TECHNE CORP /MN/
Form 10-K
August 29, 2014
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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, 2014

¨ **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

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 ¨	Smaller 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, 2013 as reported on The Nasdaq Stock Market ($94.67 per share) was approximately $2.7 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 22, 2014: 37,007,203

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s Proxy Statement for its 2014 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Techne and its subsidiaries, collectively doing business as Bio-Techne (Bio-Techne, we, our, us or the Company) develop, manufacture and sell 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.

A Minneapolis, Minnesota-based company, Bio-Techne originally was founded as Research and Diagnostic Systems, Inc. (R&D Systems) in 1976, initially producing hematology controls and calibrators for primary use in clinical settings. Techne Corporation, a public entity at the time and currently the parent company, acquired R&D Systems in 1984 and through this action made R&D Systems a public company. The initial products focused on the hematology blood controls and calibrators market but soon expanded through the creation of the Biotechnology Division, to include reagents used in life science research. A series of acquisitions further expanded the product portfolio. These included the Amgen research business in 1991, the Genzyme research business in 1997, Fortron Bio Science, Inc. and BiosPacific, Inc. (BiosPacific) in 2005, and Boston Biochem, Inc. and Tocris Holdings Limited (Tocris) in 2011. In fiscal 2014, we further strengthened our clinical controls solutions by acquiring Bionostics Holdings Limited (Bionostics), and our biotechnology segment offerings were increased by the recent acquisition of Shanghai PrimeGene Bio-Tech Co. (PrimeGene), and an agreement to invest in and possibly acquire CyVek, Inc. (CyVek). With these recent investments, we will be able to scale our business and expand into new product and geographic markets.

Recognizing the importance of a unified and global approach to meeting our mission and accomplishing our strategies, in fiscal 2014 we implemented a new global brand, Bio-Techne. The Bio-Techne brand is derived from the Greek words Bio, or life, and Techne, or the application of knowledge to practical matters. The combination of these words and their meanings capture the essence of Bio-Techne, its products and mission. The acquisition of various brands over the years drove the need for an umbrella branding strategy that could hold all of the acquired assets. The Bio-Techne name solidifies the new strategic direction for the Company along with unifying and positioning all of our brands under one complete portfolio.

With these strategic efforts, as well as the establishment of dedicated subsidiaries in Europe and Asia, we now operate globally along with offices in several locations in the United States, Europe and China. Today, our product line extends to over 24,000 products, 95% of which are manufactured in-house. While maintaining our core strengths in cytokines and immunoassays, we also develop antibodies, cell selection and multicolor flow cytometry kits, multiplex assays, biologically active compounds, and stem cell products and kits.

We are committed to providing the life sciences community with innovative, high-quality scientific tools to better understand biological processes and drive discovery. We intend to build on Bio-Techne s past accomplishments, strong reputation and financial position by executing strategies that position us to become 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 and participation in scientific discussions and associations, we expect to leverage 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 intend to leverage our strong balance sheet to gain access to new technologies and products that improve our competitiveness in the current market 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.

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

Talent recruitment and retention. We will 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 two reportable business segments, Biotechnology and Clinical Controls, both of which serve the life science and diagnostic markets. The Biotechnology reporting segment develops, manufactures and sells biotechnology research and diagnostic products world-wide. The Clinical Controls reporting segment develops and manufactures controls and calibrators for the global clinical market. In fiscal 2014, net sales from Bio-Techne s Biotechnology segment were 84% of consolidated net sales. Bio-Techne s Clinical Controls segment net sales were 16% of consolidated net sales for fiscal 2014. Financial information relating to Bio-Techne s segments is incorporated herein by reference to Note L 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. The proteins are produced naturally in minute amounts by different cell types and can be isolated in a pure form either from the same cells or produced through recombinant DNA technology. With the acquisition of Tocris in April 2011, we added chemically-based products to our Biotechnology segment. These small compounds, sold in highly purified forms typically with agonistic or antagonistic properties in a variety of biological processes, allow customers access to a broad range of compounds and biological reagents to meet their life science research needs. 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 fuller understanding of biological processes and ultimately to the development of novel strategies to address different pathologies.

