MYRIAD GENETICS INC
Form 10-Q
November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

OR

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: 0-26642

MYRIAD GENETICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	87-0494517
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
320 Wakara Way, Salt Lake City, UT	84108
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 584-3600

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 No

Indicate by check mark whether the registrant has every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

As of November 2, 2018 the registrant had 74,762,001 shares of $0.01 par value common stock outstanding.

MYRIAD GENETICS, INC.

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MYRIAD GENETICS, INC.

AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(In millions)

ASSETS	September 30, 2018	June 30, 2018
Current assets:		
Cash and cash equivalents	$ 93.3	$ 110.9
Marketable investment securities	74.2	69.7
Prepaid expenses	11.5	9.4
Inventory	35.9	34.3
Trade accounts receivable	119.1	99.5
Prepaid taxes	3.6	—
Other receivables	4.3	3.8
Total current assets	341.9	327.6
Property, plant and equipment, net	60.0	43.2
Long-term marketable investment securities	24.2	30.7
Intangibles, net	734.2	455.2
Goodwill	413.3	318.6
Total assets	$ 1,573.6	$ 1,175.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23.8	$ 26.0
Accrued liabilities	76.4	68.3
Short-term contingent consideration	5.3	5.3
Deferred revenue	2.5	2.6
Total current liabilities	108.0	102.2
Unrecognized tax benefits	24.6	24.9
Other long-term liabilities	6.3	6.3
Contingent consideration	9.6	9.2
Long-term debt	258.0	9.3
Long-term deferred taxes	64.9	57.3
Total liabilities	471.4	209.2
Commitments and contingencies		
Stockholders' equity:		
Common stock, 74.7 and 70.6 shares outstanding at September 30, 2018 and June 30, 2018 respectively	0.7	0.7
Additional paid-in capital	1,052.4	915.4
Accumulated other comprehensive loss	(4.3)	(4.1)
Retained earnings	53.4	54.1
Total Myriad Genetics, Inc. stockholders' equity	1,102.2	966.1
Non-Controlling Interest	—	—
Total stockholders' equity	1,102.2	966.1

Total liabilities and stockholders’ equity	$ 1,573.6	$ 1,175.3

See accompanying notes to condensed consolidated financial statements.

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 1 to the financial statements contained in Part I, Item 1 of this report for additional information.

MYRIAD GENETICS, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(In millions, except per share amounts)

	Three months ended September 30,	
	2018	2017
Molecular diagnostic testing	$189.0	$167.4
Pharmaceutical and clinical services	13.3	11.4
Total revenue	202.3	178.8
Costs and expenses:		
Cost of molecular diagnostic testing	42.3	36.2
Cost of pharmaceutical and clinical services	7.4	6.8
Research and development expense	21.1	17.8
Change in the fair value of contingent consideration	0.4	(73.2)
Selling, general, and administrative expense	129.9	107.2
Total costs and expenses	201.1	94.8
Operating income	1.2	84.0
Other income (expense):		
Interest income	0.7	0.4
Interest expense	(2.2)	(0.9)
Other	1.1	(0.3)
Total other expense:	(0.4)	(0.8)
Income before income tax	0.8	83.2
Income tax provision	1.6	4.5
Net income (loss)	$(0.8)	$78.7
Net loss attributable to non-controlling interest	(0.1)	(0.1)
Net income (loss) attributable to Myriad Genetics, Inc. stockholders	$(0.7)	$78.8
Earnings (loss) per share:		
Basic	$(0.01)	$1.15
Diluted	$(0.01)	$1.12
Weighted average shares outstanding:		
Basic	73.0	68.6
Diluted	73.0	70.4

See accompanying notes to condensed consolidated financial statements.

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 1 to the financial statements contained in Part I, Item 1 of this report for additional information.

