AMERISOURCEBERGEN CORP
Form 10-Q
August 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2017

OR

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

FOR THE TRANSITION PERIOD FROM ___________ TO___________

Commission file number 1-16671

AMERISOURCEBERGEN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	23-3079390
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 Morris Drive, Chesterbrook, PA	19087-5594
(Address of principal executive offices)	(Zip Code)

(610) 727-7000
(Registrant’s telephone number, including area code)

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The number of shares of common stock of AmerisourceBergen Corporation outstanding as of July 31, 2017 was 219,111,565.

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AMERISOURCEBERGEN CORPORATION

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PART I. FINANCIAL INFORMATION
ITEM I. Financial Statements (Unaudited)

AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	June 30, 2017 (Unaudited)	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$1,311,467	$2,741,832
Accounts receivable, less allowances for returns and doubtful accounts: $938,446 at June 30, 2017 and $905,345 at September 30, 2016	10,553,258	9,175,876
Merchandise inventories	11,669,529	10,723,920
Prepaid expenses and other	142,970	210,219
Total current assets	23,677,224	22,851,847
Property and equipment, at cost:		
Land	40,292	40,290
Buildings and improvements	994,422	859,148
Machinery, equipment, and other	1,974,384	1,717,298
Total property and equipment	3,009,098	2,616,736
Less accumulated depreciation	(1,259,184)	(1,086,054)
Property and equipment, net	1,749,914	1,530,682
Goodwill	6,042,552	5,991,497
Other intangible assets	2,871,426	2,967,849
Other assets	312,894	295,626
TOTAL ASSETS	$34,654,010	$33,637,501
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$24,804,544	$23,926,320
Accrued expenses and other	942,413	743,839
Short-term debt	4,119	610,210
Total current liabilities	25,751,076	25,280,369
Long-term debt	3,429,074	3,576,493
Long-term financing obligation	352,719	275,991
Deferred income taxes	2,400,467	2,214,774
Other liabilities	167,160	160,470
Stockholders' equity:		
Common stock, $0.01 par value - authorized, issued, and outstanding: 600,000,000 shares, 280,371,836 shares, and 219,035,799 shares at June 30, 2017, respectively, and 600,000,000 shares, 277,753,762 shares, and 220,050,502 shares at September 30, 2016, respectively	2,804	2,778

Additional paid-in capital	4,498,536	4,333,001
Retained earnings	2,819,907	2,303,941
Accumulated other comprehensive loss	(112,458)	(114,308)
Treasury stock, at cost: 61,336,037 shares at June 30, 2017 and 57,703,260 shares at September 30, 2016	(4,655,275)	(4,396,008)
Total stockholders' equity	2,553,514	2,129,404
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$34,654,010	$33,637,501

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three months ended June 30, 2017	Three months ended June 30, 2016 (As Revised)	Nine months ended June 30, 2017	Nine months ended June 30, 2016 (As Revised)
Revenue	$38,707,144	$36,881,680	$114,023,811	$109,289,083
Cost of goods sold	37,627,269	35,773,817	110,649,829	106,141,012
Gross profit	1,079,875	1,107,863	3,373,982	3,148,071
Operating expenses:				
Distribution, selling, and administrative	525,463	516,438	1,567,853	1,560,981
Depreciation	59,478	54,000	173,083	157,861
Amortization	40,041	40,268	120,185	112,205
Warrants	—	(83,704)	—	(120,275)
Employee severance, litigation, and other	284,517	52,234	317,517	88,719
Pension settlement	—	—	—	47,607
Operating income	170,376	528,627	1,195,344	1,300,973
Other loss (income)	1,398	(2,158)	(3,958)	(3,224)
Interest expense, net	35,603	35,153	109,874	104,860
Income before income taxes	133,375	495,632	1,089,428	1,199,337
Income tax expense (benefit)	83,023	146,477	380,357	(82,907)
Net income	$50,352	$349,155	$709,071	$1,282,244
Earnings per share:				
Basic	$0.23	$1.62	$3.25	$6.11
Diluted	$0.23	$1.55	$3.20	$5.68
Weighted average common shares outstanding:				
Basic	218,676	215,688	218,336	209,898
Diluted	221,873	224,802	221,698	225,646
Cash dividends declared per share of common stock	$0.365	$0.340	$1.095	$1.020

