



2011 Purchase Price Allocation Study

December 2012

PPAnalyser

Global resource for PPA data

Table of Contents

- Introduction	3
- Criteria & methodology	4
- Statistics	
- Allocation based on transaction size	6
- Allocation across intangibles	7
- Allocation across industries	8
- Allocation across intangibles and industries	9
- Allocation across regions	10
- Useful life per intangible asset	11
- Useful life per intangible asset and industry	12
- Disclaimer	14
- About PPAAnalyser	15

Introduction

We are proud to present the first edition of our Purchase Price Allocation Study. In this study you will find statistics on publically disclosed purchase price allocation studies of 2011 and 2010. The source for our analysis is the PPAAnalyser database. PPAAnalyser is a subscription database that includes financial details of publically disclosed purchase price allocations. Besides purchase price allocation data, PPAAnalyser also provides economic useful life data used in PPA analyses. For more information visit www.ppanalyser.com.

In this first edition you will find a selection of statistics. These include statistics per type of industry, type of intangible and per region. In addition you will find statistics on economic useful lives.

This study will be updated for 2012. We aim to publish an update in the second or third quarter of 2013. Should you have any questions or comments, please don't hesitate to contact us on ppastudy@ppanalyser.com.

Criteria & methodology

- The source we used for this study was the [PPAnalyser](#) database. PPAAnalyser includes purchase price allocation data that was identified by searching for purchase price allocations disclosed in annual and quarterly reports.
- For the purpose of this study a selection of PPAs included in the database was made based on the following criteria:
 - Year: 2010 and 2011.
 - Financial information disclosed: only those PPAs were included that disclosed both the purchase price as well as the allocation of intangibles.
 - Interest sought: purchases of interests less than 100% were excluded.
- Intangibles identified in the PPAs were assigned to one of the following intangible categories:
 1. Marketing related intangible assets
 2. Customer related intangible assets
 3. Artistic related intangible assets
 4. Contract related intangible assets
 5. Technology related intangible assets
 6. Research & Development related intangible assets
 7. Other type of intangibles
- All amounts were converted to USD using one single exchange rate for both 2010 and 2011.

Criteria & methodology

- We classified the PPAs into the following industry categories:
 - Consumer Discretionary
 - Consumer Staples
 - Energy
 - Financials
 - Healthcare
 - Industrials
 - Information Technology
 - Materials
 - Telecommunication Services
 - Utilities
 - Other
- We segmented the allocation results across seven size categories (in USD x Millions):
 - > 1,000
 - 500 - 1000
 - 250 - 500
 - 100 - 250
 - 50 - 100
 - 25 – 50
 - < 25
- Consolidated statistics were determined based on the percentages of the individual PPAs (i.e. not weighted).
- For economic useful life a distinction is made between intangibles with definite and indefinite lifetime. Both are disclosed and analysed separately.

Statistics

Allocation based on transaction size

- The total number of purchase price allocations identified in 2011 was 753 compared to 617 in 2010. This represents an increase of 22% compared to 2010.
- The amount of transactions below USD 500 million increased. A sharp increase of the number of transactions can be observed for transactions between USD 250 million and USD 500 million (+158%). A decrease of the number of transactions can be observed for transactions above USD 500 million.
- The median purchase price in 2011 was USD 40 million compared to USD 39 million in 2010. Despite the small difference, the change can be considered negligible.
- The median purchase price for transactions above USD 1 Billion decreased from 4.1 billion to 3.2 billion. For transactions below 1 Billion the median purchase price remained approximately stable. The biggest change is observed for transactions between USD 250 million and USD 500 million (+7%).

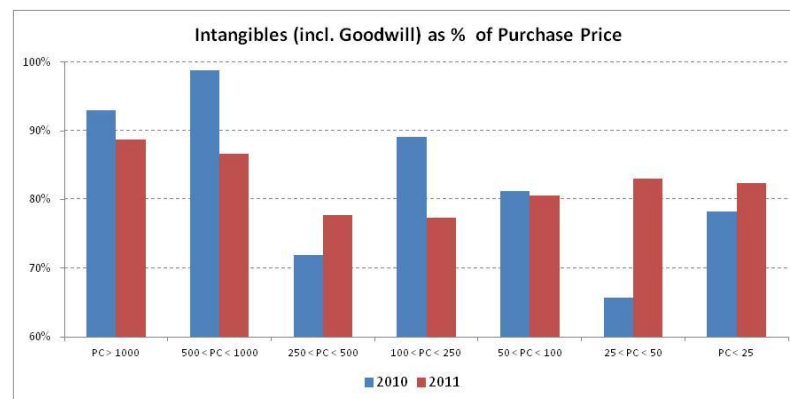
Year	# transactions	Median transaction size (x1,000)
2011	753	40,000
2010	617	39,108
% change	22%	2%