Currently, the majority of the protein products are produced by laboratory processes that use recombinant DNA technology, while our chemically-based products are produced using available chemicals. Consequently, raw materials are readily available for most of our products in the Biotechnology segment.

Biotechnology Segment Products

Proteins. Cytokines, growth factors and enzymes, extracted from natural sources or produced using recombinant DNA technology, are developed and manufactured in house. All protein products are produced to the highest possible purity and characterized to ensure the highest level of 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. For example, cytokines can induce cells to acquire more specialized functions and features (differentiation) or can play a key role in attracting cells at the site of injury, inducing them to grow and initiate the healing process. Unregulated cytokine production and action can have non-beneficial effects and lead to various pathologies. 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.

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Antibodies. Antibodies are specialized proteins produced by the immune system of an animal that recognize and bind to target molecules. Bio-Techne s polyclonal antibodies are produced in animals (primarily goats, sheep and rabbits) and purified from the animals blood. Monoclonal antibodies are derived from immortalized rodent cell lines using hybridoma technology and are isolated from cell culture medium. 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 a microtiter-plate based kit sold under the trade name Quantikine®, multiplex immunoassays based on encoded bead technology and immunoassays based on planar spotted surfaces. All of these immunoassay products are used by researchers 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 (ß2M) 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.

Recent acquisitions and investments made in fiscal 2014 and 2015 will further expand and complement Bio-Techne s current product offerings in the Biotechnology segment. For additional information regarding our investments and acquisitions, see Acquisitions and Investments under this Item 1.

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. In January 2014, we entered into 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, southern Europe and in 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 2014, 2013 or 2012.

Biotechnology Segment Competitors

The worldwide market for protein related and chemically-based research reagents is being supplied by a number of companies, including GE Healthcare Life Sciences, BD Biosciences, Merck KGaA/EMD Chemicals, Inc., PeproTech, Inc., Santa Cruz Biotechnology, Inc., Abcam plc., Sigma-Aldrich Corporation, Thermo Fisher Scientific, Inc., Cayman Chemical Company and Enzo Biochem, Inc. Market success is primarily dependent upon product quality, selection and reputation, and 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

Our Biotechnology segment develops and manufactures the majority of its 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 Bio-Techne s 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 2013.

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Clinical Controls Segment

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. Our Clinical Controls segment develops and manufactures controls and calibrators for instruments in the global clinical market.

Clinical Controls Segment Products

Hematology controls and calibrators are products derived from various cellular components of blood which have been stabilized. Control and calibrator products can be utilized to ensure that hematology instruments are performing accurately and reliably. Ordinarily, a hematology control is used once to several times a day to make sure the instrument is reading accurately. In addition, most instruments need to be calibrated periodically. Hematology calibrators are similar to controls, but undergo additional testing to ensure that the calibration values assigned are within tight specifications and can be used to calibrate the instrument.

Cell-based whole blood controls. Our Clinical Controls segment offers a wide range of hematology controls and calibrators for both impedance and laser type cell counters. Hematology control products are also supplied for use as proficiency testing tools by laboratory certifying authorities in a number of states and countries. We believe our products have improved stability and versatility and a longer shelf life than most of those of our competitors.

Chemistry-based blood controls. The acquisition of Bionostics early in fiscal 2014 expanded our product offerings in the Clinical Controls segment through their chemistry-based blood controls. Controls for blood glucose and blood gas devices are the largest portion of Bionostics business. Bionostics recently launched coagulation device control products which extend its product portfolio and allow it to enter an adjacent market segment in the controls business.

Clinical Controls Segment Customers and Distribution Methods

Original Equipment Manufacturer (OEM) agreements represent the largest market for our clinical controls products. In fiscal 2014, 2013 and 2012, OEM agreements accounted for $41.2 million, $10.8 million and $9.7 million, respectively, or 12%, 3% and 3% of total consolidated net sales in each fiscal year, respectively. The increase in fiscal 2014 was a result of the acquisition of Bionostics. We sell our clinical control products directly to customers in the United States and through distributors in the rest of the world. One OEM customer accounted for approximately 14% of Clinical Controls net sales during fiscal 2014. No single customer accounted for more than 10% of Clinical Controls net sales in fiscal 2013 or 2012.

