



Tracking Performance of
Past Acquisitions

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The International Accounting Standards (IASB) is considering allowing firms to write off a fixed amount of goodwill every year.¹ This is not surprising, given that at least 70 percent of M&A deals fail to achieve desired returns.²

In our analysis of the S&P 500, we found that more than \$3 trillion in goodwill now sits on the balance sheets of those firms. The average amount of goodwill per filer has risen 35.4 percent in the last four years, from \$5.1 billion in 2014 to \$6.9 billion in 2017.

Given that merger activity hit an all-time high in the first half of 2018 and that goodwill has become an increasingly large and important part of the corporate balance sheet, we thought it would be helpful to share how you can evaluate goodwill in financial statements to understand potential risks.

The following pages show three examples of how to use Calcbench to track performance of past acquisitions: Intel's purchase of Mobileye; the merger of Dow and DuPont; and 3M's purchase of Scott Safety.

Please note that we are not making any comment on the likelihood or degree of success of any of these acquisitions. We are demonstrating how, with a modern tool like Calcbench, one is able to track these issues more easily than ever.

1. <https://www.ifrs.org/news-and-events/2018/12/speech-are-we-ready-for-the-next-crisis/>
2. <https://hbr.org/2011/03/the-big-idea-the-new-ma-playbook>

The background features a dark, futuristic aesthetic with a 3D bar chart and a line graph in the upper half, and a perspective view of a grid of binary digits (0s and 1s) in the lower half. Two thick yellow horizontal bars are positioned above and below the central text.

INTEL (INTC)

Access Goodwill Details via Business Combinations

In our Breakouts menu (see arrow), we retrieve goodwill amounts that are from firm-level M&A transactions reported in 2017. To access goodwill transactions, we choose the data set 'Business Combinations - Purchase Price Allocation' (outlined in blue) and Target Goodwill; then scroll to the company we want to research (in this case, Intel).

The screenshot shows the CALC BENCH interface with the 'Breakouts' menu selected. The 'Data Set' dropdown is set to 'Business Combinations - Purchase Price Allocation'. The 'Target' dropdown is set to 'Goodwill'. The 'Date Range Type' is set to 'Single Period' and the 'Calendar Year' is set to '2017'. A blue arrow points to the 'Breakouts' menu. The table below shows goodwill amounts for various companies, with Intel Corp highlighted.

Entity	Target	Business Combinations - Purchase Price Allocation Y-2017
Hunt J B Transport Services Inc (...)	Goodwill - Logistics - Dedicated, - LLC - - - ...	\$55,700,000
Huntington Ingalls Industries, Inc...	Goodwill arising from acquisitions - Corpor...	\$262,000,000
Huntington Ingalls Industries, Inc...	Goodwill, Purchase Accounting Adjustmen...	
IHS Markit Ltd. (INFO)	Intangible assets - Advisers - - - Business ...	\$113,800,000
IHS Markit Ltd. (INFO)	Goodwill - Advisers - - - Goodwill	\$370,700,000
IHS Markit Ltd. (INFO)	Total assets - Advisers - - - Business - Co...	\$493,800,000
IHS Markit Ltd. (INFO)	Purchase price - Advisers - - - Business - ...	\$444,900,000
IHS Markit Ltd. (INFO)	Goodwill - acquisition - - - Goodwill	\$4,281,000,000
Incyte Corp (INCY)	Goodwill - Pharmaceuticals - - - Goodwill	\$155,593,000
Intel Corp (INTC)	Goodwill, Acquired During Period - N.V. - - - ...	\$10,300,000,000
Intel Corp (INTC)	Identified intangible assets - N.V. - - - Busi...	\$4,482,000,000
Intel Corp (INTC)	Business Combination, Recognized Identif...	\$14,495,000,000

'Trace' to Get Context on Goodwill Value

To get a deeper look at the data we use Calcbench's trace feature. We mouse over the number we are studying, and get a trace link. Simply click on 'trace' and get the context of the data point immediately. A separate box shows the \$10.3 billion arose from the acquisition of Mobileye.

Intel Corp (INTC)	Goodwill, Acquired During Period - N.V. - ...	\$10,300,000,000	Trace
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Goodwill of \$10.3 billion arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Mobileye. Substantially all of the goodwill recognized is not expected to be deductible for tax purposes. The goodwill recognized from the acquisition is included within "all other."