MYRIAD GENETICS, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In millions)

	Three months ended September 30,	
	2018	2017
Net income (loss) attributable to Myriad Genetics, Inc. stockholders	$(0.7)	$78.8
Unrealized gain (loss) on available-for-sale securities, net of tax	(0.2)	—
Change in foreign currency translation adjustment, net of tax	0.4	3.3
Comprehensive income (loss)	(0.5)	82.1
Comprehensive income attributable to non-controlling interest	—	—
Comprehensive income (loss) attributable to Myriad Genetics, Inc. shareholders	$(0.5)	$82.1

See accompanying notes to condensed consolidated financial statements.

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 1 to the financial statements contained in Part I, Item 1 of this report for additional information.

MYRIAD GENETICS, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

(In millions)

	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Myriad Genetics, Inc. Stockholders' equity
BALANCES AT JUNE 30, 2018	$ 0.7	$ 915.4	$ (4.1)	$ 54.1	$ 966.1
Issuance of common stock under share-based compensation plans	—	1.9	—	—	1.9
Issuance of common stock for acquisition	—	127.4	—	—	127.4
Share-based payment expense	—	7.7	—	—	7.7
Net income (loss)	—	—	—	(0.7)	(0.7)
Other comprehensive income, net of tax	—	—	(0.2)	—	(0.2)
BALANCES AT SEPTEMBER 30, 2018	$ 0.7	$ 1,052.4	$ (4.3)	$ 53.4	$ 1,102.2

See accompanying notes to consolidated financial statements.

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 1 to the financial statements contained in Part I, Item 1 of this report for additional information.

MYRIAD GENETICS, INC.

AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Three months ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss) attributable to Myriad Genetics, Inc. stockholders	$(0.7)	78.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18.3	13.2
Non-cash interest expense	(1.3)	0.1
Loss (gain) on disposition of assets	(1.0)	(0.1)
Share-based compensation expense	7.7	6.4
Deferred income taxes	2.7	4.7
Unrecognized tax benefits	(2.6)	6.7
Change in fair value of contingent consideration	(0.4)	(73.2)
Changes in assets and liabilities:		
Prepaid expenses	1.8	3.2
Trade accounts receivable	(3.3)	(6.2)
Other receivables	(0.3)	0.3
Inventory	3.5	3.3
Prepaid taxes	(3.6)	(8.9)
Accounts payable	(8.4)	0.4
Accrued liabilities	(4.4)	(5.8)
Deferred revenue	(0.2)	0.6
Net cash provided by operating activities	7.8	23.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1.3)	(1.6)
Acquisitions, net of cash acquired	(279.6)	—
Purchases of marketable investment securities	(14.4)	(31.5)
Proceeds from maturities and sales of marketable investment securities	16.3	17.9
Net cash used in investing activities	(279.0)	(15.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from common stock issued under share-based compensation plans	2.1	1.7
Net proceeds from revolving credit facility	290.0	—
Repayment of revolving credit facility	(40.0)	(25.0)
Net cash provided by (used in) financing activities	252.1	(23.3)
Effect of foreign exchange rates on cash and cash equivalents	1.5	0.5
Net decrease in cash and cash equivalents	(17.6)	(14.5)
Cash and cash equivalents at beginning of the period	110.9	102.4
Cash and cash equivalents at end of the period	$93.3	$87.9

See accompanying notes to condensed consolidated financial statements.

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 1 to the financial statements contained in Part I, Item 1 of this report for additional information.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Dollars and shares in millions, except per share data)

(1) BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by Myriad Genetics, Inc. (the "Company" or "Myriad") in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly all financial statements in accordance with GAAP. The condensed consolidated financial statements herein should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2018, included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018. Operating results for the three months ended September 30, 2018 may not necessarily be indicative of results to be expected for any other interim period or for the full year.

The consolidated financial statements include the accounts of the Company's majority-owned subsidiary, Assurex Canada, Ltd. which is 85% owned by Assurex Health, Inc. ("Assurex"), a wholly owned subsidiary of the Company, and 15% owned by the Centre for Addiction and Mental Health. Assurex Canada, Ltd. is a consolidated subsidiary of Assurex Health, Inc. The value of the non-controlling interest represents the portion of Assurex Canada, Ltd.'s profit or loss and net assets that is not held by Assurex Health, Inc. The Company attributes comprehensive income or loss of the subsidiary between the Company and the non-controlling interest based on the respective ownership interest.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued the converged standard on revenue recognition with the objective of providing a single, comprehensive model for all contracts with customers to improve comparability in the financial statements of companies reporting using International Financial Reporting Standards and U.S. GAAP. The standard contains principles that an entity must apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity must recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. An entity can apply the revenue standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings (modified retrospective method).

