BIO-TECHNE Corp
Form 10-K
August 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 2016

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: 000-17272

BIO-TECHNE CORPORATION

(Exact name of Registrant as specified in its charter)

Minnesota	**41-1427402**
(State of Incorporation)	(IRS Employer Identification No.)
614 McKinley Place N.E., Minneapolis, MN	**55413-2610**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(612) 379-8854**

Securities registered pursuant to Section 12(b) of the Act: Common Stock, $0.01 par value

Name of each exchange on which registered: The Nasdaq Stock Market LLC

(Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes (X) No ( ) Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ( ) No (X)

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

Indicate by check mark whether the registrants 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 ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

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 ( ) Non-accelerated filer ( ) Small reporting company ( )

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

The aggregate market value of the Common Stock held by non-affiliates of the Registrant, based upon the closing sale price on December 31, 2015 as reported on The Nasdaq Stock Market ($90.00 per share) was approximately $3.3 billion. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded.

Shares of $0.01 par value Common Stock outstanding at August 26, 2016: 37,296,323

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement for its 2016 Annual Meeting of Shareholders are incorporated by reference into Part III.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

OVERVIEW

Bio-Techne and its subsidiaries, collectively doing business as Bio-Techne (Bio-Techne, we, our, us or the Company) develop, manufacture and sell biotechnology reagents and instruments for the research and clinical diagnostic markets worldwide. With our deep product portfolio and application expertise, Bio-Techne is a leader in providing specialized proteins, including cytokines and growth factors, antibodies, related immunoassays, biologically active small molecules and other reagents, as well as instrumentation designed to simplify key protein analysis processes. Additionally we also serve the clinical markets with regulated products such as controls, calibrators, reagents and immunoassays intended for diagnostic uses.

A Minneapolis, Minnesota-based company, Bio-Techne originally was founded as Research and Diagnostic Systems, Inc. (R&D Systems) in 1976. Techne Corporation, a public entity at the time, acquired R&D Systems in 1985 and through this action R&D Systems became a public company. The initial products focused on the hematology blood controls and calibrators market but soon expanded through the creation of the Biotechnology segment to include reagents used in life science research, driven by a series of acquisitions beginning with the Amgen Inc. research business in 1991. From fiscal 2014 through fiscal 2016, we have added seven new businesses and product portfolios and formed a third segment -- Protein Platforms. We also strengthened our Clinical Controls segment solutions by acquiring Bionostics Holdings Limited (Bionostics) and also expanded our Biotechnology segment product offerings through the acquisition of Shanghai-based PrimeGene Bio-Tech Co. (PrimeGene) in fiscal 2014. In fiscal 2015, we acquired Novus Biologicals LLC (Novus Biologicals) to expand our antibody business which was made part of our Biotechnology segment. Also in fiscal 2015, we acquired ProteinSimple and CyVek, Inc. (CyVek), both with innovative instrument platforms useful for protein analysis, and which together form our new Protein Platforms segment. Early in fiscal 2016, we acquired Cliniqa Corporation (Cliniqa) (July 2015), which specializes in the manufacturing and commercialization of blood chemistry quality controls and calibrators as well as bulk reagents used for the clinical diagnostic market to further expand and complement our Clinical Controls solutions. Zephyrus BioSciences, Inc. (Zephyrus) (March 2016) was also acquired with a product line that enables western blotting on single cells and is now part of our Protein Platforms segment.

Subsequent to the end of fiscal 2016, we acquired our Italian distributor, Space Import-Export Srl (Space) (July 2016) and Advanced Cell Diagnostics (ACD) (August 2016). Space is a long and trusted business partner of Bio-Techne, distributing its products since 1985 and creating a very effective and visible presence in the Italian market space. ACD develops and commercializes proprietary consumables for genomic analysis, reinventing the widely used in-situ

hybridization technique.

Recognizing the importance of a unified and global approach to meeting our mission and accomplishing our strategies, we have unified our brands and recent acquisitions under a single global brand, Bio-Techne. In November 2014 we changed the name of the parent corporation from Techne Corporation to Bio-Techne Corporation. The Bio-Techne name solidifies the new strategic direction for the Company, and also unifies all of our brands under one complete portfolio.

We operate globally, with offices in multiple locations in the United States, Europe, and Asia. Today, our product line extends to over 300,000 products in state of the art facilities to accommodate many of our manufacturing needs.

We are committed to providing the life sciences community with innovative, high-quality scientific tools to better understand biological processes and drive discovery. Our mission is to build epic tools for epic science. We intend to build on Bio-Techne's past accomplishments, high product quality reputation and sound financial position by executing strategies that position us to serve as the standard for biological content in the research market, and to leverage that leadership position to enter the diagnostics and other adjacent markets. Our strategies include:

Continued innovation in core products. Through collaborations with key opinion leaders, participation in scientific discussions and societies, and leveraging our internal talent we expect to be able to convert our continued significant investment in our research and development activities to be first-to-market with quality products that are at the leading edge of life science researchers' needs.

Investments in targeted acquisitions. We will continue to leverage our strong balance sheet to gain access to new technologies and products that improve our competitiveness in the current market, meet customers' expanding work flow needs and allow us to enter adjacent markets.

Expansion of geographic footprint. We will continue to expand our sales staff and distribution channels globally in order to increase our global presence and make it easier for customers to transact with us.

Realignment of resources. In recognition of the increased size and scale of the organization, we continue to redesign our development and operational processes to create greater efficiencies throughout the organization.

Talent recruitment and retention. We strive to recruit, train and retain the most talented staff to implement all of our strategies effectively.

OUR PRODUCTS AND MARKETS

Currently Bio-Techne operates worldwide and has three reportable business segments: Biotechnology, Clinical Controls and Protein Platforms. The Biotechnology reporting segment develops, manufactures and sells biotechnology research and diagnostic products world-wide. The Clinical Controls reporting segment develops and manufactures controls, calibrators, immunoassays and other reagents for the global clinical market. The Protein Platforms reporting segment develops and commercializes proprietary systems and consumables for protein analysis. In fiscal 2016, net sales from Bio-Techne's Biotechnology, Clinical Controls and Protein Platforms segments represented 64%, 21%, and 15% of consolidated net sales, respectively. Financial information relating to Bio-Techne's segments is incorporated herein by reference to Note 12 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Biotechnology Segment

Through our Biotechnology segment, we are one of the world's leading suppliers of specialized proteins, such as cytokines, growth factors, immunoassays, antibodies and related reagents, to the biotechnology research community. Our combined chemical and biological reagents portfolio provides new tools which customers can use in solving the complexity of important biological pathways and glean knowledge which may lead to a more complete understanding of biological processes and ultimately to the development of novel strategies to address different pathologies.

Biotechnology Segment Products

Proteins. We develop and manufacture in-house a range of cytokines, growth factors and enzymes, extracted from natural sources or produced using recombinant DNA technology. We produce and characterize all protein products to a high degree of purity and biological activity. The growing interest by academic and commercial researchers in cytokines is largely due to the profound effect that tiny amounts of a cytokine can have on cells and tissues. Cytokines are intercellular messengers and, as a result, act as signaling agents by interacting with specific receptors on the affected cells and trigger events that can lead to significant changes in a cell behavior. Enzymes are proteins which act as biological catalysts that accelerate chemical reactions. Most enzymes, including proteases, kinases and phosphatases, are proteins that modify the structure and function of other proteins and in turn affect cell behavior and function. Additionally, both enzymes and cytokines have the potential to serve as predictive biomarkers and therapeutic targets for a variety of diseases and conditions including cancer, Alzheimer’s, arthritis, autoimmunity, diabetes, hypertension, obesity, inflammation, AIDS and influenza.

Antibodies. Antibodies are specialized proteins produced by the immune system of an animal that recognize and bind to target molecules. We produce our polyclonal antibodies in animals (primarily goats, sheep and rabbits), purifying them from the animals’ blood. We derive monoclonal antibodies from immortalized rodent cell lines using hybridoma technology, isolating them from cell culture medium, or we manufacture them through recombinant DNA technology. The flow cytometry product line includes fluorochrome labeled antibodies and kits that are used to determine the immuno-phenotypic properties of cells from different tissues.

Immunoassays. We market a variety of immunoassays on different testing platforms, including microtiter-plate based kits sold under the trade name Quantikine®, multiplex immunoassays based on encoded bead technology and immunoassays based on planar spotted surfaces and microfluidic-based multiplex immunoassays on our automated testing platform. Researchers use these immunoassay products to quantify the level of a specific protein in biological fluids, such as serum, plasma, or urine. Protein quantification is an integral component of basic research, as potential diagnostic tools for various diseases and as a valuable indicator of the effects of new therapeutic compounds in the drug discovery process. Immunoassays can also be useful in clinical diagnostics. We have received Food and Drug Administration (FDA) marketing clearance for erythropoietin (EPO), transferrin receptor (TfR) and Beta2-microglobulin (b2M) immunoassays for use as *in vitro* diagnostic devices.

Small Molecule Chemically-based Products. These products include small natural or synthetic chemical compounds used by investigators as agonists, antagonists and/or inhibitors of various biological functions. Used in concert with other Company products, they provide additional tools to elucidate key pathways of cellular functions and can provide insight into the drug discovery process.

Biotechnology Segment Customers and Distribution Methods

We sell our biotechnology products directly to customers who are primarily located in North America, western Europe and China. We have a sales and marketing partnership agreement with Fisher Scientific in order to bolster our market presence in North America and leverage the transactional efficiencies offered by the large Fisher organization. We also sell through third party distributors in China, Japan, southern and eastern Europe and the rest of the world. Our sales are widely distributed, and no single end-user customer accounted for more than 10% of Biotechnology’s net sales during fiscal 2016, 2015 or 2014.

Biotechnology Segment Competitors

A number of companies supply the worldwide market for protein-related and chemically-based research reagents, including GE Healthcare Life Sciences, BD Biosciences, Merck KGaA/EMD Chemicals, Inc., PeproTech, Inc., Santa Cruz Biotechnology, Inc., Abcam plc., Thermo Fisher Scientific, Inc., Cayman Chemical Company and Enzo Biochem, Inc. Market success is primarily dependent upon product quality, selection and reputation. We believe we are one of the leading world-wide suppliers of cytokine related products in the research market. We further believe that the expanding line of our products, their recognized quality, and the growing demand for protein-related and chemically-based research reagents will allow us to remain competitive in the growing biotechnology research and diagnostic market.

Biotechnology Segment Manufacturing

We develop and manufacture the majority of our cytokines using recombinant DNA technology, thus significantly reducing our reliance on outside resources. Tocris chemical-based products are synthesized from widely available products. We typically have several outside sources for all critical raw materials necessary for the manufacture of our products.

