



Purchase Price Allocation Services Overview

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J&A's PPA work gives buyers power over their future returns and tax strategies to maximize long term value

Sell-Side M&A Value

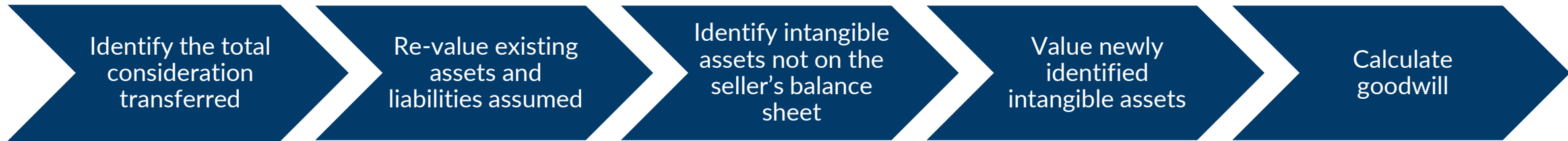
- ✓ Build balance sheet value for the future buyer's business case and sell-side M&A
- ✓ Show proof of strategic buyer cost and revenue synergies
- ✓ Create a competitive valuation by identifying the intangible assets that matter most

Corporate Finance Value

- ✓ Optimize profit and taxes based on near and long term strategies
- ✓ Improve governance and valuation for portfolio decisions based on FASB and IAS
- ✓ Gain better insights into corporate performance by having better data

Intangible assets make up over 90% of value for M&A, private, and public capital markets

Our buy-side M&A work is based on an empirical approach to valuing intangible assets



Focus points to drive buy-side value

1

- Tax savings strategies based on the buyer's history and objectives
- Long term goals when deciding for C-corps or flow through entities
- Services before or after closed deal

2

- Adherence to up-to-date FASB 805 standards
- Adherence to up-to-date IAS standards
- Monitoring of rules to anticipate changes and gain advantages before the competition

3

- Focus on the most common intangibles purchased by potential future buyers
- J&A has reviewed thousands of 10Ks and PPAs to collect this information

4

- Minimizing goodwill and maximizing intangibles to boost balance sheet value for sell-side M&A
- Minimizing tax burdens and maximizing transparency for investors

Purchase Price Allocation Progression →

Identifying intangible assets starts with FASB and IAS rules, then follows best practices to maximize value

Intangible Assets are recognizable as separate from Goodwill if the following criteria are met:

J&A's intangible asset criteria derived from FASB

Measurable

Separable

Predictable

Common Intangible Assets in Finance, Healthcare, IT, and Energy

- Trademarks and trade names
- Patents
- In-process R&D
- Service and royalty agreements
- Customer contracts and customer relationships
- Provider and hospital relationships
- Technology sold to customers
- Rights of way
- Developed technology for in-house use
- Railroad, utilities and energy
- Indefinite-lived intangible assets
- Lease related intangibles

J&A can reduce private equity client's tax burden and maximize future sell-side M&A value

	<u>Typical PPA</u>		<u>J&A PPA</u>	
<i>Purchase Price</i>	\$100,000,000		\$100,000,000	
<i>Assets</i>	Current	Fixed	Current	Fixed
	\$10,000,000	\$20,000,000	\$10,000,000	\$20,000,000
	Goodwill*	Intangibles	Goodwill*	Intangibles
	\$40,000,000	\$30,000,000	\$20,000,000	\$50,000,000
<i>Amortization</i>	\$2,666,667	\$6,000,000	\$1,333,333	\$10,000,000
<i>Net Income</i>	\$50,000,000 - \$8,666,667 = \$41,333,333		\$50,000,000 - \$11,333,333 = \$38,666,667	
<i>Tax Liability</i>	\$8,680,000		\$8,120,000 (6% tax savings)	
<i>Outcome</i>	Higher taxable income resulting in higher tax burden		Lower taxable income resulting in lower tax burden	

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