ferf financial executives research foundation

Duff & Phelps

October 2014

2014 U.S. Goodwill Impairment Study

Introduction

Duff & Phelps and the Financial Executives Research Foundation (FERF) first published the results of their comprehensive Goodwill Impairment Study in 2009. This inaugural study examined U.S. publicly-traded companies' recognition of goodwill impairment at the height of the financial crisis (the end of 2008 and the beginning of 2009), and featured a comparative analysis of the goodwill impairments of over 5,000 companies (by industry), as well as the findings of a survey of Financial Executives International (FEI) members.

The 2010 Goodwill Impairment Study extended the time horizon over which goodwill impairments were studied to five years, enabling an assessment of goodwill impairment trends over time. In addition, the 2010 and 2011 studies included analyses of the relative performance of companies over the 12-month periods before and after the month of a goodwill impairment charge. "Industry Spotlights" were created in 2012, along with cross-tabulation analyses. The 2013 edition introduced two new tables summarizing comparative statistics by industry over a five-year period.

Now in its sixth year of publication, the 2014 U.S. Goodwill Impairment Study continues to examine general and industry goodwill impairment trends through December 2013, as well as reporting the 2014 results of the annual survey of FEI members.

Specially featured in this year's edition are highlights from a Duff & Phelps independent study, which analyzes the extent to which U.S. publicly-traded companies are using the optional "Step 0" of the goodwill impairment test.

Inside

Introduction

Purpose of the 2014 Study

- To report and examine the general and industry trends of goodwill and goodwill impairment of U.S. companies.
- To report the 2014 results of the annual goodwill impairment survey of FEI members (the "2014 Survey").

Highlights of the 2014 Study

U.S. public companies recorded $21 billion of goodwill impairment ("GWI") in calendar year 2013, representing a 59% decline from the $51 billion reported in the prior year.[1] In addition, the number of GWI events fell by 18%, resulting in an average impairment amount of $108 million for 2013, which is now approaching the average low of $86 million in 2009.

The 2013 aggregate impairment amount was the lowest level seen since 2008, at the height of the financial crisis, and is also consistent with generally observed U.S. macroeconomic trends. The U.S. economic outlook continued to improve in 2013 and was accompanied by an exceptional performance by U.S. stock markets. In fact, the S&P 500 Index level surged by 30% in 2013, its biggest annual advance since 1997 in percentage terms.

Much of the 2012 total GWI was dominated by the top three impairment events, which accounted for 47% (or $24 billion) of the aggregate amount. In contrast, the concentration of GWI attributable to the three largest impairment events declined to 22% (or $4.7 billion) in 2013.

Materials jumped from fifth place in 2012 to first in 2013 as the industry with the highest amount of GWI ($4.5 billion, or 22% of 2013's aggregate impairments in just eight events). It replaced Information Technology, which fell to sixth place in 2013, in the absence of its two largest impairments in 2012. Excluding those two events would have resulted in a GWI amount of $2.1 billion, which is more in line with the $1.4 billion recorded in 2013 for this industry. In 2013, Industrials had the largest percentage of companies that impaired goodwill (7%) followed by Consumer Discretionary and Information Technology (both at 6%).

2014 Study: Company Base Set Selection and Methodology

Standard & Poor's Research Insight® and S&P Capital IQ™ databases were the primary sources of data for the 2014 Study.[2] The following screens were applied to narrow the dataset:

- American Depositary Receipts (ADRs) and exchange traded funds (ETFs) were excluded from the Research Insight® database leaving 8,205 U.S.-based, U.S.-traded companies as of April 23, 2013.
- From this set, companies whose ticker was solely comprised of numbers, companies which did not have a Global Industry Classification Standard (GICS®) designation, and companies which did not have returns data and market capitalization data over the study period were excluded, resulting in a base set of 5,153 companies.[3]
- These companies, which represented over 92% of U.S.-based, U.S.-traded market capitalization as of December 2013, were used to calculate all ratios and statistics in the 2014 Study.
- Note that calendar years (rather than "most recent fiscal year") were used in all cases in order to examine impairment values during a specific period of time, regardless of company-specific choices of fiscal years.