The majority of our Biotechnology products are shipped within one day of receipt of the customers' orders. Consequently, we had no significant backlog of orders for our Biotechnology segment products as of the date of this Annual Report on Form 10-K or as of a comparable date for fiscal 2015.

Clinical Controls Segment

Our original business in this segment was focused on controls and calibrators for hematology clinical instruments. With the acquisition of Bionostics in fiscal 2014 and Cliniqa in fiscal 2016, we expanded this segment to include blood chemistry and blood gases quality controls diagnostic immunoassays as well as other bulk and custom reagents for the in vitro diagnostic market. Our BiosPacific brand product revenues are also now included in this segment as of fiscal 2016, and have been reclassified in prior years for comparative purposes.

Clinical Controls Segment Products

Controls and Calibrators. Proper diagnosis of many illnesses requires a thorough and accurate analysis of a patient's blood cells, which is usually done with automated or semi-automated hematology instruments. We derive our hematology controls and calibrators from various cellular components of blood which have been stabilized. These control and calibrator products ensure that hematology instruments are performing accurately and reliably.

We believe our products have improved stability and versatility and a longer shelf life than most of those of our competitors. We also offer clinical controls for blood glucose and blood gas devices, as well as coagulation device control products.

Bulk Reagents for Diagnostic Use. We also develop and supply bulk purified proteins, enzymes, disease-state plasmas, infectious disease antigens and processed serums to the clinical diagnostic industry worldwide. Often we manufacture these reagents on a custom basis to optimize their use in a customer’s diagnostic assay. We supply these reagents in various formats including liquid, lyophilized and powder form.

Clinical Controls Segment Customers and Distribution Methods

Original Equipment Manufacturer (OEM) agreements represent the largest market for our clinical controls products. In fiscal 2016, 2015 and 2014, OEM agreements accounted for $54.2 million, $41.1 million, and $41.2 million, respectively, or 8%, 9%, and 12% of total consolidated net sales in each fiscal year, respectively. The increase in fiscal 2016 was the result of the acquisition of Cliniqa. We sell our clinical control products directly to customers and, in Europe and Asia, also through distributors. One OEM customer accounted for approximately 13%, and 14% of Clinical Controls’ net sales during fiscal 2015 and 2014 respectively. This customer did not amount to 10% or more of the Company's consolidated revenue during these years.

Clinical Controls Segment Competitors

Competition is intense in the clinical controls business. The market is composed of manufacturers of laboratory reagents, chemicals and coagulation products and independent blood control manufacturers in addition to instrument manufacturers. The principal clinical control competitors for our products in this segment are Abbott Diagnostics, Beckman Coulter, Inc., Bio-Rad Laboratories, Inc., Streck, Inc., Siemens Healthcare Diagnostics Inc. and Sysmex Corporation. We believe we are the third largest supplier of hematology controls in the marketplace behind Beckman Coulter, Inc. and Streck, Inc. We compete based primarily on product performance, quality, and price. SeraCare, HyTest Ltd and Thermo Fisher Scientific represent additional competitors in the clinical diagnostic manufacturing and reagents markets.

Clinical Controls Segment Manufacturing

The primary raw material for our hematology controls products is whole blood. We purchase human blood from commercial blood banks, and porcine and bovine blood from nearby meat processing plants. After we receive raw

blood, we separate it into its cellular components, and then process and stabilize it. Although the cost of human blood has increased due to the requirement that it be tested for certain diseases and pathogens prior to use, the higher cost of these materials has not had a material adverse effect on our business. Bio-Techne does not perform its own pathogen testing, as most suppliers test all human blood collected. Other controls are derived from various bodily fluids collected which are then processed in house to isolate the product of interest or from other bulk reagent suppliers that specialize in certain products.

The majority of the hematology controls products are shipped based on a preset, recurring schedule. For the remainder of our Clinical Controls products, the shipments are determined by our customers' needs, which can vary significantly from quarter to quarter and year to year. There was no significant backlog of orders for our Clinical Control products as of the date of this Annual Report on Form 10-K or as of a comparable date for fiscal 2015.

Protein Platforms Segment

Proteins are important for understanding disease because they are the functional units that carry out specific tasks in every cell. Altered levels of certain proteins can prevent the cell from performing its intended function, produce the energy it requires, maintain its morphology or survive within the tissue. However, proteins analysis is complex given the varied and unique three dimensional structure of the many proteins of interest. Our Protein Platforms segment develops, manufactures and sells tools to simplify protein analysis while at the same time achieving more quantitative and reproducible results.

Protein Platforms Segment Products

The Simple Western Platform. The Western blot, or Western, is one of the most widely-used assays for protein analysis and identification today. Unchanged since its invention in 1979, the Western assay is used by molecular biologists, biochemists and clinicians to determine if a specific protein is present in a sample. The Western blot is able to report a protein's molecular weight as well as its identity via an antibody mediated reaction. Our Simple Western platform is a fully-automated Western blot analytical technique that can identify and quantify a protein of interest in a sample. The Simple Western product lines simplify the workflow, transforming the Western into a real protein analytical tool by providing truly quantitative and high quality data. Our Simple Western products are more sensitive than a traditional Western and in conjunction with the lower sample volume requirements and the ability to run multiple proteins simultaneously this technology offers many competitive advantages.

SimplePlex Platform. A common assay used in research and clinical diagnostics is the ELISA, or enzyme-linked immunosorbent assay. The SimplePlex platform is a transformative immunoassay technology which integrates an innovatively designed microfluidic cartridge with a state-of-the-art analyzer to deliver a bench-top immunoassay system that is more sensitive than ELISA with none of the traditional challenges of assay design or repeatability. SimplePlex assays are fully automated, multi-analyte immunoassays that permit the customer to run multiple samples while interrogating multiple analytes in approximately one hour while leveraging the large biological content menu that has been developed over 30 years. We believe the SimplePlex technology, along with other immunoassay platforms offered by Bio-Techne, represents the most comprehensive line of immunoassay products to meet customers' complete workflow in their research and clinical protein applications.

Biologics Instrumentation.

Biologics are complex protein-based therapeutics, and are transforming the pharmaceutical industry and treatment of many diseases. Biologic drugs are very effective targeted therapeutics for diseases such as arthritis, cancer and diabetes, and their number in development is increasing because of a variety of advances in biochemistry, immunology and biotechnology. Biologics can be monoclonal antibodies, recombinant proteins and vaccines. Developers of biologics are required by regulatory agencies, such as FDA, to develop robust processes to ensure that the specific biologic of interest can be identified and characterized accurately and then consistently and reliably produced. As a result, a suite of complementary analytical approaches are utilized to measure attributes such as identity, biological potency, purity, safety and impurities. These analytical approaches are used throughout the product development process, spanning initial discovery, expression, formulation, process development, quality control and final release. Our Biologics tools help researchers interrogate protein purity and identify contaminants during the development and production of biologics. Our iCE3 system is an analytical tool that measures the charge heterogeneity of proteins. Our micro-flow imaging, or MFI, platform measures the size, shape, count and concentration of particles within the 1 µm to 300 µm size range that may be present in biologic solutions. In fiscal 2016, we launched a new biologics product, Maurice, which profiles identity, purity, and hetergenity of biopharmaceuticals in one system.

Single Cell Western Platform. With the acquisition of Zephyrus Biosciences in March 2016, we now sell an instrument and related reagents to perform western blot assays on individual cells versus an entire cell population. We believe that the Zephyrus technology is a tool to elucidate the properties of individual cells to better understand cell behavior that can shape the overall cell population response in a disease or normal state.

Protein Platforms Segment Customers and Distribution Methods.

We sell our protein platforms products directly to customers who are primarily located in North America, western Europe and Japan. We also sell through third party distributors in China, southern Europe and the rest of the world. Our sales are widely distributed, and no single end-user customer accounted for more than 10% of Protein Platforms'

net sales during fiscal 2016, 2015 or 2014.

Protein Platforms Segment Competitors.

Our Simple Western platform is a complete replacement for the traditional Western blot. As a result, we face competition from the vendors that supply instruments and reagents to traditional Western blot users. These competitors include Bio-Rad Laboratories, GE Healthcare, Merck KGaA, PerkinElmer and Thermo Fisher Scientific. All of these vendors provide elements of the traditional work flow. Similarly, our SimplePlex platform replaces the traditional ELISA assay as well as some flow-based multiplex assays; competitors include those who supply instruments and reagents for ELISAs, including Meso Scale Discovery, PerkinElmer, Thermo Fisher, Luminex, Millipore, Molecular Devices, Tecan BioTek, and Bio-Rad Laboratories. The primary competitors for our Biologics instrumentation are Agilent Technologies, Danaher and PerkinElmer, as well as GE Healthcare, Shimadzu, Thermo Fisher and Waters. We believe our competitive position is strong due to the unique aspects of our products and our product quality.

Protein Platforms Segment Manufacturing.

We manufacture our Simple Western products at our facility in San Jose, California and Minneapolis, Minnesota. Our Biologics instruments and consumables are manufactured at our facilities in Toronto and Ottawa, both located in Ontario, Canada. We manufacture our Simple Plex products at our facility in Wallingford, Connecticut. We manufacture our own components where we believe it adds significant value, but we rely on suppliers for the manufacture of some of the consumables, components, subassemblies and autosamplers used with, or included in, our systems, which are manufactured to our specifications. We are not dependent on any one supplier and are not required to carry significant amounts of inventory to assure ourselves of a continuous allotment of goods from suppliers. We conduct all final testing and inspection of our products. We have established a quality control program, including a set of standard manufacturing and documentation procedures.

There was no significant backlog of orders for our Protein Platforms products as of the date of this Annual Report on Form 10-K or as of a comparable date for fiscal 2015.

Geographic Information

Following is financial information relating to geographic areas (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
External sales			
United States	$283,270	$245,217	$190,359
U.K.	88,680	68,055	55,144
Other Europe	51,047	66,022	42,013
China	27,205	26,105	18,878
Other Asia	24,809	23,806	32,704
Rest of world	24,012	23,041	18,665
Total external sales	$499,023	$452,246	$357,763

	As of June 30,		
	2016	*2015*	*2014*
Long-lived assets			
United States and Canada	$118,207	$119,075	$109,790
Europe	14,423	11,239	8,340
China	1,109	1,286	678
Total long-lived assets	$133,739	$131,600	$118,808

Net sales are attributed to countries based on the location of the customer or distributor. Long-lived assets are comprised of land, buildings and improvements and equipment, net of accumulated depreciation and other assets. See the description of risks associated with the Company’s foreign subsidiaries in Item 1A of this Annual Report on Form 10-K.