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016 (As Revised)	Nine months ended June 30, 2017	Nine months ended June 30, 2016 (As Revised)
Net income	$50,352	$349,155	$709,071	$1,282,244
Other comprehensive income (loss)				
Net change in foreign currency translation adjustments	10,841	(8,911)	1,829	(5,434)
Pension plan adjustment, net of tax of $19,054	—	—	—	31,538
Other	191	117	21	(749)
Total other comprehensive income (loss)	11,032	(8,794)	1,850	25,355
Total comprehensive income	$61,384	$340,361	$710,921	$1,307,599

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
(in thousands)	2017	2016
OPERATING ACTIVITIES		(As Revised)
Net income	$709,071	$1,282,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, including amounts charged to cost of goods sold	192,865	171,753
Amortization, including amounts charged to interest expense	127,395	116,961
Provision for doubtful accounts	8,651	11,310
Provision (benefit) for deferred income taxes	225,948	(220,739)
Warrants income	—	(120,275)
Share-based compensation	51,592	56,561
LIFO (credit) expense	(82,919)	274,305
Pension settlement	—	47,607
Other	(767)	(6,446)
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:		
Accounts receivable	(1,419,099)	(705,462)
Merchandise inventories	(829,903)	(949,887)
Prepaid expenses and other assets	23,844	35,270
Accounts payable	876,977	1,776,565
Accrued expenses, income taxes, and other liabilities	240,029	54,209
NET CASH PROVIDED BY OPERATING ACTIVITIES	123,684	1,823,976
INVESTING ACTIVITIES		
Capital expenditures	(371,428)	(310,178)
Cost of acquired companies, net of cash acquired	(61,633)	(2,731,356)
Cost of equity investments	(8,300)	(19,034)
Proceeds from sales of investment securities available-for-sale	70,008	101,829
Purchases of investment securities available-for-sale	(48,635)	(41,136)
Other	13,422	(21,186)
NET CASH USED IN INVESTING ACTIVITIES	(406,566)	(3,021,061)
FINANCING ACTIVITIES		
Term loan borrowings	—	1,000,000
Senior notes and term loans repayments	(750,000)	(600,000)
Borrowings under revolving and securitization credit facilities	6,784,159	8,788,432
Repayments under revolving and securitization credit facilities	(6,791,411)	(8,273,610)
Purchases of common stock	(229,928)	(1,023,149)
Exercises of warrants	—	1,168,891
Exercises of stock options, including excess tax benefits of $21,853 in fiscal 2016	94,325	73,356
Cash dividends on common stock	(240,168)	(215,070)
Tax withholdings related to restricted share vesting	(9,339)	(18,935)
Other	(5,121)	(5,070)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,147,483)	894,845
DECREASE IN CASH AND CASH EQUIVALENTS	(1,430,365)	(302,240)
Cash and cash equivalents at beginning of period	2,741,832	2,167,442