Highlights of the 2014 Survey

The 2014 Survey continued to monitor FEI members' use of the optional qualitative test when testing goodwill for impairment (a.k.a. "Step 0"). Notably, the 2014 Survey indicates a broader use of the Step 0 test. In particular, public company use of Step 0 increased from 29% in the 2013 Survey to 43% this year. This is also consistent with Duff & Phelps' independent Step 0 Study, which found that 41% of U.S. public companies applied Step 0 in 2013, increasing from 33% in 2012. Use of Step 0 by private company respondents in the 2014 Survey also increased from 22% to 29%. In addition, this year's survey reports that 78% of the companies applying Step 0 to some or all reporting units believe that it meets the stated objective of reducing costs.

It is noted that a large proportion of both public (42%) and private (31%) companies prefer to bypass Step 0 altogether, and proceed directly to the quantitative Step 1 test. If we focus strictly on public company respondents, 75% of those who do *not* prefer the quantitative test, have elected to apply Step 0.

Recent and Future Developments in Goodwill Accounting

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-02, Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council). Among other provisions, this ASU allows private entities to elect an accounting alternative to amortize goodwill on a straight-line basis over 10 years (or less if the entity demonstrates another useful life is more appropriate).

Additional changes may be in the horizon, as FASB is considering the results of the IASB's post-implementation review of IFRS 3 Business Combinations, before revisiting the accounting for goodwill by public companies.

1. While General Motors (GM) reported a goodwill impairment charge of $27 billion in 2012, this event was excluded from the 2013 and 2014 studies. Since the purpose of these studies is to report impairments of goodwill initially recorded with economic substance and resulting from a downturn in economic conditions and/or operating performance, the GM goodwill impairment did not meet the study criteria. GM's 2010 10-K filing stated that the recorded goodwill, which was created upon GM's emergence of bankruptcy, had no economic basis. Furthermore, the 2012 impairment was strictly attributable to a reversal of a deferred tax asset valuation allowance related to the original goodwill created upon bankruptcy emergence. For the same exact reasons, a goodwill impairment of $541 million taken in 2013 by GM was also excluded from the statistics in the 2014 Study.
2. Standard & Poor's is a division of The McGraw-Hill Companies.
3. Tickers in the Standard & Poor's Research Insight® database that are comprised solely of numbers are not traded on any major or regional U.S. exchange.

Goodwill Landscape

Goodwill Landscape

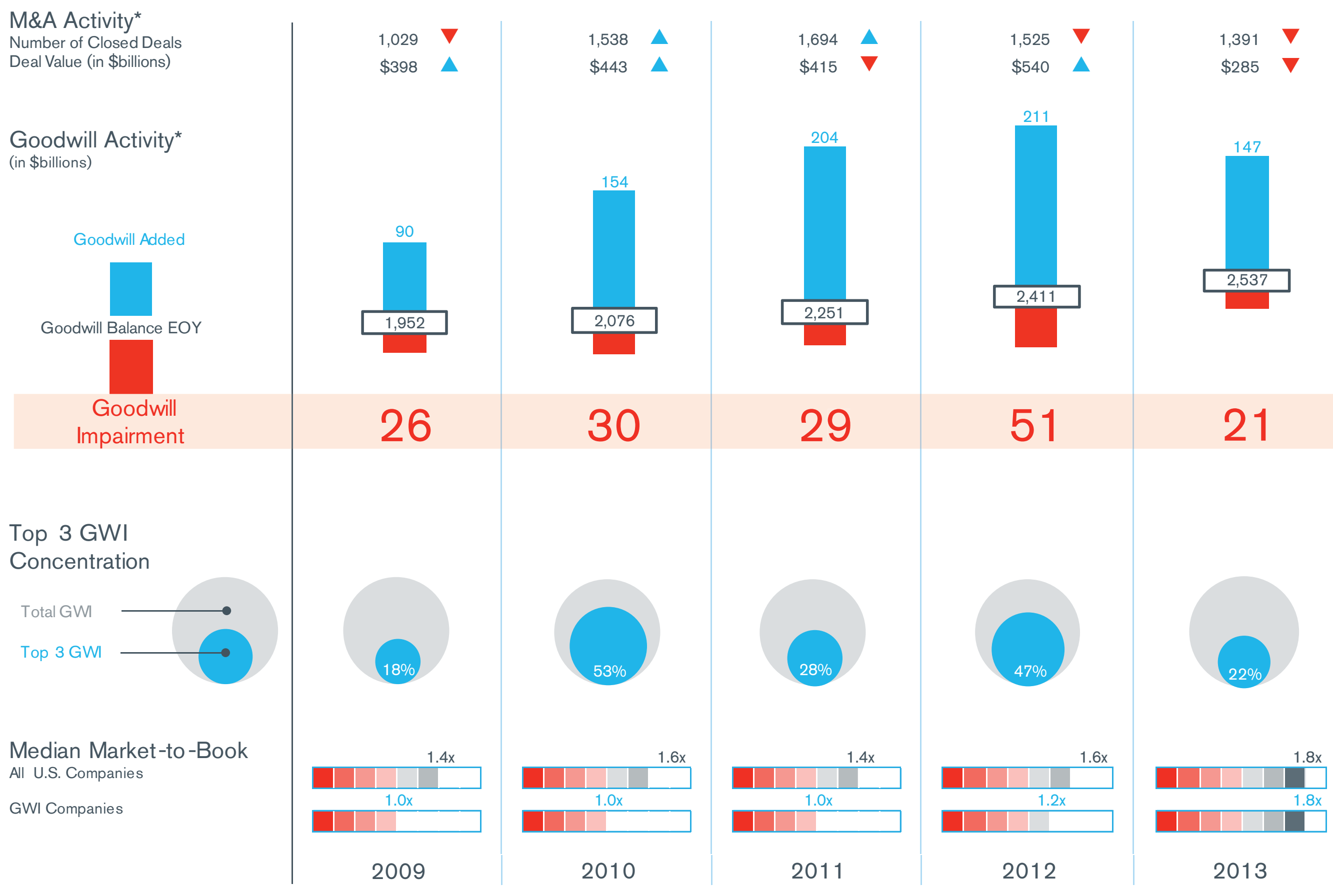
The graphic below captures the evolution of goodwill from 2009 through 2013. If one examines this graphic from the top down, the source of goodwill is provided with a deal summary (both number of deals and value) for transactions involving a controlling interest of 50% or more, acquired by U.S. incorporated publicly-traded companies [see M&A Activity].