PRODUCTS UNDER DEVELOPMENT

Bio-Techne is engaged in continuous ongoing research and development in all of our major product lines. We believe that our future success depends, to a large extent, on our ability to keep pace with changing technologies and market needs.

In fiscal 2016, Bio-Techne introduced approximately 1,600 new biotechnology products to the life science market. All of these products are for research use only and therefore did not require FDA clearance. We also expect to significantly expand our portfolio of products through acquisitions of existing businesses. However, there is no assurance that any of the products in the research and development phase can be successfully completed or, if completed, can be successfully introduced into the marketplace.

	Year Ended June 30,		
	2016	*2015*	*2014*
Research expense (in thousands):			
Biotechnology	$26,981	$28,201	$29,189
Clinical Controls	3,596	1,628	1,756
Protein Platforms	14,610	11,024	0
	$45,187	$40,853	$30,945
Percent of net sales	9 %	9 %	9 %

ACQUISITIONS AND INVESTMENTS

Fiscal 2017 Acquisitions

On July 1, 2016, Bio-Techne's affiliate, Bio-Techne Ltd., acquired Space Import-Export Srl (Space) of Milan, Italy for approximately $11 million. Space is a long and trusted partner of Bio-Techne, distributing its products since 1985 and creating an effective and visible presence in the Italian market. The acquisition of Space provides a platform to expand our sales presence in Southern Europe.

On August 1, 2016, Bio-Techne closed on the acquisition of Advanced Cell Diagnostics (ACD) for $250 million in cash plus contingent consideration of $75 million due upon the achievement of certain milestones. The transaction was financed through a combination of cash on hand and a revolving line of credit facility that Bio-Techne obtained prior to the closing of the acquisition.

Fiscal 2016 Acquisitions

On March 21, 2016, Bio-Techne acquired all of the outstanding equity of Zephyrus. Zephyrus develops research tools to enable protein analysis at the single cell level. Zephyrus's first product, the Milo system, enables western blotting on individual cells. We believe researchers will utilize Zephyrus products to gain new insights into the biology of cancer, stem cells, neurology, and diseases. The acquisition expanded our Protein Platforms product lines.

On July 8, 2015, Bio-Techne acquired all of the outstanding equity of Cliniqa for approximately $83 million. Cliniqa, based in San Marcos, California, specializes in the manufacturing and commercialization of blood chemistry quality controls and calibrators as well as bulk reagents used in the clinical diagnostic market. Its controls and reagents are used in a wide variety of diagnostic tests for such pathologies as cardiac disease, diabetes, cancer, immunological disorders, therapeutic drug monitoring, urine analysis and toxicology. The acquisition further expanded and complemented our Clinical Controls product lines.

Fiscal 2015 Acquisitions

On July 31, 2014, Bio-Techne closed on the acquisition of all of the outstanding equity of ProteinSimple for approximately $300 million. The purchase price was adjusted post-closing based on the final levels of cash and

working capital of ProteinSimple at closing. ProteinSimple develops, markets and sells Western-blotting instruments, biologics and reagents. Western blotting remains one of the most frequently practiced life science techniques, and ProteinSimple's tools allow researchers to perform this basic research technique with greater speed and efficiency. Automation of the Western blotting technique has the potential to drive additional sales of the consumables Bio-Techne already sells, especially antibodies which have been validated for Western blotting applications. The ProteinSimple products became the foundation of our Protein Platforms segment.

On July 2, 2014, Bio-Techne acquired all of the issued and outstanding equity interests of Novus Biologicals, for approximately $60.0 million. Novus Biologicals is a Littleton, Colorado-based supplier of a large portfolio of both outsourced and in-house developed antibodies and other biologicals for life science research, delivered through an innovative digital commerce platform. The acquisition further expanded our antibody portfolio, consistent with our long term strategic business plan to serve customers with a complete and quality line of reagents, and became a part of our Biotechnology segment.

Fiscal 2014 Investments and Acquisitions

After investing $10.0 million in CyVek on April 1, 2014, Bio-Techne's wholly-owned subsidiary, R & D Systems, Inc. acquired all of CyVek's equity on November 4, 2014 for approximately $60.0 million. Bio-Techne completed the acquisition as a result of CyVek meeting certain pre-agreed commercial milestones. We will pay CyVek stockholders up to an additional $35.0 million based on the revenue generated by CyVek's products and related products before May 4, 2017. We will also pay CyVek's stockholders 50% of the amount, if any, by which the revenue from CyVek's products and related products exceeds $100 million in calendar year 2020. This strategic investment allowed us to offer the SimplePlex platform as part of our Protein Platforms segment, strengthening our market position in the immunoassay market where multiplex testing platforms are becoming more significant.

On April 30, 2014, Bio-Techne's China affiliate, R&D Systems China, acquired PrimeGene for approximately $18.8 million. PrimeGene is a leader in the China market in the development and manufacture of recombinant proteins for research and industrial applications, and has large scale protein manufacturing capabilities to serve the Chinese market as well as global industrial customers. PrimeGene is included in Bio-Techne's Biotechnology segment.

On July 22, 2013, the Company's R&D Systems subsidiary acquired for approximately $103 million cash all of the outstanding shares of Bionostics. Bionostics is a global leader in the development, manufacture and distribution of control solutions that verify the proper operation of *in-vitro* diagnostic devices primarily utilized in point of care blood glucose and blood gas testing. Bionostics is included in Bio-Techne's Clinical Controls segment.

Prior Investments

Bio-Techne has an approximate 14% equity investment in ChemoCentryx, Inc. (CCXI). CCXI is a technology and drug development company working in the area of chemokines. Chemokines are cytokines which regulate the trafficking patterns of leukocytes, the effector cells of the human immune system. Bio-Techne's investment in CCXI is included in "Short-term available-for-sale investments" at June 30, 2016 and 2015 at fair values of $28.6 million and $52.3 million, respectively.

GOVERNMENT REGULATION

All manufacturers of clinical diagnostic controls and reagents are regulated under the Federal Food, Drug and Cosmetic Act, as amended. Most of Bio-Techne's Clinical Control segment products are classified as "*in vitro* diagnostic products" by the U.S. Food and Drug Administration (FDA). The entire manufacturing process, from receipt of raw materials to the monitoring of products through their expiration date, is strictly regulated and documented. FDA inspectors make periodic site inspections of Bio-Techne's Clinical Control operations and facilities. Clinical Control segment manufacturing must comply with Quality System Regulations (QSR) as set forth in the FDA's regulations governing medical devices.

Three of Bio-Techne's immunoassay kits, EPO, TfR and b2M, have FDA clearance to be sold for clinical diagnostic use. Bio-Techne must comply with QSR for the manufacture of these kits. Biotechnology products manufactured in the U.S. and sold for use in the research market do not require FDA clearance. The products manufactured and sold through our Protein Platforms segment are all sold for research use only and also do not require FDA clearance. Tocris products are used as research tools and require no regulatory approval for commercialization. However, some of Tocris' products are considered controlled substances and require government permits to stock such products and to ship them to end-users. Bio-Techne has no reason to believe that these annual permits will not be re-issued.

Bio-Techne is subject to the medical device excise tax which was included as part of the Affordable Care Act. The tax applies to the sale of medical devices by a manufacturer, producer or importer of the device and is 2.3% of the sale price. The tax applies to Bio-Techne's *in vitro* diagnostic products, including its clinical control products and biotechnology clinical diagnostic immunoassay kits.

PATENTS AND TRADEMARKS

Our success depends at least in part upon our ability to protect our core technologies and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, trade secrets and trademarks, as well as customary contractual protections. As of June 30, 2016, we had rights to 76 granted patents and approximately 70 pending patent applications, primarily relating to our Protein Platforms products. Patent protection, if granted, generally has a life of 20 years from the date of the patent application or patent grant. We cannot assure you whether any of our pending patent applications will result in the grant of a patent, whether the examination process will require us to narrow our claims, and whether our claims will provide adequate coverage of our competitors' products or services. Bio-Techne is not substantially dependent on products for which it has obtained patent protection.

In addition to pursuing patents on our products, we also preserve much of our innovation as trade secrets. We have taken steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate.

No assurance can be given that Bio-Techne's products do not infringe upon patents or proprietary rights owned or claimed by others, particularly for genetically engineered products. Bio-Techne has not conducted a patent infringement study for each of its products. Where we have been contacted by patent holders with certain intellectual property rights, Bio-Techne has entered into licensing agreements with patent holders under which it has the exclusive and/or non-exclusive right to use patented technology as well as the right to manufacture and sell certain patented products to the research market. In addition, certain of our Protein Platforms products are covered by licenses from third parties to supplement our own patent portfolio.

Bio-Techne has obtained federal trademark registration for certain of its brand and product names. Bio-Techne believes it has common law trademark rights to certain marks in addition to those which it has registered.

SEASONALITY OF BUSINESS

Biotechnology and Protein Platforms segment products marketed by Bio-Techne historically experience a slowing of sales or of the rate of sales growth during the summer months. Bio-Techne also usually experiences a slowing of sales in all of its reportable segments during the Thanksgiving to New Year holiday period. Bio-Techne believes this seasonality is a result of vacation and academic schedules of its world-wide customer base. A majority of Clinical Controls products are manufactured in large bulk lots and sold on a schedule set by the customer. Consequently, sales for that segment can be unpredictable, although not necessarily based on seasonality.

EMPLOYEES

Through its subsidiaries, Bio-Techne employed approximately 1,560 full-time and part-time employees as of June 30, 2016.

INVESTOR INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934 (the Exchange Act). Therefore, we file periodic reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). Such reports, proxy statements, and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Room 1580, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically.

Financial and other information about us is available on our web site (http://www.bio-techne.com). We make available on our web site copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

9

EXECUTIVE OFFICERS OF THE REGISTRANT

Currently, the names, ages, positions and periods of service of each executive officer of the Company are as follows:

Name	*Age*	*Position*	*Officer Since*
Charles Kummeth	56	President, Chief Executive Officer and Director	2013
James T. Hippel	45	Senior Vice President, Chief Financial Officer	2014
Brenda Furlow	58	Senior Vice President, General Counsel and Secretary	2014
J. Fernando Bazan	56	Chief Technology Officer	2013
Kevin Gould	52	Senior Vice President, Clinical Controls	2016
David Eansor	54	Senior Vice President, Biotechnology	2014
Robert Gavin	48	Senior Vice President, Protein Platforms	2014

Set forth below is information regarding the business experience of each executive officer. There are no family relationships among any of the officers named, nor is there any arrangement or understanding pursuant to which any person was selected as an officer.