The standard was effective for the Company beginning July 1, 2018. The Company elected to adopt the standard using the full retrospective approach, which resulted in a recasting of revenue and the related financial statement items for FY2017 and FY2018. During transition to the new standard, the Company also elected several practical expedients, as provided by the standard. Contracts that began and ended within the same annual reporting period were not restated. Contracts that were completed by June 30, 2018 that had variable consideration were estimated using the transaction price at the date the contract was completed. The amount of the transaction price allocated to the remaining performance obligations will not be disclosed for prior reporting periods. Contracts that were modified prior to the earliest reporting period will be reflected in the earliest reporting period with an aggregate adjustment for prior modifications.

As a result of the new standard, the Company has changed its accounting policies for revenue recognition. The primary impact of the new standard was classifying bad debt expense of $8.0 for the three months ended September 30, 2017, as a reduction in revenue rather than as a selling, general and administrative expense. The Company also increased its June 30, 2018 accounts receivable and retained earnings balances by $1.2 as a result of adopting the new standard.

Reclassifications

Adoption of new revenue recognition standard impacted the Company's previously reported results as follows:

	Three months ended September 30, 2017		
	As Previously Reported	ASC606 Adjustments	As Restated
Consolidated Statements of Operations:			
Total Revenue	$187.9	$ (9.1)	$ 178.8
Selling, general and administrative expense	115.2	(8.0)	107.2
Income tax provision	4.8	(0.3)	4.5
Net Income attributable to Myriad Genetics, Inc. stockholders	79.6	(0.8)	78.8
Earnings per share:			
Basic	$1.16	$ (0.01)	$ 1.15
Diluted	$1.13	$ (0.01)	$ 1.12
Consolidated Statements of Cash Flows:			
Net Income attributable to Myriad Genetics, Inc. stockholders	79.6	(0.8)	$ 78.8
Trade Accounts Receivable	(16.5)	10.3	(6.2)

	June 30, 2018		
	As Previously Reported	ASC606 Adjustments	As Restated
Consolidated Balance Sheet:			
Trade accounts receivable	$98.3	$ 1.2	$ 99.5
Retained Earnings	52.9	1.2	54.1

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of fiscal 2020. Early adoption of ASU 2016-02 is permitted. ASU 2016-02 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company's management is currently evaluating the impact of adopting ASU 2016-02 on the Company's consolidated financial statements.

In accordance with the Securities Act Release No. 33-10532 which now requires presenting changes in stockholders equity quarterly we have included our condensed consolidated statements of equity.

(2) REVENUE

The following table presents detail regarding the composition of our total revenue by product and U.S versus rest of world, "RoW":

	Three months ended September 30,					
	2018			2017		
(In millions)	U.S.	RoW	Total	U.S.	RoW	Total
Molecular diagnostic revenues:						
Hereditary Cancer Testing	$113.5	$2.8	$116.3	$114.6	$2.4	$117.0

GeneSight	29.3		29.3	28.8		28.8
Prenatal	18.1	—	18.1	—	—	—
VectraDA	13.0	—	13.0	14.0	—	14.0
Prolaris	6.2	—	6.2	3.9	—	3.9
EndoPredict	0.3	2.1	2.4	0.0	1.8	1.8
Other	3.6	0.1	3.7	1.8	0.1	1.9
Total molecular diagnostic revenue	184.0	5.0	189.0	163.1	4.3	167.4
Pharmaceutical and clinical service revenue	7.6	5.7	13.3	6.3	5.1	11.4
Total revenue	$191.6	$10.7	$202.3	$169.4	$9.4	$178.8