Based on our criteria, deal activity saw a decline in both volume and value in 2013. While the number of closed deals shrank by 9%, the deal value decreased by a sharp 47%, leading to a drop in additional goodwill recorded on balance sheets from $211 billion in 2012 to $147 billion in 2013. Interestingly, this is in stark contrast to the trend seen for the overall U.S. M&A market during 2013. Most 2013 reviews of U.S. M&A deal activity found in the financial press tend to use different parameters to compile data. Specifically, they typically looked at 2013 announced deals (rather than closed), and included transactions for any ownership interest (both controlling and minority) by both public and private company acquirers. If one were to use such parameters, the deal value in the U.S. M&A market would have increased for 2013 (in contrast to the trend seen in the graphic below), while the number of deals would still suffer a small decline.

The Goodwill Activity bar chart shows the annual aggregate GWI (see amounts in the red font, shaded area), as well as the amount of goodwill added annually (see amounts in blue font), with the end-of-year (EOY) aggregate goodwill balance sliding along the scale. Notably, 2013 marks the lowest aggregate impairment amount since the level reported in 2008, at the height of the financial crisis.

A limited number of events can have a dramatic impact on the annual impairment amounts. To provide perspective, the graphic below highlights the concentration of GWI amounts recorded in the top three events [see Top 3 GWI Concentration, as shown in the middle panel]. For instance, the top 3 events accounted for 22% of the 2013 aggregate GWI amount, in contrast to 47% in 2012.

Lastly, while not a sole or definitive indicator of impairment, market capitalization should not be ignored during a goodwill impairment test. Market-to-book ratios for both the entirety of the 2014 Study as well as for those companies that recorded a GWI are also provided [see Median Market-to-Book in the bottom panel of the graphic].



* Source: S&P Capital IQ. M&A activity based on transactions closed in each year, where U.S. incorporated publicly traded companies acquired a 50% or greater interest.

Step 0 Study

Overview of the Step 0 Study

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment ("ASU 2011-08"). This provided public and private companies with the option to first assess qualitative factors to determine whether the fair value of a reporting unit is not "more likely than not" (greater than a 50% likelihood) less than its carrying amount. This is commonly referred to as "Step 0".