Charles Kummeth has been President and Chief Executive Officer of the Company since April 1, 2013. Prior to joining the Company, he served as President of Mass Spectrometry and Chromatography at Thermo Fisher Scientific Inc. from September 2011. He was President of that company's Laboratory Consumables Division from 2009 to September 2011. Prior to joining Thermo Fisher, Mr. Kummeth served in various roles at 3M Corporation, most recently as the Vice President of the company's Medical Division from 2006 to 2008.

James T. Hippel has been Chief Financial Officer of the Company since April 1, 2014. Prior to joining the Company, Mr. Hippel served as Senior Vice President and Chief Financial Officer for Mirion Technologies, Inc., a $300 million global company that provides radiation detection and identification products. Prior to Mirion, Mr. Hippel served as Vice President, Finance at Thermo Fisher Scientific, Inc., leading finance operations for its Mass Spectrometry & Chromatography division and its Laboratory Consumables division. In addition, Mr. Hippel's experience includes nine years of progressive financial leadership at Honeywell International, within its Aerospace Segment. Mr. Hippel started his career with KPMG LLP.

Brenda Furlow joined the Company as Senior Vice President and General Counsel on August 4, 2014. Most recently, Ms. Furlow was an associate with Alphatech Counsel, SC and served as general counsel to emerging growth technology companies. Ms. Furlow was General Counsel for TomoTherapy, Inc., a global, publicly traded company that manufactured and sold radiation therapy equipment from 2007 to 2011. From 1998 to 2007, Ms. Furlow served as General Counsel for Promega Corporation, a global life sciences company. In addition, Ms. Furlow's experience

includes five years in various positions with a credit union trade association. Ms. Furlow began her legal career as an associate with a Chicago-based law firm.

Dr. J. Fernando Bazan was appointed Chief Technical Officer when he joined the Company on August 1, 2013. Dr. Bazan is an adjunct professor at the University of Minnesota School of Medicine and served as Chief Scientific Officer at Neuroscience, Inc., a neuroimmunology startup from 2010 to 2012. From 2003 through 2010, Dr. Bazan served as Senior Scientist at Genentech, Inc. (Roche).

Kevin Gould became Senior Vice President, Clinical Controls Division on January 1, 2016. Prior to that, Mr. Gould was President and CEO of Cliniqa prior to its acquisition by Bio-Techne in July 2015. Prior to Cliniqa, Mr. Gould held senior level positions in other diagnostic product business, including Vice President, SeraCare BBI Diagnostics business unit of SeraCare Life Sciences, Inc.; and Vice President, Sales & Marketing for Medical Analysis Systems Inc., now part of Thermo Fisher Scientific Inc.

David Eansor has served as Senior Vice President, Biotechnology Division since April, 2015. Prior to that, Mr. Eansor was Senior Vice President, Novus Biologicals, since the Company completed its acquisition of Novus on July 2, 2014. From January 2013 until the date of the acquisition, Mr. Eansor was the Senior Vice President of Corporate Development of Novus Biologicals. Prior to joining Novus, Mr. Eansor was the President of the Bioscience Division of Thermo Fisher Scientific. Mr. Eansor was promoted to Division President in early 2010 after 5 years as President of Thermo Fisher’s Life Science Research business.

Robert Gavin was appointed Senior Vice President of the Protein Platforms Division in December 2014. Mr. Gavin had previously been Vice President of Product Development at ProteinSimple, which was acquired by the Company in July, 2014. Prior to joining ProteinSimple in 2008, Mr. Gavin served as Director of Engineering at MDS Analytical Technologies (previously Molecular Devices, Inc.). Prior to Molecular Devices, Mr. Gavin managed a team of engineers at Affymax Research Institute.

ITEM 1A. RISK FACTORS

Statements in this Annual Report on Form 10-K and elsewhere that are forward-looking involve risks and uncertainties which may affect the Company's actual results of operations. Certain of these risks and uncertainties which have affected and, in the future, could affect the Company's actual results are discussed below. The Company undertakes no obligation to update or revise any forward-looking statements made due to new information or future events. Investors are cautioned not to place undue emphasis on these statements.

The following risk factors should be read carefully in connection with evaluation of the Company's business and any forward-looking statements made in this Annual Report on Form 10-K and elsewhere. Any of the following risks or others discussed in this Annual Report on Form 10-K or the Company's other SEC filings could materially adversely affect the Company's business, operating results and financial condition.

Acquisitions pose financial, management and other risks and challenges.

The Company routinely explores acquiring other businesses and assets. During fiscal 2015, the Company acquired Novus, ProteinSimple, and CyVek, and in fiscal 2016, we acquired Cliniqa Corporation and Zephyrus BioSciences. However, we may be unable to identify or complete promising acquisitions for many reasons, including competition among buyers, the high valuations of businesses in our industry, the need for regulatory and other approvals, and availability of capital. When we do identify and consummate acquisitions, we may face financial, managerial and operational challenges, including diversion of management attention, difficulty with integrating acquired businesses, integration of different corporate cultures, increased expenses, assumption of unknown liabilities, indemnities, potential disputes with the sellers, and the need to evaluate the financial systems of and establish internal controls for acquired entities. There can be no assurance that the Company will engage in any additional acquisitions or that the Company will be able to do so on terms that will result in any expected benefits. In addition, acquisitions financed with borrowings could make the Company more vulnerable to business downturns and could negatively affect the Company's earnings due to higher leverage and interest expense.

We may be required to record a significant charge to earnings if our goodwill and other amortizable intangible assets, or other investments become impaired.

We are required under generally accepted accounting principles to test goodwill for impairment at least annually and to review our amortizable intangible assets, including goodwill and other assets acquired through merger and acquisition activity, for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortizable intangible assets (including goodwill or assets acquired via acquisitions) include significant adverse changes in the business climate and actual or projected

operating results (affecting our company as a whole or affecting any particular segment) and declines in the financial condition of our business. We have recorded and may be required in the future to record additional charges to earnings if our goodwill, amortizable intangible assets or other investments become impaired. Any such charge would adversely impact our financial results.

The Company is dependent on maintaining its intellectual property rights.

The Company's success depends in part on its ability to protect and maintain its intellectual property, including trade secrets. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us, we may lose our technological or competitive advantage, or we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property. The Company attempts to protect trade secrets in part through confidentiality agreements, but those agreements can be breached, and if they are, there may not be an adequate remedy. If trade secrets become publicly known, the Company could lose its competitive position.

The Company also attempts to protect and maintain intellectual property through the patent process. As of June 30, 2016, we owned or exclusively licensed 76 granted U.S. patents and approximately 70 pending patent applications. We cannot be confident that any of our currently pending or future patent applications will result in granted patents, and we cannot predict how long it will take for such patents to be granted. It is possible that, if patents are granted to us, others will design around our patented technologies. Further, other parties may challenge any patents granted to us and courts or regulatory agencies may hold our patents to be invalid or unenforceable. We may not be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents. Our ability to establish or maintain a technological or competitive advantage over our competitors may be diminished because of these uncertainties. To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate coverage of our competitors' products, our competitive position could be adversely affected, as could our business. Both the patent application process and the process of managing patent disputes can be time consuming and expensive.

We may be involved in disputes to determine the scope, coverage and validity of others' proprietary rights, or to defend against third-party claims of intellectual property infringement, any of which could be time-intensive and costly and may adversely impact our business.

The Company's success depends in part on its ability to operate without infringing the proprietary rights of others, and to obtain licenses where necessary or appropriate. The Company has obtained and continues to negotiate licenses to produce a number of products claimed to be owned by others. Since the Company has not conducted a patent infringement study for each of its products, it is possible that products of the Company may unintentionally infringe patents of third parties.

The Company has been and may in the future be sued by third parties alleging that the Company is infringing their intellectual property rights. These lawsuits are expensive, take significant time, and divert management's focus from other business concerns. If the Company is found to be infringing the intellectual property of others, it could be required to cease certain activities, alter its products or processes or pay licensing fees. This would cause unexpected costs and delays which may have a material adverse effect on the Company. If the Company is unable to obtain a required license on acceptable terms, or unable to design around any third party patent, it may be unable to sell some of its products and services, which could result in reduced revenue. In addition, if the Company does not prevail, a court may find damages or award other remedies in favor of the opposing party in any of these suits, which may adversely affect the Company's earnings.

The Company has entered into and drawn on a revolving credit facility. The burden of this additional debt could adversely affect the Company, make it more vulnerable to adverse economic or industry conditions, and prevent it from funding its expansion strategy.

In connection with the acquisition of Advanced Cell Diagnostics on August 1, 2016, the Company entered into a new revolving credit facility, governed by a Credit Agreement dated July 28, 2016. The Credit Agreement provides for a revolving credit facility of $400 million. Borrowings under the Credit Agreement bear interest at a variable rate. As of August 26, 2016, the Company had drawn $250 million under the Credit Agreement.

The terms of the Credit Agreement and the burden of the indebtedness incurred thereunder could have negative consequences for us, such as:

- limiting our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, expansion strategy, or other needs;

increasing the Company's vulnerability to, and reducing its flexibility in planning for, adverse changes in economic, industry and competitive conditions; and

increasing the Company's vulnerability to increases in interest rates.

The Credit Agreement also contains negative covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things, sell, lease or transfer any properties or assets, with certain exceptions; and enter into certain merger, consolidation or other reorganization transactions, with certain exceptions.

A breach of any of these covenants could result in an event of default under our credit facility. Upon the occurrence of an event of default, the lender could elect to declare all amounts outstanding under such facility to be immediately due and payable and terminate all commitments to extend further credit. In addition, the Company would be subject to additional restrictions if an event of default exists under the Credit Agreement, such as a prohibition on the payment of cash dividends.

We may experience difficulties implementing our enterprise resource planning system.

We are implementing a new enterprise resource planning ("ERP") system. Our ERP system is critical to our ability to accurately maintain books and records, record transactions, provide important information to our management and prepare our financial statements. The implementation of the new ERP system requires the investment of significant financial and human resources. We completed the first phase of implementation in July of 2016. During this initial implementation, which covered most of our operations and accounting systems at our headquarters in Minneapolis, we experienced some disruption in our shipping and invoicing activities we believe will impact revenues in the short term. As we continue expanding the use of our new ERP system to additional locations, we may experience further difficulties. Any further disruptions, delays or deficiencies in the design and implementation of the new ERP system could adversely affect our ability to process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations or otherwise operate our business.

We have identified a material weakness in our internal control over financial reporting which could, if not remediated, harm our operating results or cause us to fail to meet our reporting obligations.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As disclosed in Item 9A, management identified a material weakness in our internal control over financial reporting involving the effectiveness of the control environment and risk assessment, information, communication, and monitoring processes resulting in a lack of effective controls over general information technology controls (GITC) for certain applications. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission in Internal Control—An Integrated Framework (2013 Framework). We are actively engaged in developing a remediation plan designed to address this material weakness. Any failure to implement effective internal controls could harm our operating results or cause usto fail to meet our reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock, and may require us to incur additional costs to improve our internal control system.