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,311,467	$1,865,202

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements present the consolidated financial position, results of operations, and cash flows of AmerisourceBergen Corporation and its wholly-owned subsidiaries (the "Company") as of the dates and for the periods indicated. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information, the instructions to Form 10-Q, and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring accruals, except as otherwise disclosed herein) considered necessary to present fairly the financial position as of June 30, 2017 and the results of operations and cash flows for the interim periods ended June 30, 2017 and 2016 have been included. Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP, but which are not required for interim reporting purposes, have been omitted. The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimated amounts. Certain reclassifications have been made to prior-period amounts in order to conform to the current year presentation.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 specifies that debt issuance costs related to a debt liability shall be reported on the balance sheet as a direct reduction from the face amount of the debt liability. In August 2015, the FASB issued ASU No. 2015-15, "Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" ("ASU 2015-15"). ASU 2015-15 specifies that debt issuance costs related to line-of-credit arrangements may be presented as an asset on the balance sheet and subsequently amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. As of October 1, 2016, the Company adopted ASU 2015-03 and ASU 2015-15 on a retrospective basis, which resulted in the reclassification of $18.7 million of debt issuance costs from Other Assets to Short-Term Debt of $0.9 million and to Long-Term Debt of $17.8 million on the Company's September 30, 2016 Consolidated Balance Sheet. The adoption had no impact on the Company's results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also allows an employer to repurchase more of an employee's shares than it may currently for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years. Entities are permitted to adopt the standard early in any interim or annual period. During the quarter ended December 31, 2016, the Company early adopted ASU 2016-09, which resulted in a cumulative adjustment to retained earnings and established a deferred tax asset as of October 1, 2016 of $47.1 million for previously unrecognized tax benefits. The

Company elected to adopt the Statement of Cash Flows presentation of the excess tax benefits prospectively. During the three and nine months ended June 30, 2017, the Company recognized tax benefits of $10.0 million and $34.0 million, respectively, in Income Tax Expense on the Company's Consolidated Statement of Operations. The tax benefits recognized in the three and nine months ended June 30, 2017 are not necessarily indicative of amounts that may arise in future periods.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification 605 — "Revenue Recognition" and most industry-specific guidance throughout the Codification. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard's core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 was originally scheduled to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. In July 2015, the Financial Accounting Standards Board deferred the effective date of ASU 2014-09 by one year.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606) — Principal versus Agent Considerations" ("ASU 2016-08"), which clarifies the implementation guidance for principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) — Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which amends the guidance in ASU 2014-09 related to identifying performance obligations and accounting for licenses of intellectual property. The Company must adopt ASU 2016-08 and ASU 2016-10 with ASU 2014-09. Entities are permitted to adopt the standards as early as the original public entity effective date of ASU 2014-09, and either full or modified retrospective application is required. The Company plans to adopt ASU 2014-09, ASU 2016-08, and ASU 2016-10 in the Company's fiscal year beginning October 1, 2019. The Company has not yet selected a transition method and is currently evaluating the impact of adopting this new accounting guidance and, therefore, cannot reasonably estimate the impact that the adoption of the above standards will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 aims to increase transparency and comparability across organizations by requiring lease assets and lease liabilities to be recognized on the balance sheet as well as key information to be disclosed regarding lease arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those fiscal years. Entities are permitted to adopt the standard early, and a modified retrospective application is required. The Company is currently evaluating the impact of adopting this new accounting guidance and, therefore, cannot reasonably estimate the impact that the adoption of this standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 aims to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. Entities are permitted to adopt the standard early in any interim or annual period, and a retrospective application is required. The Company is currently evaluating the impact of adopting this new accounting guidance and, therefore, cannot reasonably estimate the impact that the adoption of this standard will have on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Entities are permitted to adopt the standard early for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company plans to early adopt this guidance during the fourth quarter of fiscal 2017 in conjunction with its annual goodwill impairment test. The Company does not expect any impact on its results of operations, cash flows, or financial position.

As of June 30, 2017, there were no other recently-issued accounting standards that may have a material impact on the Company’s financial position, results of operations, or cash flows upon their adoption.