	Number of transactions			Median purchase price (th.)		
	2011	2010	% change	2011	2010	% change
PC > 1000	39	42	-7%	3,153,020	4,137,319	-24%
500 < PC < 1000	33	34	-3%	715,651	710,196	1%
250 < PC < 500	80	31	158%	356,745	332,388	7%
100 < PC < 250	96	85	13%	163,786	159,802	2%
50 < PC < 100	95	84	13%	69,401	69,720	0%
25 < PC < 50	111	80	39%	35,613	37,198	-4%
PC < 25	299	261	15%	10,164	9,674	5%

Statistics

Allocation across intangibles

- The proportion of intangible value (excluding goodwill) compared to the total purchase price varies between 31% and 43%. The proportion of intangibles tends to be higher for large and small transactions. When comparing 2010 with 2011, the proportion of intangibles increased for large transactions (>USD 1 billion) and small transactions (< USD 25 million). For other transactions the proportion of intangibles value decreased (with the exception of transactions between 250 million USD and 500 million).
- The proportion of goodwill varies between 31% and 56%. The proportion of goodwill tends to be higher for larger transactions. When comparing 2010 with 2011, the proportion of goodwill decreased for large transactions (>500 million) and generally increased for other transactions.
- The proportion of intangibles including goodwill varies between 66% and 99%. Fluctuations between 2010 and 2011 differ per transaction size.



	Intangible asset % of PP			Goodwill as % of PP			Intangibles (inc. GW) as % of PP		
	2011	2010	% change	2011	2010	% change	2011	2010	% change
PP > 1000	42%	38%	3.9%	47%	55%	-8.1%	89%	93%	-4.2%
500 < PP < 1000	38%	43%	-5.6%	49%	56%	-6.6%	87%	99%	-12.2%
250 < PP < 500	30%	27%	3.0%	48%	45%	2.8%	78%	72%	5.8%
100 < PP < 250	31%	38%	-7.3%	46%	51%	-4.5%	77%	89%	-11.8%
50 < PP < 100	35%	36%	-1.7%	46%	45%	1.1%	81%	81%	-0.6%
25 < PP < 50	32%	35%	-2.8%	51%	31%	20.2%	83%	66%	17.4%
PP < 25	38%	34%	3.3%	45%	44%	0.9%	82%	78%	4.2%

Statistics

Allocation across industries

Number of transactions

- The most transactions were observed in the IT industry, the industrials industry and the healthcare industry .
- When comparing 2010 with 2011, a strong increase in transactions can be seen in the utilities industry, the consumer discretionary industry and the IT industry.
- A decrease in transactions can be found in the consumer staples industry, the telecom industry and the materials industry.

Purchase price

- The median purchase price of all transactions remained stable around USD 40 million. However differences are observed across industries.
- An increase in purchase price can be seen in the materials industry, the telecom industry and the utilities industry.
- A decrease in purchase price can be seen in the financial industry, the consumer staples industry and the IT industry.

	Number of transactions			Median purchase price		
	2011	2010	% change	2011	2010	% change
All industries	750	613	22%	40,000	39,108	2%
Consumer Discretionary	72	44	64%	43,354	26,001	67%
Consumer Staples	25	32	-22%	44,228	59,542	-26%
Energy	40	35	14%	85,573	68,000	26%
Financials	67	55	22%	33,761	73,666	-54%
Healthcare	104	95	9%	70,784	50,000	42%
Industrials	142	134	6%	27,640	22,443	23%
Information Technology	218	139	57%	27,963	23,486	19%
Materials	45	51	-12%	111,298	52,363	113%
Telecommunication Services	17	21	-19%	50,609	24,077	110%
Utilities	20	7	186%	201,717	118,780	70%

Statistics

Allocation across intangibles and industries

- The most frequently identified intangibles are: customer-, marketing-, and technology related intangibles. Contract-, R&D- and artistic related intangibles are observed less frequently.
- The proportion of marketing related intangibles is highest in the consumer staples industry.
- The proportion of contract related intangibles is highest in the consumer discretionary industry.
- The proportion of customer related intangibles is highest in the utilities industry.
- The proportion of technology related intangibles is highest in the energy industry.
- For artistic and R&D related intangibles the amount of transactions is too low to make any comments.

Comparison	Count						Intangible as a % of Purchase Price (Median)					
	Mark	Contr	Cust	Tech	Art	R&D	Marketing	Contract	Customer	Technology	Artistic	R&D
Total	320	65	387	260	1	63	4%	10%	19%	14%	n/a	n/a
Consumer Discretionary	33	12	26	19	n/a	n/a	15%	41%	17%	6%	n/a	n/a
Consumer Staples	8	1	7	2	n/a	n/a	17%	1%	16%	9%	n/a	n/a
Energy	10	4	11	3	n/a	1	3%	8%	13%	22%	n/a	86%
Financials	26	6	40	12	n/a	2	2%	16%	27%	9%	n/a	12%
Healthcare	46	14	49	44	n/a	25	4%	7%	26%	20%	n/a	6%
Industrials	57	7	67	27	n/a	1	6%	17%	19%	10%	n/a	3%
Information Technology	116	9	156	135	n/a	31	3%	10%	18%	18%	n/a	3%
Materials	16	3	17	10	n/a	3	10%	3%	17%	12%	n/a	3%
Telecommunication Services	6	5	13	4	n/a	n/a	6%	6%	30%	10%	n/a	n/a
Utilities	1	3	1	1	n/a	n/a	13%	10%	35%	2%	n/a	n/a
n/a	1	1	0	3	1	0						