The Company is subject to risk associated with global operations.

The Company engages in business globally, with approximately 37% of the Company’s sales revenue in fiscal 2016 coming from outside the U.S. This subjects the Company to a number of risks, including international economic, political, and labor conditions; currency fluctuations; tax laws (including U.S. taxes on foreign subsidiaries); increased financial accounting and reporting burdens and complexities; unexpected changes in, or impositions of, legislative or regulatory requirements; failure of laws to protect intellectual property rights adequately; inadequate local infrastructure and difficulties in managing and staffing international operations; delays resulting from difficulty in obtaining export licenses for certain technology; tariffs, quotas and other trade barriers and restrictions; transportation delays; operating in locations with a higher incidence of corruption and fraudulent business practices; and other factors beyond the Company’s control, including terrorism, war, natural disasters, climate change and diseases.

The application of laws and regulations implicating global transactions is often unclear and may at times conflict. Compliance with these laws and regulations may involve significant costs or require changes in the Company’s business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions, prohibited business conduct, and damage to the Company’s reputation. The Company incurs additional legal compliance costs associated with its global operations and could become subject to legal penalties in foreign countries if it does not comply with local laws and regulations, which may be substantially different from those in the U.S.

The Company conducts and plans to grow its business in developing markets, which may cause additional operational and legal risk.

The Company's efforts to grow its businesses depend, to a degree, on its success in developing market share in additional geographic markets including, but not limited to, China. In some cases, these countries have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than the Company's other markets. For example, a recent incident involving a Chinese university student who died after seeking treatment for a rare form of cancer from a treatment center identified through an internet search has led to a government investigation and a temporary halt to certain cancer treatments until more comprehensive safety regulations can be implemented, leading to lower sales growth in certain products offered by the Company. Operating and seeking to expand business in a number of different regions and countries exposes the Company to multiple and potentially conflicting cultural practices, business practices and legal and regulatory requirements.

In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by U.S. regulations applicable to the Company, such as the Foreign Corrupt Practices Act. Although the Company implements policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of the Company's employees, contractors, and agents, as well as those companies to which the Company outsources certain aspects of its business operations, including those based in foreign countries where practices which violate such U.S. laws may be customary, will comply with the Company's internal policies. Any such non-compliance, even if prohibited by the Company's internal policies, could have an adverse effect on the Company's business and result in significant fines or penalties.

The Company is significantly dependent on sales made through foreign subsidiaries which are subject to changes in exchange rates and changes to the strength of foreign governments and economic conditions.

Approximately 23% of the Company's net sales in fiscal 2016 were made through its foreign subsidiaries, which transact their sales in foreign currencies. Any adverse movement in foreign currency exchange rates could, therefore, negatively affect the Company's revenues and earnings. In June of 2016, Britain voted to exit the European Union. The uncertainty over the consequences of that decision has negatively impacted the value of the British pound and has led to some disruption in economic activity in the UK and in the Eurozone region. The Company maintains its European headquarters and shipping facilities in the UK. It is also unclear how and whether the British vote to depart the European Union will impact our ability to conduct business cost effectively from our UK headquarters. Moreover, the financial crisis faced by several Eurozone countries, and the ongoing economic instability in that region, may lead to reduced spending on health care and research by Eurozone governments, which could adversely affect the Company's European sales, as well as its revenues, financial condition and results of operations.

The Company's success will be dependent on recruiting and retaining highly qualified personnel.

Recruiting and retaining qualified scientific, production, sales and marketing, and management personnel are critical to the Company's success. The Company's anticipated growth and its expected expansion into areas and activities requiring additional expertise will require the addition of new personnel and the development of additional expertise by existing personnel. The Company also operates in several geographic locations where competition for talent is strong, making employee retention particularly challenging in those locations. The Company's growth by acquisition also creates challenges in retaining employees. As the Company integrates acquisitions and evolves its corporate culture to incorporate the new workforces, some employees may not find such integration or cultural changes appealing. The failure to attract and retain such personnel could adversely affect the Company's business.

Changes in economic conditions could negatively impact the Company's revenues and earnings.

The Company's biotechnology and protein platforms products are sold primarily to research scientists at pharmaceutical and biotechnology companies and at university and government research institutions. Research and development spending by the Company's customers and the availability of government research funding can fluctuate due to changes in available resources, mergers of pharmaceutical and biotechnology companies, spending priorities, general economic conditions and institutional and governmental budgetary policies. The Company's clinical controls products are intended primarily for the medical diagnostics market, which relies largely on government healthcare-related policies and funding. Changes in government reimbursement for certain diagnostic tests or reductions in overall healthcare spending could negatively impact our customers and, correspondingly, our sales to them. The U.S. and global economies recently experienced a period of economic downturn and have been slow to recover. In Japan, government investment in biotechnology research remains weak. Such downturns, and other reductions or delays in governmental funding, could cause customers to delay or forego purchases of the Company's

products. The Company carries essentially no backlog of orders and changes in the level of orders received and filled daily can cause fluctuations in quarterly revenues and earnings.

The industry segments in which we operate are very competitive, more so recently due to consolidation trends.

The Company faces significant competition across all of its product lines and in each market in which it operates. Competitors include companies ranging from start-up companies, which may be able to more quickly respond to customers' needs, to large multinational companies, which may have greater financial, marketing, operational, and research and development resources than the Company. In addition, consolidation trends in the pharmaceutical and biotechnology and diagnostics industries have served to create fewer customer accounts and to concentrate purchasing decisions for some customers, resulting in increased pricing pressure on the Company. Moreover, customers may believe that consolidated businesses are better able to compete as sole source vendors, and therefore prefer to purchase from such businesses. The entry into the market by manufacturers in China, India and other low-cost manufacturing locations is also creating increased pricing and competitive pressures, particularly in developing markets. Failure to anticipate and respond to competitors' actions may impact the Company's future sales and earnings.

The Company's future growth is dependent on the development of new products in a rapidly changing technological environment.

One element of the Company's growth strategy is to increase revenues through new product releases. As a result, the Company must anticipate industry trends and develop products in advance of customer needs. New product development requires planning, designing and testing at both technological and manufacturing-process levels and may require significant research and development expenditures. There can be no assurance that any products now in development, or that the Company may seek to develop in the future, will achieve feasibility or gain market acceptance. There can also be no assurance that the Company's competitors will not succeed in developing technologies and products in a more timely and cost effective manner than the Company. If the Company does not appropriately innovate and invest in new technologies, the Company's technologies will become outdated, rendering the Company's technologies and products obsolete or noncompetitive. To the extent the company fails to introduce new and innovative products, the Company may lose market share to its competitors, which may be difficult or impossible to regain.

The Company's business is subject to governmental laws and regulations.

The Company's operations are subject to regulation by various US federal, state and international agencies. Laws and regulations enacted and enforced by these agencies impact all aspects of the Company's operations including design, development, manufacturing, labeling, selling and the importing and exporting of products across international borders. Any changes to laws and regulations governing such activities could have an effect on the Company's operations and ability to obtain regulatory clearance or approval of the Company's products. If the Company fails to comply with any of these regulations, it may become subject to fines, penalties or actions that could impact development, manufacturing and distribution and/or increase costs or reduce sales. The approval process applicable to clinical control products and certain immunoassay kits that may be developed by the Company may take a year or more. Delays in obtaining approvals could adversely affect the marketing of new products developed by the Company, and negatively affect the Company's revenues.

As a multinational corporation, the Company is subject to the tax laws and regulations of U.S. federal, state and local governments and of several international jurisdictions. From time to time, new tax legislation may be implemented which could adversely affect current or future tax filings or negatively impact the Company's effective tax rate and thus increase future tax payments.

The Company relies heavily on internal manufacturing and related operations to produce, package and distribute its products.

The Company's internal quality control, packaging and distribution operations support the majority of the Company's sales. Since certain Company products must comply with Food and Drug Administration Quality System Regulations and because in all instances, the Company creates value for its customers through the development of high-quality products, any significant decline in quality or disruption of operations for any reason, particularly at the Minneapolis facility, could adversely affect sales and customer relationships, and therefore adversely affect the business. While the Company has taken certain steps to manage these operational risks, and while insurance coverage may reimburse, in whole or in part, for losses related to such disruptions, the Company's future sales growth and earnings may be adversely affected by perceived disruption risks or actual disruptions.

The design and manufacture of products involves certain inherent risks. Manufacturing or design defects could lead to recalls, litigation or alerts relating to the Company's products. A recall could result in significant costs and damage to the Company's reputation which could reduce demand, particularly for certain of its regulated products.

Disruptions in the supply and cost of raw materials could reduce the Company's earnings, cash flow, and ability to meet customers' needs.

The Company's products are made from a wide variety of raw materials that are generally available from alternate sources of supply. However, some of the Company's products are available only from a single supplier. If such suppliers were to limit or terminate production or otherwise fail to supply these materials for any reason, such failures could have a material adverse impact on the Company's product sales and business. In addition, price increases for raw materials could adversely affect the Company's earnings and cash flow.

Increased exposure to product liability claims could adversely affect the Company's earnings.

Product liability is a major risk in testing and marketing biotechnology and pharmaceutical products offered by the Company's customers. Currently these risks are primarily borne by the Company's customers. As the Company's products and services are further integrated into customers' production processes, the Company may become increasingly exposed to product liability and other claims in the event that the use of its products or services is alleged to have resulted in adverse effects. There can be no assurance that a future product liability claim or series of claims brought against the Company would not have an adverse effect on the Company's business or the results of operations. The Company's business may be materially and adversely affected by a successful product liability claim or claims in excess of any insurance coverage that it may have. In addition, product liability claims, regardless of their merits, could be costly, divert management's attention, and adversely affect the Company's reputation and demand for its products.

Any such product liability claims brought against the Company could be significant and any adverse determination may result in liabilities in excess of the Company's insurance coverage. Although the Company carries product liability insurance, it cannot be certain that current insurance will be sufficient to cover these claims or that it can be maintained on acceptable terms, if at all.

The Company may incur losses as a result of its investments in ChemoCentryx, Inc. and other companies in which it does not have a majority interest, the success of which is largely out of the Company's control.

The Company's expansion strategies include collaborations and investments in joint ventures and companies developing new products related to the Company's business. These strategies carry risks that objectives will not be achieved and future earnings will be adversely affected.

