THE CURRENT STATE OF
GOODWILL & IMPAIRMENTS

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GOODWILL IS BIG

$3T in goodwill on the balance sheet of S&P 500 companies

70% of Mergers fail to achieve desired returns*

*hbr.org/2011/03/the-big-idea-the-new-ma-playbook
GOODWILL IS GROWING

S&P 500 company goodwill has risen 38 percent from 2014 to 2017.

Average amount of goodwill per filer has risen 35.4 percent from 2014 to 2017.

In addition, the ratio of goodwill to assets has increased across the S&P 500, and now sits at 8.77 percent compared to just above 7 percent in 2014.
GOODWILL BY INDUSTRY

<table>
<thead>
<tr>
<th>Sector</th>
<th>Goodwill By Sector</th>
<th>Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>$ 612,547,676,000</td>
<td>62</td>
</tr>
<tr>
<td>Financials</td>
<td>$ 515,118,704,000</td>
<td>67</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$ 485,759,134,000</td>
<td>74</td>
</tr>
<tr>
<td>Industrials</td>
<td>$ 418,993,957,000</td>
<td>70</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>$ 373,955,147,000</td>
<td>33</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>$ 290,113,095,000</td>
<td>76</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>$ 199,015,000,000</td>
<td>3</td>
</tr>
<tr>
<td>Materials</td>
<td>$ 121,662,909,000</td>
<td>24</td>
</tr>
<tr>
<td>Energy</td>
<td>$ 126,971,044,000</td>
<td>31</td>
</tr>
<tr>
<td>Utilities</td>
<td>$ 65,812,438,000</td>
<td>28</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$ 34,624,774,000</td>
<td>32</td>
</tr>
</tbody>
</table>

#s from S&P 500. Where possible, 2018 numbers included. If 2018 numbers not available (e.g. Microsoft), 2017 numbers were used.
# PURCHASE PRICE ALLOCATION EXAMPLE (3M)

## 3M Co (MMM)

**Account receivable** - Modal --- Accounts receivable
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $77,000,000

**Other current assets** - Modal --- Other - current - assets
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $16,000,000

**Property, plant and equipment** - Modal --- Property, plant - and - equipment
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $6,000,000

**Purchased finite-lived intangible assets** - Modal --- Intangible - Assets --- M - Modal --- Purch...
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $290,000,000

**Purchased finite-lived intangible assets** - Modal --- Other - Intangible - Assets --- Purchase...
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $160,000,000

**Purchased finite-lived intangible assets** - Modal --- Definite-lived - Intangibles --- Purchas...
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $11,000,000

**Purchased goodwill** - Modal --- Purchased - goodwill
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $580,000,000

**Other assets** - Modal --- Other - assets
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $55,000,000

**Accounts payable and other liabilities** - Modal --- Accounts payable - and - other - liabilities
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $113,000,000

**Interest bearing debt** - Modal --- Interest - bearing - debt
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $251,000,000

**Deferred tax asset/(liability)** - Modal --- Deferred - tax - asset/(liability)
- **Calendar Period**: Q1-2019
- **Purchase Price Allocation**: $130,000,000
Impairments have risen 35.5 percent from 2014 to 2017

Avg impairments have risen 28.6 percent from 2014 to 2017