Search Disclosures to Understand Potential

The next question might be, 'How is Mobileye performing?' We start by going to the Disclosures menu (see arrow). We choose INTC from the individual company list. Calcbench allows for a specific search for 'Mobileye' in our Disclosures section. Underneath the search, we click search 'all time periods.' Then we choose Operating Segments information (outlined in blue).

CALCBENCH Disclosures & Footnotes Query

Company Detail | Multi-Company | **Disclosures** | Analytics | Data | Breakouts | XBRL

User Guides | Knowledge Base

Whole Universe: Choose Companies Individual Company:

Looking at: Intel Corp (INTC) (see all filings)

Calendar Type: Calendar Fiscal ?

Select Calendar Period and Year: YEAR 2017 ▾

List Table

Choose footnote/disclosure type... Go Footnote table or schedule type ? Search For Metrics ?

Restrict to specified disclosure type
 Search all time periods

Select for Export

Add Previous Period Show All History Compare To Previous Period Remove Links

Income Statement

Period Ending: 3/31/2018 | From: 10-Q Filed On: 4/27/2018 | Intel Corp (INTC)

The Chief Operating Decision Maker (CODM), which is our Chief Executive Officer (CEO), does not evaluate operating segments using discrete asset information. Operating segments do not revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the costs included in one segment may benefit other segments. Except for these differences, the accounting policies for segment reporting are the same as for Intel as a whole.

Net revenue and operating income (loss) for each period were as follows:

(In Millions)	Three Month	
	Mar 31, 2018	
Net revenue:		
Client Computing Group		
Platform	\$	7,615
Adjacent		605
		<u>8,220</u>
Data Center Group		
Platform		4,824
Adjacent		410
		<u>5,234</u>
Internet of Things Group		
Platform		719
Adjacent		121
		<u>840</u>
Non-Volatile Memory Solutions Group		1,040
Programmable Solutions Group		498
All other		234
Total net revenue	\$	<u>16,066</u>

Search Disclosures for Critical Context

Once we search the disclosure (all time periods) for Mobileye and click on Operating Segments Information, we see that Mobileye revenues and expenses are reported in the 'All Other' category.

CALCBENCH Disclosures & Footnotes Query

Company Detail Multi-Company **Disclosures** Analytics Data Breakouts XBRL Filer Portal

User Guides Knowledge Base

Whole Universe: Choose Companies Individual Company:

Calendar Type: Calendar Fiscal ?

Looking at: Intel Corp (INTC) (see all filings) Select Calendar Period and Year: YEAR 2017 ▼

List Table

Choose footnote/disclosure type... Go Footnote table or schedule type ? Search For Metrics mobileye

Restrict to specified disclosure type
 Search all time periods

Select for Export

Add Previous Period Show All History Compare To Previous Period Remove Links

Income Statement | Ba

Period Ending: 3/31/2018 | From: 10-Q Filed On: 4/27/2018 | Intel Corp (INTC)

NOTE 3: OPERATING SEGMENTS

We manage our business through the following operating segments:

- Client Computing Group (CCG)
- Data Center Group (DCG)
- Internet of Things Group (IOTG)
- Non-Volatile Memory Solutions Group (NSG)
- Programmable Solutions Group (PSG)
- All Other

We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone System-on-Chip (SoC), or a multichip package. A platform enhanced by additional hardware, software, and services offered by Intel. Platform products are used in various form factors across our CCG, DCG, and IOTG operating segments. We derive a significant portion of our revenue from platform products, which are our principal products and considered as one class of product.

CCG and DCG are our reportable operating segments. IOTG, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose these non-reportable operating segments.

The "all other" category includes revenue, expenses, and charges such as:

- results of operations from non-reportable segments not otherwise presented, including Mobileye results;
- historical results of operations from divested businesses;
- results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges;
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments; and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The Chief Operating Decision Maker (CODM), which is our Chief Executive Officer (CEO), does not evaluate operating segments using discrete asset information. Operating segments do not record revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segment costs included in one segment may benefit other segments. Except for these differences, the accounting policies for segment reporting are the same as for Intel as a whole.

Net revenue and operating income (loss) for each period were as follows:

Link Disclosures to Understand Impact to Business Segment

Now we can start to understand the impact to the 'ALL OTHER' business segment. In Q1-2018 we see a year-over-year reduction of revenue by \$342 million. Not shown here, in Q2 and in Q3, respectively, we saw an increase in sales from \$144 million. Note: with Calcbench you can also go to the MD&A section.