The Company performs its obligation under a contract with a customer by processing diagnostic tests and communicating the test results to customers, in exchange for consideration from the customer. The Company has the right to bill its customers upon the completion of performance obligations and thus does not record contract assets. Occasionally customers make payments prior to the Company's performance of its contractual obligations. When this occurs the Company records a contract liability as deferred revenue. A reconciliation of the beginning and ending balances of deferred revenue is shown in the table below:

	Three months ended September 30,	
	2018	2017
Deferred revenue - beginning balance	$2.6	$2.6
Revenue recognized	(1.7)	(5.9)
Prepayments	1.6	6.2
Deferred revenue - Ending Balance	$2.5	$2.9

Myriad Companies generate revenue by performing molecular diagnostic testing and pharmaceutical & clinical services. Revenue from the sale of molecular diagnostic tests and pharmaceutical and clinical services is recorded at the invoiced amount net of any discounts or contractual allowances. The Company has determined that the communication of test results or the completion of clinical and pharmaceutical services indicates transfer of control for revenue recognition purposes.

In accordance with ASU 2014-09, the Company has elected not to disclose the aggregate amount of the transaction price allocated to remaining performance obligations for its contracts that are one year or less, as the revenue is expected to be recognized within the next year. Furthermore, the Company has elected not to disclose the aggregate amount of the transaction price allocated to remaining performance obligations for its agreements wherein the Company’s right to payment is in an amount that directly corresponds with the value of Company’s performance to date. However, periodically the Company enters into arrangements with customers to provide diagnostic testing and/or pharmaceutical and clinical services that may have terms longer than one year and include multiple performance obligations. As of September 30, 2018, the aggregate amount of the transaction price of such contracts that is allocated to the remaining performance obligations is $7.3, $4.3 of which the Company expects to recognize in fiscal 2019.

Significant judgments are required in determining the transaction price and satisfying performance obligations under the new revenue standard. The Company provides discounts such as early payment, self-pay and volume discounts to its customers. In determining the transaction price, Myriad includes an estimate of the expected amount of consideration as revenue. The Company applies this method consistently for similar contracts when estimating the effect of any uncertainty on an amount of variable consideration to which it will be entitled. An estimate of transaction price does not include any estimated amount of variable consideration that are constrained. The Company applies the expected value method for sales where the Company has a large number of contracts with similar characteristics.

In addition, the Company considers all the information (historical, current, and forecast) that is reasonably available to identify possible consideration amounts. In determining the expected value under the new standard, the Company considers the probability of the variable consideration for each possible scenario. The Company also has significant experience with historical discount patterns and uses this experience to estimate transaction prices. In accordance with ASU 2016-12, the Company has elected to exclude from the measurement of transaction price, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer for e.g. sales tax, value added tax etc.

The Company has elected to apply the practical expedient related to costs to obtain or fulfill a contract since the amortization period for such costs will be one year or less. Accordingly no costs incurred to obtain or fulfill a contract have been capitalized. The Company has also elected to apply the practical expedient for not adjusting revenue recognized for the effects of the time value of money. This practical expedient has been elected because the Company collects very little cash from customers under payment terms and vast majority of payments terms have a payback period of less than one year.

(3) ACQUISITIONS

Acquisition of Counsyl, Inc.

On July 31, 2018, the Company completed the acquisition of Counsyl, Inc. ("Counsyl"), a leading provider of genetic testing and DNA analysis services, pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated May 25, 2018. Pursuant to the terms of the Merger Agreement, Myriad Merger Sub, Inc., a newly-created wholly-owned subsidiary of the Company, was merged with and into Counsyl, with Counsyl continuing as the surviving corporation and a wholly-owned subsidiary of Myriad. The Company believes the acquisition allows for greater entry into the high-growth reproductive testing market, with the ability to become a leader in women's health genetic testing.

The Company acquired Counsyl for total consideration of $407.0, consisting of $279.6 in cash, financed in part by the Amendment to the Facility (see Note 8) and 2,994,251 shares of common stock issued, valued at $127.4. The shares were issued and valued as of July 31, 2018 at a per share market closing price of $42.53.