Statistics

Allocation across regions

- The majority of the purchase price allocations included in this study relates to US transactions. In proportion of US transactions compared to the total amount of transactions increased from 60% in 2010 to 73% 2011.
- The proportion of Canadian PPAs decreased from 19% to 14%, the proportion of European PPAs decreased from 15% to 8% and the proportion of PPAs from other regions decreased from 7% to 5%.
- The median purchase price remain stable around USD 40 million for both 2010 and 2011. However differences can be observed across regions.
- The median transaction size decreased for the US. For all other regions the median purchase price increased.

Comparison	Number of transactions				Median purchase price	
	2011		2010		2011	2010
	#	% of total	#	% of total	thousands	thousands
United States	552	73%	369	60%	37,192	43,962
Canada	104	14%	115	19%	36,289	25,289
Europe	59	8%	92	15%	98,979	46,824
Other	38	5%	41	7%	44,727	27,590
Total	753	100%	617	100%	40,000	39,108

Statistics

Useful life per intangible asset

- The number of PPAs that disclosed the economic useful life amounted to approximately 51% in 2011 compared to 40% in 2010. This reflects an increase of 11%.
- For the majority of the intangible assets, a definite economic life was used. Only 23% of the PPAs assumed an indefinite useful life in 2011 (compared to 25% in 2010).
- In 2011, the highest interquartile range was observed for contract related intangibles (between 5 till 13.5). The lowest interquartile range was observed for technology related intangibles (between 4 till 8.4 years).
- Indefinite useful life was assumed most frequently for marketing related intangibles and R&D related intangibles.
- When comparing 2010 and 2011 a few changes can be observed. In 2011 economic useful life decreases slightly for marketing and R&D related intangibles and increases for contract related intangibles.

# PPA with useful life disclosure	2011		2010	
Comparison	#	%	#	%
Total PPA's	753	100%	617	100%
Total PPA's with disclosed useful life	382	51%	245	40%
Total PPA's indefinite life	86	23%	61	25%
Total PPA's definite life	296	77%	184	75%

Interquartile range (in years)	2011				2010			
Comparison	Lower	Median	Upper	#indef	Lower	Median	Upper	#indef
Marketing- related	3.5	5.0	8.5	61.0	3.9	6.0	10.0	44.0
Contract related intangible assets	5.0	7.5	13.5	3.0	3.0	6.0	11.1	2.0
Customer related intangible assets	5.0	8.0	12.0	-	5.0	8.0	12.0	-
Technology related intangible assets	4.0	6.0	8.4	-	4.5	6.0	10.0	-
R&D related intangible assets	4.6	5.0	7.3	21.0	5.5	7.0	8.5	19.0

Statistics

Useful life per intangible asset and industry

- The industry with the highest number of PPAs where an economic useful life was disclosed is the IT industry.
- The assumed useful life is the highest in the consumer staples industry and shortest in the IT industry.
- Useful life attributed to Marketing related intangibles is the highest in the consumers staples industry (12.5 years) and lowest in the IT industry (4 years). Useful life attributed to contract related intangibles is the highest in the materials industry (26.5 years) and lowest in the Financial industry (5 years). Useful life attributed to Customer related intangibles is the highest in the consumer staples industry (19 years) and lowest in the financial and telecoms industry (5 years). Useful life attributed to Technology related intangibles is the highest in the consumer staples industry (12.5 years) and lowest in the IT industry (5 years). For Artistic- and R&D related intangibles, the amount of PPAs was very low to make any comments.

	Marketing	Contract	Customer	Technology	Artistic	R&D	Marketing	Contract	Customer	Technology	Artistic	R&D
2011	# of PPAs with eco. useful life						Median Economic useful life (years)					
Consumer Discretionary	18	2	24	17	0	0	7.8	11.0	9.0	6.0	n/a	n/a
Consumer Staples	3	0	7	1	0	0	12.5	n/a	19.0	12.5	n/a	n/a
Energy	2	1	7	1	0	1	4.5	15.0	10.0	10.5	n/a	15.0
Financials	17	3	32	8	0	0	5.0	5.0	15.0	7.7	n/a	n/a
Healthcare	32	8	34	30	0	0	7.8	8.0	10.0	8.3	n/a	n/a
Industrials	27	4	49	22	0	0	6.0	11.5	7.5	9.7	n/a	n/a
Information Technology	91	6	136	114	0	9	4.0	7.0	6.9	5.0	n/a	5.0
Materials	5	2	16	9	0	0	6.5	26.5	12.3	11.5	n/a	n/a
Telecommunication Services	4	3	10	3	0	0	12.0	5.0	7.0	7.0	n/a	n/a
Utilities	0	1	1	0	0	0	n/a	16.5	3.5	n/a	n/a	n/a
Average							7.3	11.7	10	8.7	n/a	10

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