There you can see that in the third quarter 2018 10-Q 'Mobileye... achieved record revenue.'

Go Search For Metrics Restrict to specified disclosure type Search all time periods

Add Previous Period Show All History Compare To Previous Period Remove Links [Income Statement](#) | [Balance Sheet](#) | [Cash F](#)

Period Ending: 3/31/2018 From: 10-Q Filed On: 4/27/2018 Intel Corp (INTC)

(In Millions)	Three Months Ended	
	Mar 31, 2018	Apr 1, 2017
Net revenue:		
Client Computing Group		
Platform	\$ 7,615	\$ 7,397
Adjacent	605	579
	<u>8,220</u>	<u>7,976</u>
Data Center Group		
Platform	4,824	3,879
Adjacent	410	353
	<u>5,234</u>	<u>4,232</u>
Internet of Things Group		
Platform	719	632
Adjacent	121	89
	<u>840</u>	<u>721</u>
Non-Volatile Memory Solutions Group	1,040	866
Programmable Solutions Group	498	425
All other	<u>234</u>	<u>576</u>
Total net revenue	<u>\$ 16,066</u>	<u>\$ 14,796</u>



DowDuPont (DWDP)

Search Disclosures to Find Goodwill Recognized From Merger

In this example, we chose company DowDuPont (DWDP). Here we go to Disclosures, select Year 2017, search for goodwill, and find that goodwill recognized from merger is \$45 billion. Here we see the 'Agriculture' and 'Nutrition and Biosciences' business segments received the highest allocations of the overall goodwill balance.

DISCLOSURES & FOOTNOTES QUERY

Company: **DowDuPont Inc. (DWDP)** (see all filings)

Calendar Type: **Calendar** (selected) Fiscal ?

Select Calendar Period and Year: **YEAR 2017**

Search For Metrics: **goodwill**

Restrict to specified disclosure type Search all time periods

Period Ending: **12/31/2017** | From: **10-K Filed On: 2/15/2018** | DowDuPont Inc. (DWDP)

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company changed its reportable segments as a result of the Merger to reflect the manner in which the Company's chief operating decision maker assesses performance and allocates resources. Effective with the Merger, the Company also updated its reporting units to align with the level at which discrete financial information is available for review by management. In connection with the Merger, the Company recorded \$45,105 million of goodwill representing the preliminary fair value as of the effective date of the Merger. Goodwill resulting from the Merger was assigned to reporting units based on the acquisition method of accounting and is considered preliminary. For the remaining goodwill balance, a relative fair value method was used to reallocate goodwill for reporting units of which the composition had changed. The following table reflects the carrying amounts of goodwill by reportable segment. Prior year data has been updated to conform with the current year presentation.

Goodwill	Agri-culture	Perf. Materials & Coatings	Ind. Intern. & Infrast.	Pack. & Spec. Plastics	Elect. & Imaging	Nutrition & Biosciences	Transp. & Adv. Polymers	Safety & Const.	Total
In millions									
Balance at Jan 1, 2016	\$ 1,472	\$ 2,781	\$ 1,054	\$ 1,534	\$ 3,631	\$ 344	\$ 150	\$ 1,188	\$ 12,154
Acquisition of an aniline plant	—	—	37	—	—	—	—	—	37
Sale of product lines	—	(10)	—	(5)	—	—	—	—	(15)
Goodwill related to the DCC Transaction ¹	—	2,251	—	—	528	—	450	—	3,229
Foreign currency impact	—	(104)	(6)	(11)	(4)	(4)	1	(5)	(133)
Balance at Dec 31, 2016	\$ 1,472	\$ 4,918	\$ 1,085	\$ 1,518	\$ 4,155	\$ 340	\$ 601	\$ 1,183	\$ 15,272
Goodwill recognized from Merger ^{1,2}	13,644	—	—	3,521	4,040	12,201	6,283	5,416	45,105

Search Disclosures to Find Segment Disclosures

Going deeper, we go to the 'Footnote/Disclosure Type' drop-down menu, and select 'Segment Reporting.' (Highlighted in the blue outline.) Now all that's necessary is to connect the dots, since goodwill, sales and assets per business segment are reported consistently, and begin to track all of these segments into the future!