The Company has an approximate 14% equity investment in ChemoCentryx, Inc. (CCXI) that is valued at $28.6 million on the Company's June 30, 2016 Consolidated Balance Sheet. CCXI is a biopharmaceutical company focused on discovering, developing and commercializing orally-administered therapeutics to treat autoimmune diseases, inflammatory diseases and cancers. The development of new drugs is a highly risky undertaking. CCXI is dependent on a limited number of products, must achieve favorable clinical trial results, obtain regulatory and marketing approval for these products. CCXI has also incurred significant losses and has yet to achieve profitability.

The ownership of CCXI shares is very concentrated, the share price is highly volatile and there is limited trading of the shares. These factors make it possible that the Company could experience future dilution or lose its original $29.5 million investment in CCXI. At August 26, 2016, the market value of the Company's investment in CCXI was approximately $31.8 million.

Cyber security risks and the failure to maintain the confidentiality, integrity, and availability of the Company's computer hardware, software, and Internet applications and related tools and functions could result in damage to the Company's reputation and/or subject the Company to costs, fines, or lawsuits.

The integrity and protection of the Company's own data, and that of its customers and employees, is critical to the Company's business. The regulatory environment governing information, security and privacy laws is increasingly demanding and continues to evolve. Maintaining compliance with applicable security and privacy regulations may increase the Company's operating costs and/or adversely impact the Company's ability to market its products and services to customers. Although the Company's computer and communications hardware is protected through physical and software safeguards, it is still vulnerable to fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins, software viruses, and similar events. These events could lead to the unauthorized access, disclosure and use of non-public information. The techniques used by criminal elements to attack computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. As a result, the Company may not be able to address these techniques proactively or implement adequate preventative measures. If the Company's computer systems are compromised, it could be subject to fines, damages, litigation, and enforcement actions, customers could curtail or cease using its applications, and the Company could lose trade secrets, the occurrence of which could harm its business.

We are now subject to regulations related to "conflict minerals" which may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

With our acquisitions of ProteinSimple and CyVek in fiscal 2015, we now manufacture and sell products that may be covered under the Securities and Exchange Commission's (SEC) rule regarding "conflict minerals." We are now required to determine whether these products contain conflict minerals, and, if so, to perform an extensive inquiry into our supply chain in an effort to determine whether or not such conflict minerals originate from the Democratic Republic of Congo (DRC) or an adjoining country. Under the regulations, we are required to file a report with the SEC by May 31, 2017, to disclose and report whether or not such conflict minerals originate from the DRC or an adjoining country. Complying with this regulation could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. We may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments as of the date of this report.

ITEM 2. PROPERTIES

The Company owns the facilities that its headquarters and R&D Systems subsidiary occupy in Minneapolis, Minnesota. The Minneapolis facilities are utilized by both the Company's Clinical Controls and Biotechnology segments.

The Minneapolis complex includes approximately 800,000 square feet of space in several adjoining buildings. Bio-Techne uses approximately 625,000 square feet of the complex for administrative, research, manufacturing, shipping and warehousing activities. The Company is currently leasing or plans to lease the remaining space in the complex as retail and office space.

The Company owns the 17,000 square foot facility that its R&D Europe subsidiary occupies in Abingdon, England. This facility is utilized by the Company's Biotechnology and Protein Platforms segments.

The Company leases the following material facilities, all of which are utilized by the Company's Biotechnology segment with the exception of the location used by the Company's Bionostics and Cliniqa subsidiaries (Clinical Controls segment), and the ProteinSimple and CyVek sites which support the Protein Platforms segment. Certain locations are not named because they were not significant individually or in the aggregate as of the date of this report.

Subsidiary	*Location*	*Type*	*Square Feet*
Bio-Techne Europe Ltd.	Langely, U.K.	Warehouse	14,300
R&D Systems China Co., Ltd.	Shanghai and Bejing, China	Office/warehouse	5,700
Boston Biochem, Inc.	Cambridge, Massachusetts	Office/lab	7,400
Tocris Crookson Limited	Bristol, United Kingdom	Office/manufacturing/lab/warehouse	40,900
	Shanghai, China	Office/manufacturing/lab	13,700

Shanghai PrimeGene Bio-Tech Co., Ltd.			
Bionostics, Inc.	Devens, Massachusetts	Office/manufacturing	48,000
Novus Biologicals, LLC	Littleton, Colorado	Office/warehouse	22,500
ProteinSimple	Santa Clara, California	Office/manufacturing/warehouse	167,000
ProteinSimple Canada	Ottawa and Toronto, Canada	Office/manufacturing/warehouse	10,000
CyVek Inc.	Wallingford, Connecticut	Office/manufacturing/warehouse	17,500
Cliniqa, Inc.	San Marcos, California	Office/manufacturing/warehouse	37,200

The Company is currently pursuing new lease space for its Cliniqa operations. The Company believes the owned and leased properties, other than the Cliniqa facility, are adequate to meet its occupancy needs in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

As of August 26, 2016, the Company is not a party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Common Stock

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "TECH." The following table sets forth for the periods indicated the high and low sales price per share for the Company's common stock as reported by the NASDAQ Global Select Market.

	Fiscal 2016 Price		*Fiscal 2015 Price*	
	High	*Low*	*High*	*Low*
1st Quarter	$114.56	$87.49	$97.15	$89.03
2nd Quarter	96.81	83.90	95.89	86.01
3rd Quarter	96.83	79.95	101.60	87.24
4th Quarter	114.62	91.45	103.56	95.37

Holders of Common Stock and Dividends Paid

As of August 26, 2016, there were over 31,000 beneficial shareholders of the Company's common stock and over 150 shareholders of record. The Company paid quarterly cash dividends totaling $47.6 million, $47.1 million and $45.4 million in fiscal 2016, 2015 and 2014, respectively. The Board of Directors periodically considers the payment of cash dividends, and there is no guarantee that the Company will pay comparable cash dividends, or any cash dividends, in the future. The Company entered into a revolving line of credit in July 2016, which would prohibit payment of dividends to Company shareholders in the event of a default thereunder. The Credit Agreement that governs the revolving line of credit contains customary events of default.

Issuer Purchases of Equity Securities

There was no share repurchase activity by the Company in fiscal 2016. The maximum approximate dollar value of shares that may yet be purchased under the Company's existing stock repurchase plan is approximately $125 million. The plan does not have an expiration date.

Stock Performance Graph

The following chart compares the cumulative total shareholder return on the Company's common stock with the S&P Midcap 400 Index and the S&P 400 Biotechnology Index. The comparison assumes $100 was invested on the last trading day before July 1, 2010 in the Company's common stock and in each of the foregoing indices and assumes reinvestment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

(dollars in thousands, except per share data)

Income and Share Data:	*2016*[1]	*2015*[2]	*2014*[3]	*2013*	*2012*
Net sales	$499,023	$452,246	$357,763	$310,575	$314,560
Operating income	150,593	147,023	159,750	158,469	166,209
Earnings before income taxes [4]	147,481	154,162	161,392	160,662	162,195
Net earnings	104,476	107,735	110,948	112,561	112,331
Diluted earnings per share	2.80	2.89	3.00	3.05	3.04
Average common and common equivalent shares - diluted (in thousands)	37,326	37,231	37,005	36,900	37,006

Balance Sheet Data as of June 30:	*2016*	*2015*	*2014*	*2013*	*2012*
Cash, cash equivalents and short-term available-for-sale investments	95,835	$110,921	$363,354	$332,937	$268,986
Working capital	199,744	208,515	443,022	377,432	310,757
Total assets	1,129,581	1,063,360	862,491	778,098	719,324
Total shareholders' equity	879,280	846,935	795,265	737,541	674,442

Cash Flow Data:	*2016*	*2015*	*2014*	*2013*	*2012*
Net cash provided by operating activities	$143,870	$139,359	$136,762	$123,562	$126,746
Capital expenditures	16,898	19,904	13,821	22,454	6,017
Cash dividends declared per share	1.28	1.27	1.23	1.18	1.11

Employee Data as of June 30:	*2016*	*2015*	*2014*	*2013*	*2012*
Employees	1,560	1,356	967	789	783

(1) The Company acquired Cliniqa on July 8, 2015, and Zephyrus on March 21, 2016.

(2) The Company acquired Novus Biologicals on July 2, 2014, ProteinSimple on July 31, 2014, and CyVek, on November 3, 2014.

(3) The Company acquired Bionostics on July 22, 2013 and PrimeGene on April 30, 2014.

(4) Earnings before income taxes included acquisition related expenses related to amortization of intangibles, costs recognized on sale of acquired inventories and professional fees associated with acquisition activity, as follows: 2016 - $37.6 million; 2015 - $37.6 million; 2014 - $20.0 million; 2013 - $10.2 million; 2012 - $12.7 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

This report contains forward-looking statements, which are based on the Company's current assumptions and expectations. The principal forward-looking statements in this report include the Company's expectations regarding product releases and strategy, future financial results, acquisition activity, the competitive environment, currency fluctuation and exchange rates, capital expenditures, the performance of the Company's investments, future dividend declarations, the construction and lease of certain facilities, the adequacy of owned and leased property for future operations, anticipated financial results and sufficiency of capital resources to meet the Company's foreseeable future cash and working capital requirements.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although the Company believes there is a reasonable basis for the forward-looking statements, the Company's actual results could be materially different. The most important factors which could cause the Company's actual results to differ from forward-looking statements are set forth in the Company's description of risk factors in Item 1A to this Annual Report on Form 10-K.

Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update any forward-looking statements.

USE OF ADJUSTED FINANCIAL MEASURES

The adjusted financial measures used in this Annual Report on Form 10-K quantify the impact the following events had on reported net sales, gross margin percentages and net earnings for fiscal 2016 as compared to fiscal 2015 and 2014:

fluctuations in exchange rates used to convert transactions in foreign currencies (primarily the Euro, British pound sterling and Chinese yuan) to U.S. dollars;

the acquisitions in fiscal 2016 of Cliniqa, Inc. (Cliniqa) on July 8, 2015 and Zephyrus BioSciences, Inc. on March 21, 2016. In fiscal 2015 of CyVek, Inc. (CyVek) on November 4, 2014, ProteinSimple on July 31, 2014, and Novus Biologicals, LLC (Novus) on July 1, 2014 and in fiscal 2014 of Shanghai-based PrimeGene Bio-Tech Co. (PrimeGene) on April 30, 2014 and Bionostics Holdings, Ltd. (Bionostics) on July 22, 2013 including the impact of amortizing intangible assets and the recognition of costs upon the sale of inventory written-up to fair value;

professional fees and other costs incurred as part of the acquisitions of the acquisitions listed above and other ongoing activity;

expenses related to stock based compensation; and

the gain on the purchase of CyVek;

These adjusted financial measures are not prepared in accordance with generally accepted accounting principles (GAAP) and may be different from adjusted financial measures used by other companies. Adjusted financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The Company views these adjusted financial measures to be helpful in assessing the Company's ongoing operating results. In addition, these adjusted financial measures facilitate our internal comparisons to historical operating results and comparisons to competitors' operating results. These adjusted financial measures are included in this Annual Report on Form 10-K because the Company believes they are useful to investors in allowing for greater transparency related to supplemental information used in the Company’s financial and operational analysis. Investors are encouraged to review the reconciliations of adjusted financial measures used in this Annual Report on Form 10-K to their most directly comparable GAAP financial measures.

