have on its financial condition and results of operations.

In February 2016, the FASB issued an ASU which affects the accounting for leases. The guidance requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The amendment also will require qualitative and quantitative disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within that reporting period. Early application is permitted. The Company has not yet adopted this update and is currently evaluating the impact it may have on its financial condition and results of operations.

In April and March 2016, the FASB issued an ASU clarifying the implementation guidance on licensing and the identification of performance obligations considerations, and the implementation guidance on principal versus agent considerations. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within that reporting period, with early adoption permitted as of the original effective date. The Company has not yet adopted this ASU and is currently evaluating the impact it may have on its financial condition and results of operations.

In March 2016, the FASB issued an ASU relating to employee share-based payment accounting. This guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within that reporting period. The Company has not yet adopted this ASU and is currently evaluating the impact it may have on its financial condition and results of operations.

2. Balance Sheet Details

The following tables provide details of selected balance sheet accounts (in thousands):

	June 30, 2015	March 31, 2016
Accounts receivable	$ 184,419	$ 165,406
Less allowance for doubtful accounts	(5,900)	(5,619)
Total	$ 178,519	$ 159,787&n