Of the cash consideration, $5.0 was deposited into an escrow account to fund any post-closing adjustments payable to Myriad based upon differences between the estimated working capital and the actual working capital of Counsyl at closing.

Consideration transferred was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. Management estimated the fair value of tangible and intangible assets and liabilities in accordance with the applicable accounting guidance for business combinations and utilized the services of third-party valuation consultants. The initial allocation of the consideration transferred is based on a preliminary valuation and is subject to potential adjustments. Balances subject to adjustment primarily include the valuations of acquired assets (tangible and intangible), liabilities assumed, as well as tax-related matters. During the measurement period, the Company may record adjustments to the provisional amounts recognized. The Company expects the allocation of the consideration transferred to be final within the measurement period (up to one year from the acquisition date).

	Estimated Fair Value
Current assets	$ 42.5
Intangible assets	292.9
Equipment	18.9
Other assets	0.1
Goodwill	94.9
Current liabilities	(19.6)
Long term liabilities	(0.1)
Deferred tax liability	(7.3)
Total fair value purchase price	$ 422.3
Less: Cash acquired	(15.3)
Total consideration transferred	$ 407.0

Identifiable Intangible Assets

The Company acquired intangible assets that consisted of developed screening processes which had an estimated fair value of $292.0 and internally developed software with an estimated fair value of $0.9. The fair values of these developed screening processes and related useful lives were determined using a probability-weighted income approach that discounts expected future cash flows to present value. The estimated net cash flows were discounted using a discount rate of 12.5% which is based on the estimated internal rate of return for the acquisition and represents the rate that market participants might use to value the intangible assets. The fair value of the internally developed software was determined based on a replacement cost approach. The Company will amortize the intangible assets on a straight-line basis over their estimated useful lives of 12 years for the developed screening processes and 5 years for the internally developed software.

Goodwill

The $94.9 of goodwill represents the excess of consideration transferred over the fair value of assets acquired and liabilities assumed and is attributable to the benefits expected from combining the Company's expertise with Counsyl's technology, customer insights, and ability to effectively integrate genetic screening into clinical practice with OBGYNs. This goodwill is not deductible for income tax purposes.

Pro Forma Information

The unaudited pro-forma results presented below include the effects of the Counsyl acquisition as if it had been consummated as of July 1, 2017, with adjustments to give effect to pro forma events that are directly attributable to the acquisition, which includes adjustments related to the amortization of acquired intangible assets, interest income and expense, and depreciation.

The unaudited pro forma results do not reflect any operating efficiency or potential cost savings that may result from the consolidation of Counsyl. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operation of the combined company would have been if the acquisition had occurred at the beginning of the period presented nor are they indicative of future results of operations and are not necessarily indicative of results that might have been achieved had the acquisition been consummated as of July 1, 2017.

	Three months ended September 30, 2018	2017
Revenue	$212.5	$209.5
Income from operations	11.5	69.6
Net income	8.6	61.3
Net income per share, basic	$0.11	$0.86
Net income per share, diluted	$0.11	$0.84

To complete the purchase transaction, we incurred approximately $6.8 of acquisition costs, which are recorded as selling, general and administrative expenses in the period incurred. For the three months ended September 30, 2018, Counsyl contributed revenue of approximately $19.4. For the three months ended September 30, 2018, operating expenses related to Counsyl were approximately $33.0.

(4) MARKETABLE INVESTMENT SECURITIES

The Company has classified its marketable investment securities as available-for-sale securities. These securities are carried at estimated fair value with unrealized holding gains and losses, net of the related tax effect, included in accumulated other comprehensive loss in stockholders' equity until realized. Gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned. The Conpany's cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash. The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale securities by major security type and class of security at September 30, 2018 and June 30, 2018 were as follows:

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
At September 30, 2018:				
Cash and cash equivalents:				
Cash	$ 75.3	$ —	$ —	$ 75.3
Cash equivalents	18.0	—	—	$ 18.0
Total cash and cash equivalents	93.3	—	—	93.3
Available-for-sale:				
Corporate bonds and notes	57.5	—		