OVERVIEW

Bio-Techne develops, manufactures and sells biotechnology products and clinical diagnostic controls worldwide. With our deep product portfolio and application expertise, Bio-Techne is a leader in providing specialized proteins, including cytokines and growth factors, and related immunoassays, small molecules and other reagents to the research, diagnostics and clinical controls markets.

Bio-Techne operates worldwide and has three reportable segments based on the nature of products; they are Biotechnology, Clinical Controls and Protein Platforms. The Biotechnology reporting segment develops, manufactures and sells biotechnology research and diagnostic products world-wide. The Clinical Controls reporting segment develops and manufactures controls, calibrators, and other reagents for the global clinical market. The Protein Platforms reporting segment includes the product lines associated with the acquisitions of ProteinSimple in July, 2014, CyVek in November, 2014 and Zephyrus Biosceinces in March 2016, all of which expand the Company's solutions that it can offer its customers by developing and commercializing proprietary systems and consumables for protein analysis.

OVERALL RESULTS

For fiscal 2016, consolidated net sales increased 10% as compared to fiscal 2015. After adjusting for the impact of the Cliniqa acquisition in fiscal 2016, as well as foreign currency fluctuations, organic sales for the year increased 6% with currency translation having a negative impact of 2% and acquisitions contributing 6% to the revenue growth. The organic growth was broad-based, with the Company achieving growth in all three of its segments reporting segments. A strong bio-pharma end-market in the US and significant government funding of life science research in China and additional market demand for Protein Platform instruments were the biggest contributing factors impacting organic growth.

Consolidated GAAP net earnings decreased 3% for fiscal 2016 as compared to fiscal 2015. After adjusting for acquisition related costs, stock based compensation, and certain income tax items in both years, adjusted net earnings increased 3% in fiscal 2016 as compared to fiscal 2015. Adjusted earnings growth was driven by increased revenue partially offset by negative mix and a negative impact from foreign currency.

For fiscal 2015, consolidated net sales increased 26% as compared to fiscal 2014. After adjusting for the impact of the Novus, ProteinSimple and CyVek acquisitions in fiscal 2015, as well as foreign currency fluctuations, organic sales for the year increased 4% with currency translation having a negative impact of 2% and acquisitions contributing 25%

to the revenue growth. The organic growth was broad-based, with the Company achieving growth in both the Biotechnology and Clinical Controls reporting segments. A strong bio-pharma end-market in the US and significant government funding of life science research in China were the biggest contributing factors impacting organic growth.

Consolidated GAAP net earnings decreased 3% for fiscal 2015 as compared to fiscal 2014. After adjusting for acquisition related costs and certain income tax items in both years, adjusted net earnings increased 1% in fiscal 2015 as compared to fiscal 2014. Adjusted earnings growth was driven by increased organic sales and contribution from acquisitions partially offset by a negative impact from foreign currency translation.

RESULTS OF OPERATIONS

Reorganization of Segments

As previously disclosed, beginning in fiscal 2016, the Clinical Controls segment includes the financial results of the Company's BiosPacific business. Historically, this business was managed and reported as part of the Biotechnology segment. The recent acquisition of Cliniqa and its commonality of customer and end markets with BiosPacific influenced this management and reporting change. All comparisons to prior periods reflect the new reporting structure as if it existed in the prior reporting periods.

Net Sales

Consolidated organic net sales exclude the impact of net sales contributed by companies acquired during the fiscal year and the effect of the change from the prior year in exchange rates used to convert sales in foreign currencies (primarily British pound sterling, euros and Chinese yuan) into U.S. dollars.

Consolidated net sales growth was as follows:

	Year Ended June 30,	
	2016	*2015*
Organic sales growth	6 %	4 %
Acquisitions sales growth	6 %	25 %
Impact of foreign currency fluctuations	-2 %	-2 %
Consolidated net sales growth (may not foot due to rounding)	10%	26 %

Consolidated net sales by reportable segment were as follows (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
Biotechnology	$317,340	$308,437	$285,142

Clinical Controls	104,484	77,866	72,621
Protein Platforms	77,324	66,249	0
Intersegment	(125)	(305)	0
Consolidated net sales	$499,023	$452,247	$357,763

In fiscal 2016, Biotechnology segment net sales increased 3% from the prior fiscal year. Organic growth for the segment was 6% for the fiscal year, with currency translation having an unfavorable impact of 3% on revenue growth. Growth was achieved in all major geographies, especially in China and from BioPharma customers in the U.S. and Europe. Japan was the only notable exception, where demand was weak due to delayed funding from Japanese government agencies.

In fiscal 2016, Clinical Controls segment net sales increased 34%. Included in fiscal 2016 Clinical Controls segment net sales was $26.6 million generated by the acquisition of Cliniqa in July 2015, contributing essentially all of the growth. Solid organic growth in the hematology controls product line was offset by customer delayed projects in the glucose controls product line due to reimbursement pricing pressures in that particular market segment.

In fiscal 2016, the Protein Platforms segment net sales increased 17% from the prior fiscal year. Organic revenue increased 14% with an unfavorable currency impact of 2% and acquisitions adding 5% to segment growth. This segment includes the ProteinSimple product lines associated with the acquisitions of ProteinSimple in July, 2014, CyVek in November, 2014, and Zephyrus in March 2016, all of which expand the Company’s solutions that it can offer its customers by developing and commercializing proprietary systems and consumables for protein analysis. Organic growth was driven by additional market demand for Simple Western instruments and consumables, a new instrument product launch in the Biologics product line (Maurice), and instrument/consumable sales of Ella, the Elisa-multiplexing solution that was the key technology acquired as part of the CyVek acquisition in the prior fiscal year. Revenue from acquisitions included sales from ProteinSimple and CyVek for the months that we did not own them in the prior year. There was no revenue from the Zephyrus acquisition in fiscal 2016.

In fiscal 2015, Biotechnology segment net sales increased 8% from the prior fiscal year. Included in fiscal 2015 Biotechnology segment net sales was $18.5 million generated by the acquisition of Novus Biologicals in July 2014 and the negative impact of foreign currency fluctuations of $8.5 million. Excluding these amounts, organic net sales for the segment increased 3% in fiscal 2015, driven by a strong bio-pharma end-market in the US and significant government funding of life science research in China. The academia and government end-market in the U.S. continued to improve sequentially each quarter in 2015, which the Company capitalized on through its distribution partnership with Fisher Scientific. In Europe, most countries experienced growth in 2015, but this growth was negated by the timing of research cycles experienced by the Company’s large pharma customers located in Germany. The Pacific Rim regions delivered modest growth, with the exception of Japan, where the devaluation of the yen versus the US dollar encouraged local distributors to hold lower levels of inventory than in the prior year.

In fiscal 2015, Clinical Controls segment net sales increased 7%, with organic sales contributing 5% to growth and the acquisition of Bionostics contributing 1% to growth. Growth came equally from solid demand for both the segment’s hematology-based controls and blood glucose/gas-based controls attributable to close relationships with our OEM

customers.

In fiscal 2015, the new Protein Platforms segment generated net sales of $66.2 million. At this time, the segment included product lines associated with the acquisitions of ProteinSimple in July, 2014 and CyVek in November, 2014.

Gross Margins

Consolidated gross margins were 68%, 68% and 70% in fiscal 2016, 2015 and 2014, respectively. GAAP reported consolidated gross margins were negatively impacted as a result of purchase accounting related to inventory and intangible assets acquired during fiscal 2016, 2015, 2014 and prior years. Under purchase accounting, inventory is valued at fair value less expected selling and marketing costs, resulting in reduced margins in future periods as the inventory is sold. Excluding the impact of acquired inventory sold and amortization of intangibles, adjusted gross margins were 71%, 72% and 74% in fiscal 2016, 2015 and 2014, respectively.

A reconciliation of the reported consolidated gross margin percentages, adjusted for acquired inventory sold and intangible amortization included in cost of sales, is as follows:

	Year Ended June 30,		
	2016	*2015*	*2014*
Consolidated gross margin percentage	67.5%	67.9%	70.3%
Identified adjustments:			
Costs recognized upon sale of acquired inventory	1.1 %	1.5 %	2.1 %
Amortization of intangibles	2.2 %	2.1 %	1.1 %
Adjusted gross margin percentage	70.8%	71.6%	73.5%

Fluctuations in adjusted gross margins, as a percentage of net sales, have primarily resulted from changes in foreign currency exchange rates and changes in product mix. In fiscal 2016, the biggest impact to gross margin, as compared to fiscal 2015, was the change in product mix associated with the aquisition of Cliniqa. In fiscal 2015, the biggest impact to gross margin, as compared to fiscal 2014, was the change in product mix associated with the acquisitions of Novus, ProteinSimple, and CyVek.We expect that, in the future, gross margins will continue to be impacted by the mix of our portfolio growing at different rates as well as future acquisitions.

Segment gross margins, as a percentage of net sales, were as follows:

	Year Ended June 30,		
	2016	*2015*	*2014*
Biotechnology	78.3%	76.9%	78.0%
Clinical Controls	41.4%	40.4%	39.8%
Protein Platforms	61.1%	57.8%	
Consolidated	67.5%	67.9%	70.3%

The Biotechnology segment gross margin percentage for fiscal 2016 improved when compared to fiscal 2015 primarily due to less costs associated with the fair value inventory adjustment associated with acquisition accounting of prior acquisitions.

The Clinical Controls segment gross margin percentage for fiscal 2016 and 2015 was negatively impacted by purchase accounting and intangible asset amortization related to the acquisition of Bionostics in July 2013 and Cliniqa in July 2015. Gross margin percentage improvements in fiscal 2016 when compared to fiscal 2015 was mostly driven by operational productivity.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $21.5 million (18%) and $58.7 million (97%) in fiscal 2016 and 2015, respectively.

The increase in fiscal 2016 was primarily the result of $5.4 million added as a result of the Cliniqa acquisition, including $3.4 million of increased costs associated with stock based compensation. The remaining increase in selling, general and administrative expenses in fiscal 2016 included investments made in global commercial resources, administrative infrastructure, non-cash stock based compensation, and annual wage, salary and benefits increases.