Note 2. Revision of Previously Issued Financial Statements

In fiscal 2016, the Company engaged in a review of the accounting treatment of leases. As part of this review, the Company assessed its historical application of Accounting Standards Codification 840, "Leases," ("ASC 840") regarding lessee involvement in the construction of leased assets and identified corrections to be made in its accounting for these leases. In a number of its leases, the Company made payments for certain structural components included in the lessor's construction of the leased assets, which resulted in the Company being deemed the owner of the leased assets for accounting purposes. As a result, regardless of the significance of the payments, ASC 840 defines those payments as automatic indicators of ownership and requires the Company to capitalize the lessor's total project cost on the balance sheet with a corresponding financing obligation. In these situations, the Company had not historically accounted for the total project costs of the lessor as owned assets. Additionally, upon completion of the lessor's project, the Company must perform a sale-leaseback analysis pursuant to ASC 840 to determine if it can derecognize these assets and the related financing obligations from its consolidated balance sheet. In a substantial number of its leases, due to many of the same factors that require it to account for the total project costs as owned assets during the construction period (for example, the Company funding a portion of the construction costs), it was deemed to have "continuing involvement," which precluded the Company from derecognizing these leased assets when construction was complete. In such cases, the leased assets and the related financing obligations remain on the consolidated balance sheet and are amortized over the life of the assets and the lease term, respectively.

The Company revised the prior year's financial statements. The corrections reduced diluted earnings per share by $0.01 in both the three and nine months ended June 30, 2016. The Company no longer reports rent expense for the leased facilities that are owned for accounting purposes. Instead, rental payments under the leases are recognized as a reduction of the financing obligation and as interest expense. Additionally, depreciation expense is recorded as construction assets are depreciated over their useful lives. These corrections had no impact on the net decrease in cash and cash equivalents in the nine months ended June 30, 2016.

The following illustrates the impact the aforementioned adjustments had on the Company's previously issued financial statements:

CONSOLIDATED STATEMENT OF OPERATIONS

	Three months ended June 30, 2016		
(in thousands, except per share data)	As Previously Reported	Adjustments	As Revised
Revenue	$36,881,680	$ —	$36,881,680
Cost of goods sold	35,773,817	—	35,773,817
Gross profit	1,107,863	—	1,107,863
Operating expenses:			
Distribution, selling, and administrative	520,032	(3,594)	516,438
Depreciation	52,419	1,581	54,000
Amortization	40,268	—	40,268
Warrants	(83,704)	—	(83,704)
Employee severance, litigation, and other	52,234	—	52,234
Operating income	526,614	2,013	528,627
Other income	(2,158)	—	(2,158)
Interest expense, net	32,115	3,038	35,153
Income before income taxes	496,657	(1,025)	495,632
Income tax expense	146,854	(377)	146,477
Net income	$349,803	$ (648)	$349,155
Earnings per share:			
Basic	$1.62	$ —	$1.62
Diluted	$1.56	$ (0.01)	$1.55
Weighted average common shares outstanding:			
Basic	215,688	—	215,688
Diluted	224,802	—	224,802

CONSOLIDATED STATEMENT OF OPERATIONS

	Nine months ended June 30, 2016		
(in thousands, except per share data)	As Previously Reported	Adjustments	As Revised
Revenue	$109,289,083	$ —	$109,289,083
Cost of goods sold	106,141,012	—	106,141,012
Gross profit	3,148,071	—	3,148,071
Operating expenses:			
Distribution, selling, and administrative	1,571,088	(10,107)	1,560,981
Depreciation	153,232	4,629	157,861
Amortization	112,205	—	112,205
Warrants	(120,275)	—	(120,275)
Employee severance, litigation, and other	88,719	—	88,719
Pension settlement	47,607	—	47,607
Operating income	1,295,495	5,478	1,300,973
Other income	(3,224)	—	(3,224)
Interest expense, net	96,107	8,753	104,860
Income before income taxes	1,202,612	(3,275)	1,199,337
Income tax benefit	(81,703)	(1,204)	(82,907)
Net income	$1,284,315	$ (2,071)	$1,282,244
Earnings per share:			
Basic	$6.12	$ (0.01)	$6.11
Diluted	$5.69	$ (0.01)	$5.68
Weighted average common shares outstanding:			
Basic	209,898	—	209,898
Diluted	225,646	—	225,646