In recent years of performing our joint goodwill impairment study with FERF, we began to assess the usage of Step 0 as part of our FEI member survey. Our Step 0 Study expands upon the FEI surveys by evaluating the disclosures of a random selection of 355 U.S. public companies reporting under U.S. GAAP that carry goodwill on their balance sheets. It is noteworthy that while this study was more expansive than the FEI surveys and has statistical significance, the indications about the use of Step 0 in both are quite comparable.

We performed the Step 0 Study by analyzing the disclosures of each of the 355 companies in the sample, independently for both 2013 and 2012. In doing so, we were mindful to distinguish between companies that discussed their assessment of qualitative factors in connection with monitoring for triggering events for goodwill impairment testing vs. the assessment of the same factors when applying Step 0 as part of the annual goodwill impairment test. ASU 2011-08 fully aligns the events and circumstances that a company should consider in either situation.

Main Takeaways: Step 0 Study Results

Based on our analysis, we observed that the use of Step 0 is relatively broad and has been increasing.

Step 0 Users

33% (2012) → **41%** (2013)

We also found that companies with a market-to-book ratio of 2.0 or greater were almost twice as likely to apply Step 0.

The Detail: Classification of Disclosures

The cornerstone in our analysis was par. BC24 of ASU 2011-08, which states:

"…In connection with the annual testing requirement, the Board intends for an entity to make a *positive assertion* about its conclusion reached and the events and circumstances taken into consideration if it determines that the fair value of a reporting unit is not more likely than not less than its carrying amount." [Emphasis added]

Companies making such a positive assertion are unambiguously Step 0 Users. Other companies' disclosures varied greatly in the nature of the discussion and information provided. The evaluation of disclosures required significant judgment at times. Based on our analysis of the respective disclosures, we classified each company into one of the following five categories:

Definite User

The company made a positive assertion that Step 0 was applied to some or all of its reporting units and no further goodwill impairment testing was required. We further categorized these companies as "Tier 1" if they made the positive assertion in their most recent fiscal year (2013) and "Tier 2" if they made the assertion in their prior fiscal year (2012). The rationale for this is that a company may need to periodically establish a quantitative benchmark, or may at times need to resort to a quantitative test, none of which take away from the fact that the company has demonstrated that they are a Step 0 User when the circumstances allow for it.

Probable User

The company described Step 0 as an integral part of its impairment testing process (i.e., Step 0 was being applied). However, the disclosures stopped short of making a positive assertion with regards to the outcome of Step 0.

Possible User

The company described Step 0 in general terms but the discussion did not portray the qualitative assessment as an integral part of the impairment testing process.

Silent

The company did not mention Step 0 in any form in its 10-K filing for the respective year.

Opt-out User

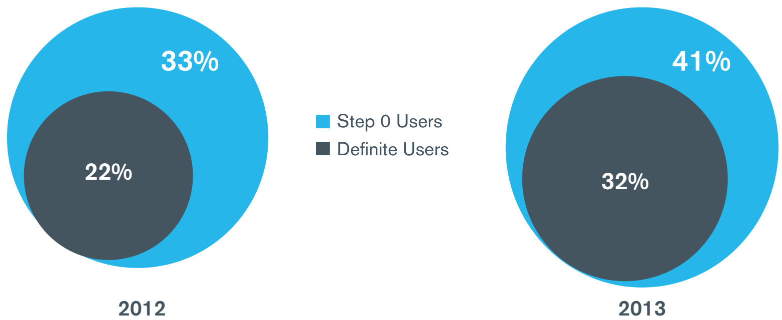
The company made an explicit statement that it chose not to apply Step 0 for the respective year.

More Detail: Observations from the Study

Overall, Step 0 Users (comprised of Definite Users and Probable Users) increased from 33% (2012) to 41% (2013) (see Figure 1). Further, it is possible that not all companies are aware of FASB's intent to make a positive assertion about the use of Step 0, since this guidance is included in the Basis for Conclusions of ASU 2011-08 and is not incorporated in the Accounting Standards Codification. It is also possible that there are some Step 0 Users among the Possible Users and Silent groups, thus the results are potentially on the conservative side.

Step 0 Study

Figure 1: Step 0 Users (Definite and Probable Users) increased from 33% to 41% based on our assessment of Form 10-K filings for the two most recent fiscal years of a sample group of companies filing under U.S. GAAP



Definite Users increased from 22% (2012) to 32% (2013). Tier 2 Definite Users for 2013 were 5% and are included in the total of 32% (see Figure 2). We did not make a similar Tier 2 adjustment for 2012 as that would have required the analysis of 10-Ks for 2011, which was out of our scope. Any Tier 2 adjustment for 2012 would likely be greater than 0% but less than 5%.