The screenshot shows the CALC BENCH interface for searching disclosures. The search criteria are set to 'Segment Reporting (1)' for 'DowDuPont Inc. (DWDP)' for the year '2017'. The results are displayed in a table format, showing financial metrics for various segments and geographic regions for the years 2017 and 2016.

Segment Information	Agri-culture	Perf. Materials & Coatings	Ind. Intern. & Infrac.	Pack. & Spec. Plastics	Elect. & Imaging	Nutrition & Biosciences	Transp. & Adv. Polymers	Safety & Const.	Corp.	Total
2017										
Net sales	\$ 7,516	\$ 8,783	\$ 12,647	\$ 21,456	\$ 3,356	\$ 2,812	\$ 2,521	\$ 3,006	\$ 387	\$ 62,484
Pro forma net sales	14,342	8,740	12,640	22,392	4,775	5,980	5,131	5,142	393	79,535
Restructuring, goodwill impairment and asset related charges - net ¹	134	1,578	17	716	125	1	2	53	654	3,280
Equity in earnings (losses) of nonconsolidated affiliates	1	394	172	189	1	13	(1)	2	(11)	764
Pro forma Operating EBITDA ²	2,611	2,121	2,282	4,698	1,486	1,302	1,319	1,190	(843)	16,166
Depreciation and amortization	427	903	604	911	297	248	183	266	130	3,969
Total assets	45,569	15,532	12,113	25,809	14,400	25,357	14,712	15,452	23,220	192,164
Investment in nonconsolidated affiliates	333	769	1,699	1,184	530	203	76	359	183	5,336
Capital expenditures	310	448	295	1,965	135	157	74	186	—	3,570
2016										
Net sales	\$ 6,173	\$ 6,412	\$ 10,832	\$ 18,404	\$ 2,307	\$ 975	\$ 897	\$ 1,877	\$ 281	\$ 48,158
Pro forma net sales	14,060	6,362	10,820	19,848	4,266	5,763	4,497	4,984	294	70,894
Restructuring, goodwill impairment and asset related charges - net ¹	5	42	83	10	—	1	—	(3)	457	595
Asbestos-related charge ³	—	—	—	—	—	—	—	—	1,113	1,113
Equity in earnings (losses) of nonconsolidated affiliates	5	303	(18)	137	24	10	8	1	(28)	442
Pro forma Operating EBITDA ²	2,322	1,228	1,672	5,129	1,173	1,227	1,045	1,130	(812)	14,114
Depreciation and amortization	186	685	649	770	217	64	49	121	121	2,862
Total assets ⁴	6,960	16,871	11,649	17,837	6,932	1,246	1,807	2,833	13,376	79,511
Investment in nonconsolidated affiliates ⁴	84	939	1,588	881	—	30	—	7	218	3,747
Capital expenditures	222	405	232	2,731	79	31	16	88	—	3,804



3M (MMM)

Search Disclosures to Find Business Combinations

In 2017, 3M bought Scott Safety for a little more than \$2 billion. About \$1.3 billion of that acquisition was goodwill. To get this information, we clicked on the Disclosure menu. Then we choose 3M (MMM) from the individual company list. From the Footnote/Disclosure Type drop-down menu we selected 'Business Combinations.'

CALCBENCH Disclosures & Footnotes Query

Company Detail Multi-Company **Disclosures** Analytics Data Breakouts XBRL Filer Portal Smart

User Guides Knowledge

Whole Universe: Choose Companies Individual Company:

Looking at: **3M Co (MMM)** (see all filings)

Calendar Type: Calendar Fiscal ?

Select Calendar Period and Year: **YEAR 2017**

List Table

Business Combinations (1) Go Footnote table or schedule type ? Search For Metrics Full Text Search ?

Select for Export

3M Co (MMM) 10-K

1 Results

Period Ending: 12/31/2017 From: 10-K Filed On: 2/8/2018 | 3M Co (MMM) Acquisitions and Divestitures

(Millions)	Scott Safety	Other	Total
Asset (Liability)			
Accounts receivable	\$ 100	\$ —	\$ 100
Inventory	79	—	79
Other current assets	10	—	10
Property, plant, and equipment	74	—	74
Purchased finite-lived intangible assets:			
Customer related intangible assets	439	3	442
Other technology-based intangible assets	125	2	127
Definite-lived tradenames	285	—	285
Other amortizable intangible assets	—	1	1
Purchased goodwill	1,296	6	1,302
Accounts payable and other liabilities	(100)	—	(100)
Deferred tax asset/(liability)	(297)	—	(297)
Net assets acquired	\$ 2,011	\$ 12	\$ 2,023
Supplemental information:			
Cash paid	\$ 2,020	\$ 12	\$ 2,032
Less: Cash acquired	9	—	9
Cash paid, net of cash acquired	\$ 2,011	\$ 12	\$ 2,023