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30, 2016		
(in thousands)	As Previously Reported	Adjustments	As Revised
Net income	$349,803	$ (648)	$349,155
Other comprehensive loss:			
Net change in foreign currency translation adjustments	(8,911)	—	(8,911)
Other	117	—	117
Total other comprehensive loss	(8,794)	—	(8,794)
Total comprehensive income	$341,009	$ (648)	$340,361

	Nine months ended June 30, 2016		
(in thousands)	As Previously Reported	Adjustments	As Revised
Net income	$1,284,315	$ (2,071)	$1,282,244
Other comprehensive income:			
Net change in foreign currency translation adjustments	(5,434)	—	(5,434)
Pension plan adjustment, net of tax of $19,054	31,538	—	31,538
Other	(749)	—	(749)
Total other comprehensive income	25,355	—	25,355
Total comprehensive income	$1,309,670	$ (2,071)	$1,307,599

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CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Nine months ended June 30, 2016 As Previously Reported	Adjustments	As Revised
OPERATING ACTIVITIES			
Net income	$1,284,315	$ (2,071)	$1,282,244
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, including amounts charged to cost of goods sold	167,124	4,629	171,753
Amortization, including amounts charged to interest expense	116,931	30	116,961
Provision for doubtful accounts	11,310	—	11,310
Benefit for deferred income taxes	(219,535)	(1,204)	(220,739)
Warrants income	(120,275)	—	(120,275)
Share-based compensation	56,561	—	56,561
LIFO expense [1]	274,305	—	274,305
Pension settlement	47,607	—	47,607
Other	(6,446)	—	(6,446)
Changes in operating assets and liabilities, excluding the effects of acquisitions:			
Accounts receivable	(705,462)	—	(705,462)
Merchandise inventories [1]	(949,887)	—	(949,887)
Prepaid expenses and other assets	35,270	—	35,270
Accounts payable	1,776,565	—	1,776,565
Accrued expenses, income taxes, and other liabilities	53,575	634	54,209
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,821,958	2,018	1,823,976
INVESTING ACTIVITIES			
Capital expenditures	(310,178)	—	(310,178)
Cost of acquired companies, net of cash acquired	(2,731,356)	—	(2,731,356)
Cost of equity investments	(19,034)	—	(19,034)
Proceeds from sales of investment securities available-for-sale	101,829	—	101,829
Purchases of investment securities available-for-sale	(41,136)	—	(41,136)
Other	(21,186)	—	(21,186)
NET CASH USED IN INVESTING ACTIVITIES	(3,021,061)	—	(3,021,061)
FINANCING ACTIVITIES			
Term loan borrowings	1,000,000	—	1,000,000
Term loan repayments	(600,000)	—	(600,000)
Borrowings under revolving and securitization credit facilities	8,788,432	—	8,788,432
Repayments under revolving and securitization credit facilities	(8,273,610)	—	(8,273,610)
Purchases of common stock	(1,023,149)	—	(1,023,149)
Exercises of warrants	1,168,891	—	1,168,891
Exercises of stock options, including excess tax benefits of $21,853	73,356	—	73,356
Cash dividends on common stock	(215,070)	—	(215,070)
Tax withholdings related to restricted share vesting	(18,935)	—	(18,935)
Other	(3,052)	(2,018)	(5,070)
NET CASH PROVIDED BY FINANCING ACTIVITIES	896,863	(2,018)	894,845
DECREASE IN CASH AND CASH EQUIVALENTS	(302,240)	—	(302,240)
Cash and cash equivalents at beginning of period	2,167,442	—	2,167,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$1,865,202	$ —	$1,865,202

[1] Amounts as previously reported have been revised to report LIFO Expense separately from the change in Merchandise Inventories.