Possible Users fell by half (from 32% in 2012 to 14% in 2013); the Silent group increased by a third (from 27% in 2012 to 36% in 2013), while the Opt-out Users held steady.

Further Insights

We performed additional analysis by following the companies in the sample from 2012 into 2013 and observing whether, and if so how, their Step 0 disclosures changed. While companies in the sample exhibited some "stickiness" with respect to a category year-to-year, Step 0 usage did increase overall:

- Nearly 80% of the Definite Users in 2012 remained such in 2013.
- Just over one-fifth of Probable Users in 2012 became Definite Users in 2013.
- The majority (62%) of Probable Users in 2012 remained in the same category in 2013.
- Of the 2012 Possible Users, 41% remained such in 2013, while 38% became Silent about the use of Step 0.
- Of the Opt-out Users in 2012, 78% remained in the same category in 2013.

The Trend: Current and Future

Practically, companies could take advantage of Step 0 if the reporting unit (or entity) has adequate excess of fair value over carrying value; and/or, has not been affected by factors that are difficult to evaluate qualitatively in the aggregate; or, is not impaired. Thus, in part, Step 0 usage is a function of the performance of a specific reporting unit/company, but could also be a reflection of the health of an entire industry and the overall economy.

However, another factor impacting Step 0 usage has to do with behavior, experience, and an overall level of comfort with the assessment process. With more experience in the application of the qualitative assessment both amongst preparers and auditors and an improved economic outlook, Step 0 use may continue to expand. Further, the recent publication of implementation guidance on the qualitative assessment (Chapter 3 of the AICPA's Accounting & Valuation Guide, *Testing Goodwill for Impairment,* issued in December 2013 addresses the practical application of Step 0) may also contribute to a continued uptick in Step 0 usage.

Figure 2: Step 0 Study Summary

	2012		2013		
	Number	Percentage	Number	Percentage	
Definite Users - Tier 1	73	22%	94	27%	A
Definite Users - Tier 2			16	5%	B
Definite Users	73	22%	110	32%	
Probable Users	37	11%	33	10%	C
Step 0 Users	110	**33%**	143	**41%**	
Possible User	106	32%	50	14%	D
Silent	90	27%	126	36%	E
Opt-out User	27	8%	27	8%	F
Total	333	100%	346	100%	G
Excluded from study (insufficient information)	22		9		
Total Study Sample	**355**		**355**		

Notes:
G = A + B + C + D + E + F
Differences due to rounding

Step 0 Study

2,635 Companies with Goodwill

95% Confidence Level

5% Margin of Error

355 Sample Size

Behind the Study: Sampling Methodology

In May 2014, we performed a search in the Standard & Poor's Capital IQ database for all U.S. incorporated firms traded on all U.S. Exchanges which reported a positive goodwill balance in their latest annual reporting period. The identified firms were narrowed further to those that (1) reported under U.S. GAAP and (2) reported goodwill for both FY 2012 and FY 2013. This resulted in a total population of 2,635 companies.

A standard sample size calculator was used to determine the recommended sample size for a population of 2,635, a confidence level of 95% and a margin of error of 5%. The recommended sample size was 335 companies. We randomly selected a sample of 355 firms (rather than 335) to preserve the sample size and its statistical power, in case some companies needed to be eliminated from the analysis. A few companies were indeed excluded from the sample because of insufficient information for the purposes of our Step 0 Study (e.g., over-the-counter company with no current information). This left 333 companies in the final sample for 2012 and 346 companies for 2013. The same companies were evaluated for both years providing continuity in the analysis.

Sample Quality: Demographics Assessment

Certain demographic attributes of the total population were selected for comparison to those of the study sample to evaluate how representative the sample was of the total population. These attributes included:

- Market Capitalization
- Primary Industry Sector
- Carrying Amount of Goodwill
- Goodwill-to-Total Assets
- Auditor

The companies within the sample displayed a very similar distribution of these attributes relative to those of the total population.

Definite Users Attribute Assessment

We also evaluated the distribution of the same five attributes above for the Definite Users in 2013 (Tier 1, N=94). We did not observe a clear correlation between any of these attributes and the companies' usage of Step 0.