Selling, general and administrative expenses increased $58.7 million (97%) in fiscal 2015. The increase in fiscal 2015 was mainly the result of the acquisitions of Novus, ProteinSimple, and CyVek including $37.1 million of selling, general and administrative expenses by the acquired companies and an increase of $10.5 million of intangible amortization compared to fiscal 2014. Selling, general and administrative expenses in fiscal 2015 also included $4.5 million of acquisition related professional fees. The remaining increase in selling, general and administrative expenses in fiscal 2015 included investments made in global commercial resources, administrative infrastructure, non-cash stock based compensation, and annual wage, salary and benefits increases.

Consolidated selling, general and administrative expenses were composed of the following (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
Biotechnology	$63,474	$57,899	$41,403
Clinical Controls	18,697	11,738	11,225
Protein Platforms	42,229	39,144	0
Unallocated corporate expenses	16,479	10,620	8,088
	$140,879	$119,401	$60,716

Research and Development Expenses

Research and development expenses increased $4.3 million (11%) and $9.9 million (32%) in fiscal 2016 and 2015, respectively, as compared to prior-year periods. Included in research and development expense in fiscal 2016 and 2015 was $1.9 million and $11.0 million of expenses by the companies acquired during fiscal 2016 and 2015, respectively. The timing of the fiscal 2015 acquisitions also impacted comparatives. The remaining increase in expenditures for fiscal 2016 were primarily related to the development of new products associated with our Protein Platforms segment.

	Year Ended June 30,		
	2016	*2015*	*2014*
Biotechnology	$26,981	$28,001	$29,189
Clinical Controls	3,596	1,828	1,756
Protein Platforms	14,610	11,023	0
	$45,187	$40,852	$30,945

Net Interest Income (Expense)

Net interest income/(expense) for fiscal 2016, 2015 and 2014 was $(1.5) million, $(0.9) million, and $2.7 million respectively. Net interest expense in fiscal 2016 and 2015 resulted from the opening of a debt facility in July 2014 to partially fund the acquisitions of Novus Biologicals, ProteinSimple, CyVek, and Cliniqa.

Other Non-operating Expense, Net

Other non-operating expense, net, consists of foreign currency transaction gains and losses, rental income, building expenses related to rental property and the Company's share of gains and losses from equity method investees as follows (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
Foreign currency (losses) gains	$(1,869)	$372	$(128)
Rental income	1,020	1,014	1,026
Real estate taxes, depreciation and utilities	(2,263)	(2,547)	(1,940)
Net gain (loss) from equity method investees	0	8,300	0
	$(3,112)	$7,139	$(1,042)

Other non-operating expenses, net, for the twelve months ended June 30, 2015 included a non-taxable gain of $8.3 million on the Company's previous investment in CyVek discussed above.

Income Taxes

Income taxes for fiscal 2016, 2015 and 2014 were provided at rates of 29.2%, 30.1%, and 31.3%, respectively, of consolidated earnings before income taxes. The effective rate for June 30, 2016 decreased by 0.9% compared to the prior year. The rate decrease was primarily driven by additional R&D credit benefit due to the retroactive reinstatement of the credit under the Protecting Americans from Tax Hikes Act of 2015, an increase in the foreign rate benefit due to the reduction in the UK income tax rate and a reduction in state tax related to the prior year. These decreases were partially offset by less of a foreign tax credit benefit than in the prior year and the non recurrence of a non-taxable gain.

U.S. federal taxes have been reduced by the manufacturer's deduction provided for under the American Jobs Creation Act of 2004 and the U.S. federal credit for research and development. Foreign income taxes have been provided at rates which approximate the tax rates in the countries in which the Company has operations.

Net Earnings

Adjusted consolidated net earnings are as follows (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
Net earnings	$104,476	$107,735	$110,948
Identified adjustments:			
Costs recognized upon sale of acquired inventory	5,431	6,952	7,479
Amortization of intangibles	29,395	26,169	10,267
Professional and other acquisition related costs	2,761	4,519	2,247
Stock based compensation	9,430	5,957	3,523
Gain in investment in CyVek	0	(8,300)	0
Tax impact of above adjustments	(14,551)	(13,645)	(6,240)
Tax impact of research and development credit	(724)	(910)	(476)
Tax impact of deemed dividend and state and foreign adjustments	(1,914)	2,321	165
Adjusted net earnings	$134,305	$130,798	$127,913
Adjusted net earnings growth	3%	2%	

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and available-for-sale investments at June 30, 2016 were $95.8 million compared to $110.9 million at June 30, 2015. Included in available-for-sale investments at June 30, 2016 and June 30, 2015 was the fair value of the Company’s investment in CCXI of $28.6 million and 52.3 million, respectively.

At June 30, 2016, approximately 27% of the Company’s cash and equivalent account balances of $64 million were located in the U.S. with the remainder located in Canada, China, the U.K. and other European countries.

At June 30, 2016, approximately 91% of the Company's available-for-sale investment accounts are located in the U.S., with the remaining 9% in China.

The Company has either paid U.S. taxes on its undistributed foreign earnings or intends to indefinitely reinvest the undistributed earnings in the foreign operations or expects the earnings will be remitted in a tax neutral transaction. Management of the Company expects to be able to meet its cash and working capital requirements for operations, facility expansion, capital additions, and cash dividends for the foreseeable future, and at least the next 12 months, through currently available funds including funds available through our line-of-credit and cash generated from operations.

During fiscal 2016, the Company acquired Cliniqa and Zephyrus for approximately $83 million and $11.5 million, respectively. These acquisitions were financed with a combination of cash on hand and our revolving line of credit facility. The Zephyrus acquisition consisted of a net cash payment of $8 million and certain future contingent payments of up to $7 million, with a current fair value of $3.5 million.

During fiscal 2015, the Company acquired Novus Biologicals, ProteinSimple, and CyVek for approximately $60 million, $300 million and $95 million, respectively. The Novus acquisition was financed through cash on hand. The purchases of ProteinSimple and CyVek were financed through cash on hand and our revolving line of credit facility.

Our $150 million line of credit facility was opened in July 2014. The senior unsecured revolving credit facility has a term of five years with an adjustable interest rate equal to the greater of (i) the prime commercial rate, (ii) the per annum federal funds rate plus 0.5%, or (iii) LIBOR + 1.00% - 1.75% depending on the existing total leverage ratio of Debt to EBITDA (as defined in the Credit Agreement governing the revolving credit facility). The financial covenants of the revolving credit facility require the Company to maintain a minimum Interest Coverage Ratio, defined as the ratio of EBIT to cash interest expense, of 4.0x and a maximum total leverage ratio of 3.5x. The annualized fee for any unused portion of the credit facility is 15 basis points.

In connection with the acquisition of Advanced Cell Diagnostics on August 1, 2016, the Company entered into a new revolving credit facility, governed by a Credit Agreement dated July 28, 2016. The Credit Agreement provides for a revolving credit facility of $400 million. Borrowings under the Credit Agreement bear interest at a variable rate.

Future acquisition strategies may or may not require additional borrowings under the line of credit facility or other outside sources of funding.

Cash Flows From Operating Activities

The Company generated cash from operations of $144 million, $139 million, and $137 million in fiscal 2016, 2015 and 2014, respectively. The increase in cash generated from operating activities in fiscal 2016 as compared to fiscal 2015 and in fiscal 2015 compared to fiscal 2014 was mainly the result of increase in net earnings after adjustment for non-cash expenses related to depreciation, amortization, costs recognized on sale of acquired inventory, and stock based compensation expense.

Cash Flows From Investing Activities

On March 14, 2016, the Company acquired Zephyrus for a net cash payment of $8 million and certain future contingent payments of approximately $7 million. The cash paid at the acquisition date was financed through cash on hand.

On July 8, 2015, the Company acquired Cliniqa for a net cash payment of $83 million. The cash paid at the acquisition date was financed through cash on hand and a revolving line-of-credit facility.

On November 3, 2014, the Company acquired CyVek for a net cash payment of $60 million on the date of acquisition and certain future contingent payments of approximately $35 million. The cash paid at the acquisition date was financed through cash on hand and a revolving line-of-credit facility.

On July 31, 2014, the Company acquired ProteinSimple for a net purchase price of approximately $300 million. The transaction was financed through cash on hand and a revolving line-of-credit facility.

On July 2, 2014, the Company acquired, for a net purchase price of approximately $60 million cash, all of the issued and outstanding equity interests of Novus Holdings LLC (Novus), including its subsidiary, Novus Biologicals, LLC. The acquisition was financed through cash and cash equivalents on hand.

On July 22, 2013, the Company acquired for cash all of the outstanding shares of Bionostics for a net purchase price of approximately $103 million. The acquisition was financed through cash and cash equivalents on hand. On April 30, 2014, the Company acquired all of the ownership interest of PrimeGene for a net purchase price of approximately $18.8 million. The Company paid approximately $6.0 million at closing, with the remaining purchase price payable over fiscal years 2015 to 2017. The acquisition cash payment was financed through cash and cash equivalents on hand and sale of certain short-term available-for-sale investments.

29

The Company's net proceeds from the purchase, sale and maturity of available-for-sale investments in fiscal 2016, 2015, and 2014 were $1 million, $13 million, and $184 million, respectively. Most of the Company's available-for-sale investments in the U.S. (other than its investment in CCXI) were liquidated by fiscal 2014 year-end to prepare for the July purchase of Novus Biologicals and ProteinSimple. The Company's investment policy is to place excess cash in municipal and corporate bonds with the objective of obtaining the highest possible return while minimizing risk and keeping the funds accessible.

Capital additions consisted of the following (in thousands):

	Year Ended June 30,		
	2016	*2015*	*2014*
Laboratory, manufacturing, and computer equipment	7,604	$9,213	$6,626
Construction/renovation	9,294	10,691	7,195
	$16,898	$19,904	$13,821

Construction/renovation for fiscal 2015 included $3.8 million related to the relocation and expansion of the Company's Tocris facilities in the U.K. Construction and renovation for fiscal 2014 included $6.5 million related to the renovation of a building on the Company's Minneapolis campus which was completed in fiscal 2014. Capital additions planned for fiscal 2017 are approximately $20 million and are expected to be financed through currently available cash and cash generated from operations.

Cash Flows From Financing Activities

In fiscal 2016, 2015, and 2014, the Company paid cash dividends of $47.6 million $47.1 million, and $45.4 million, respectively. The Board of Directors periodically considers the payment of cash dividends.

The Company received $5.4 million, $9.7 million, and $8.3 million, for the exercise of options for 69,000, 241,000, and 141,000, shares of common stock in fiscal 2016, 2015 and 2014, respectively. The Company recognized excess tax benefits from stock option exercises of $0.6 million $0.6 million, $0.3 million, in fiscal 2016, 2015 and 2014, respectively.

During fiscal 2016, the Company drew $77 million un