Clinical Controls Segment Competitors

Competition is intense in the clinical controls business. The first control products were developed in response to the rapid advances in electronic instrumentation used in hospital and clinical laboratories for blood cell counting. Historically, most of the instrument manufacturing companies made controls for use on their own instruments. With rapid expansion of the instrument market, however, a need for more versatile controls enabled non-instrument manufacturers to gain a foothold. Today 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 diagnostic 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.

Clinical Controls Segment Manufacturing

The primary raw material for our clinical controls products is whole blood. Human blood is purchased from commercial blood banks, while porcine and bovine blood is purchased from nearby meat processing plants. After raw blood is received, it is separated into its components, processed and stabilized. 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.

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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 2013. The majority of the Clinical Control products are shipped based on a preset, recurring schedule.

Geographic Information

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

	Year Ended June 30,		
	2014	*2013*	*2012*
External sales			
United States	$ 190,359	$ 164,308	$ 172,310
Europe	97,157	88,297	90,142
China	18,878	14,106	11,378
Other Asia	32,704	28,608	25,988
Rest of world	18,665	15,256	14,742
Total external sales	$ 357,763	$ 310,575	$ 314,560

	As of June 30,		
	2014	*2013*	*2012*
Long-lived assets			
United States	$ 109,790	$ 103,541	$ 87,968
Europe	8,340	7,129	7,528
China	678	117	141
Total long-lived assets	$ 118,808	$ 110,787	$ 95,637

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 ongoing research and development in all of our major product lines: controls and calibrators and cytokines, antibodies, assays, small bioactive molecules and related biotechnology products. 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 2014, 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 are planning to release new proteins, antibodies, immunoassay products and small molecules in the coming year. 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,		
	2014	*2013*	*2012*
Research expense (in thousands):			
Biotechnology	$ 29,189	$ 28,441	$ 27,112
Clinical Controls	1,756	816	800

	$ 30,945	$ 29,257	$ 27,912
Percent of net sales	9%	9%	9%

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ACQUISITIONS AND INVESTMENTS

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 may be adjusted post-closing based on the final levels of cash and working capital of ProteinSimple at closing. Certain ProteinSimple stockholders are subject to non-compete and non-solicitation obligations for three years following the 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.

On July 2, 2014, Bio-Techne announced that it had acquired all of the issued and outstanding equity interests of Novus Biologicals, LLC (Novus) for approximately $60.0 million. Novus is a Littleton, Colorado-based supplier of a large portfolio of both outsourced and in-house developed antibodies and other reagents 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.

Fiscal 2014 Investments and Acquisitions

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.

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 April 1, 2014, Bio-Techne, through its wholly-owned subsidiary R&D Systems, Inc., entered into an agreement to invest $10.0 million in CyVek, Inc. in return for shares of CyVek common stock representing approximately 19.9% of the outstanding voting stock of CyVek. In connection with this investment, R&D Systems became a party to CyVek s existing investor agreements and has an observer seat on CyVek s board of directors. If, within 12 months of the date of the agreement, CyVek meets commercial milestones related to the sale of its CyPlex analyzer products, Bio-Techne will acquire all of the remaining stock of CyVek through a merger. If the merger is consummated, Bio-Techne will make an initial payment of $60.0 million to the other stockholders of CyVek. The purchase price payable at the closing may be adjusted based on the final levels of CyVek s net working capital. We will also pay CyVek s other stockholders up to $35.0 million based on the revenue generated by CyVek s products and related products before the date that is 30 months from the closing of the merger. We will also pay CyVek s other 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.

The combination of Bio-Techne s reagents on CyVek s multiplex testing platform, CyPlex , will provide researchers with powerful tools to develop, validate and test biomarker panels so as to expedite life sciences research and enable biomarker-based diagnostics. This strategic investment will allow us to continue to have a strong market position in the immunoassay market where multiplex testing platforms are becoming more significant.