Search Disclosures to Find Goodwill Recognized From Merger

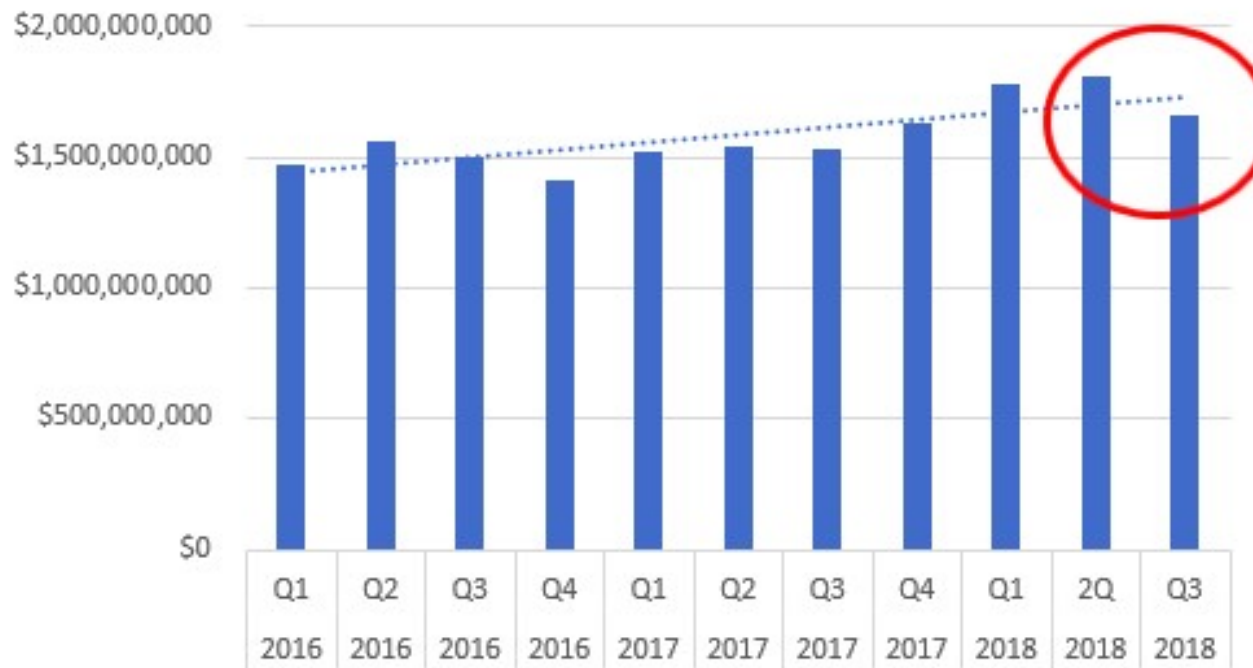
Going forward, Scott Safety will be reported within 3M's safety and graphics business segment; see the below screenshot from Acquisitions and Divestitures.

In October 2017, 3M completed the acquisition of the underlying legal entities and associated assets of Scott Safety, which is headquartered in Monroe, North Carolina, from Johnson Controls for \$2.0 billion of cash, net of cash acquired. Scott Safety is a premier manufacturer of innovative products, including self-contained breathing apparatus systems, gas and flame detection instruments, and other safety devices that complement 3M's personal safety portfolio. The business had revenues of approximately \$570 million in 2016. Scott Safety is reported within 3M's Safety and Graphics business. The allocation of purchase consideration related to Scott Safety is considered preliminary with provisional amounts primarily related to intangible assets and certain tax-related, contingent liability and working capital items. 3M expects to finalize the allocation of purchase price within the one year measurement-period following the acquisition.

Import to Excel Track Segment Performance Over Time

Using our Excel Add-in, we track the segment performance over time. Note that the segment experienced a quarter-over-quarter decline. While the segments revenues are trending up, the last quarter experienced a decline over the prior quarter.

MMM - Safety & Graphics Segment (Quarterly Revenue)



Thank you



CALCBENCH

Questions? Email us:
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