Note 3. Income Taxes

The Company files income tax returns in U.S. federal and state jurisdictions as well as various foreign jurisdictions. As of June 30, 2017, the Company had unrecognized tax benefits, defined as the aggregate tax effect of differences between tax return positions and the benefits recognized in the Company’s financial statements, of $100.8 million ($72.0 million, net of federal benefit). If recognized, these tax benefits would reduce income tax expense and the effective tax rate. Included in this amount is $15.1 million of interest and penalties, which the Company records in income tax expense. During the nine months ended June 30, 2017, unrecognized tax benefits increased by $12.6 million. Over the next 12 months, it is reasonably possible that state tax audit resolutions and the expiration of statutes of limitations could result in a reduction of unrecognized tax benefits by approximately $4.8 million.

The Company's effective tax rates were 62.2% and 34.9% in the three and nine months ended June 30, 2017, respectively. The Company's effective tax rates were 29.6% and (6.9)% in the three and nine months ended June 30, 2016, respectively. The effective tax rates in the three and nine months ended June 30, 2017 were negatively impacted by non-deductible legal settlement charges (see Note 9), offset in part by certain discrete items, the growth of the Company's international businesses in Switzerland and Ireland that have significantly lower income tax rates, and the benefit from stock option exercises and restricted stock vesting. Prior to fiscal 2017, tax benefits resulting from share-based compensation were recorded as adjustments to Additional Paid-In Capital within Stockholders' Equity (see Note 1). The effective tax rate in the three months ended June 30, 2016 was favorably impacted primarily by the Company's international businesses that have lower income tax rates. The effective tax rate in the nine months ended June 30, 2016 primarily benefited from the receipt of an Internal Revenue Service private letter ruling that entitled the Company to an income tax deduction equal to the fair value of the Warrants on the dates of exercise.

Note 4. Goodwill and Other Intangible Assets

Following is a summary of the changes in the carrying value of goodwill, by reportable segment, for the nine months ended June 30, 2017:

(in thousands)	Pharmaceutical Distribution Services	Other	Total
Goodwill at September 30, 2016	$ 4,264,485	$ 1,727,012	$ 5,991,497
Goodwill recognized in connection with acquisitions	—	54,136	54,136
Goodwill disposed in connection with divestiture	—	(3,564)	(3,564)
Foreign currency translation	—	483	483
Goodwill at June 30, 2017	$ 4,264,485	$ 1,778,067	$ 6,042,552

Following is a summary of other intangible assets:

(in thousands)	June 30, 2017 Gross Carrying Amount	June 30, 2017 Accumulated Amortization	June 30, 2017 Net Carrying Amount	September 30, 2016 Gross Carrying Amount	September 30, 2016 Accumulated Amortization	September 30, 2016 Net Carrying Amount
Indefinite-lived trade names	$ 685,016	$ —	$ 685,016	$ 684,991	$ —	$ 684,991
Finite-lived:						
Customer relationships	2,326,034	(374,591)	1,951,443	2,322,404	(273,638)	2,048,766
Trade names and other	326,397	(91,430)	234,967	307,234	(73,142)	234,092
Total other intangible assets	$ 3,337,447	$ (466,021)	$ 2,871,426	$ 3,314,629	$ (346,780)	$ 2,967,849

Amortization expense for finite-lived intangible assets was $40.0 million and $40.3 million in the three months ended June 30, 2017 and 2016, respectively. Amortization expense for finite-lived intangible assets was $120.2 million and $112.2 million in the nine months ended June 30, 2017 and 2016, respectively. Amortization expense for finite-lived intangible assets is estimated to be $161.1 million in fiscal 2017, $161.3 million in fiscal 2018, $156.6 million in fiscal 2019, $152.0 million in fiscal 2020, $150.7 million in fiscal 2021, and $1,525.3 million thereafter.

Note 5. Debt

Debt consisted of the following:

(in thousands)	June 30, 2017	September 30, 2016
Revolving credit note	$ —	$ —
Receivables securitization facility due 2019	500,000	500,000
Term loans due in 2020	547,659	697,055
Multi-currency revolving credit facility due 2021	—	