Fiscal 2013 and 2012 Acquisitions

We did not complete any material acquisitions or make any material strategic investments during fiscal 2013 and 2012.

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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, 2014 and 2013 at fair values of $37.1 million and $89.6 million, respectively.

GOVERNMENT REGULATION

All manufacturers of clinical diagnostic controls are regulated under the Federal Food, Drug and Cosmetic Act, as amended. All of Bio-Techne s clinical control products are classified as *in vitro* diagnostic products by the U.S. Food and Drug Administration (FDA). The entire control manufacturing process, from receipt of raw materials to the monitoring of control 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 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 ß2M, 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. Tocris products are used as research tools and require no regulatory approval for commercialization. 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.

Some of Bio-Techne s research groups use small amounts of radioactive materials in the form of radioisotopes in their product development activities. Thus, Bio-Techne is subject to regulation and inspection by the Minnesota Department of Health and has been granted a license through August 2016. Bio-Techne has had no difficulties in renewing this license in prior years and has no reason to believe it will not be renewed in the future. If, however, the license was not renewed, it would have minimal effect on Bio-Techne s business since there are other technologies the research groups could use to replace the use of radioisotopes.

Beginning on January 1, 2013, 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. Bio-Techne s medical device excise tax for fiscal 2014 and 2013 was $0.5 million and $0.1 million, respectively.

PATENTS AND TRADEMARKS

Bio-Techne owns patent protection for certain clinical controls products which generally have a life of 20 years from the date of the patent application or patent grant. Bio-Techne is not substantially dependent on products for which it has obtained patent protection.

Bio-Techne may seek patent protection for new or existing products it manufactures. No assurance can be given that any such patent protection will be obtained. 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.

Bio-Techne has a number of 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 proteins and related products to the research market. For fiscal 2014, 2013 and 2012, total royalties expensed under these licenses were approximately $3.5 million, $3.3 million and $3.2 million, respectively.

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Bio-Techne has obtained federal trademark registration for certain of its brand names and clinical controls and biotechnology product groups which generally have a life of 10 years from the date of the trademark grant. Bio-Techne believes it has common law trademark rights to certain marks in addition to those which it has registered.

SEASONALITY OF BUSINESS

Biotechnology 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 both 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.

EMPLOYEES

Through its subsidiaries, Bio-Techne employed 967 full-time and 54 part-time employees as of June 30, 2014, as follows:

	Full-time	*Part-time*
U.S.	782	25
Europe	107	29
Asia	78	0
	967	54

ENVIRONMENT

Compliance with federal, state and local environmental protection laws in the United States, United Kingdom, Germany, China and Hong Kong had no material effect on Bio-Techne in fiscal 2014.

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.

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	54	President, Chief Executive Officer and Director	2013
James T. Hippel	43	Chief Financial Officer	2014
Brenda Furlow	56	Senior Vice President, General Counsel	2014
J. Fernando Bazan	54	Chief Technical Officer	2013
Marcel Veronneau	60	Senior Vice President, Clinical Controls	1995

Kevin Reagan	62	Senior Vice President, Biotech	2013
David Eansor	53	Senior Vice President, Novus Biologicals	2014

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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 and is a CPA (inactive).

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 profession 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).

Marcel Veronneau was appointed as Vice President, Clinical Controls in March 1995. Prior thereto, he served as Director of Operations for R&D Systems Clinical Controls Division since joining the Company in 1993.

Dr. Kevin Reagan was appointed Senior Vice President, Biotech on August 1, 2013. Dr. Reagan joined the Company in January 2012 as R&D Systems Vice President of Immunology. Prior to joining the Company, Dr. Reagan served as Managing Director of Calbiotech Veterinary Diagnostics from 2010 through 2011 and Senior Vice President of Calbiotech, Inc from 2009 through 2011. From 2005 through 2009, he served as Vice President, R&D, Immunological Systems at Invitrogen, Corp, a division of Life Technologies Corporation.

David Eansor has served as 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.

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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.

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

The Company s biotechnology 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 U.S. and global economies have experienced a period of economic downturn. 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 biotechnology and clinical control industries 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 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,