For example, we found that Definite Users as a percentage of the sample companies within each industry were relatively consistent, representing, on average, 26% of such sample companies.

Likewise, the Definite Users represented, on average, 26% of the sample companies when considering the sample's distribution by auditor.

Market-to-Book Value of Equity

This ratio was the only attribute that provided some insight into the use of Step 0. This is not surprising, as the market-to-book ratio is an indication of the "cushion" that a company has in place: the excess of fair value of the company's capitalization over its book value, or the excess of a reporting unit's fair value over its carrying value (measured on an equity level).

Since the first step of the ASC 350 test compares the book value of a reporting unit with its fair value, the market-to-book ratio has always been a meaningful indicator to evaluate, albeit on an overall entity level.

Similarly, when considering the use of Step 0, a higher market-to-book ratio for the reporting unit or overall entity, as appropriate, would enter into the analysis as a factor with a positive impact on the qualitative assessment, all else equal.

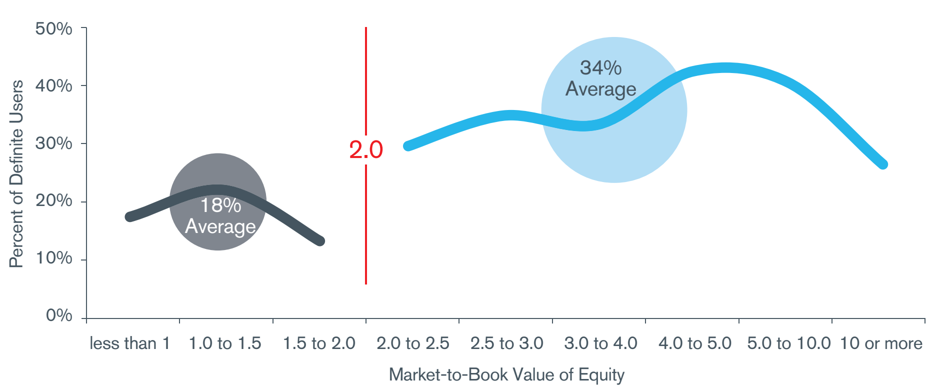
Companies with a market-to-book ratio of 2.0 or greater were almost twice as likely to be a Definite User of Step 0.

For market-to-book ratios of less than 2.0, Definite Users represented approximately 18% of the sample companies, on average (see Figure 3).

For market-to-book ratios of 2.0 or above, Definite Users represented approximately 34% of the sample companies, on average.

For a copy of the full Step 0 Study please go to www.duffandphelps.com/Step0Study.

Figure 3: Market-to-Book Ratio for Definite Users



Highlights from "Chapter 3: Qualitative Assessment" of the AICPA's Accounting and Valuation Guide, *Testing Goodwill for Impairment*

The AICPA Guide on goodwill impairment testing, issued in November 2013, provides implementation guidance on the optional qualitative assessment (Step 0). The objective of Step 0 is to assess if it is not "more likely than not" (greater than a 50% likelihood) that the fair value of a reporting unit is less than its carrying amount, in which case the quantitative goodwill impairment test is unnecessary. An entity needs to put into place an approach to conduct the qualitative assessment to make the above determination. Chapter 3 of the AICPA Guide illustrates one such possible approach and related thought process:

1: Identify inputs and assumptions that most affect fair value

Initially, an entity would identify which of the valuation method(s) are most appropriate to measure the fair value of the respective reporting units. These valuation approaches and techniques and their weighting can vary for each reporting unit.

Next, the key inputs and assumptions to each valuation method (i.e., those that affect fair value the most) are identified within each reporting unit.

An entity may start with considering the methods, weightings, inputs and assumptions used in the last quantitative test, but then must determine if they are still relevant or if any changes to these have occurred since. Changes to the inputs and assumptions could have occurred due to, for example, industry or market changes, or from entity-specific events, such as changes to the composition of a reporting unit.

Inputs and assumptions into a discounted cash flow analysis could include, but may not be limited to, cash flow projections, the terminal year growth rate, and the discount rate. For a market approach, these could include multiples and the metrics to which they are applied. Sensitivity analyses of the key inputs and assumptions and their impact on the fair value of the reporting unit may also be a useful tool.

2: Identify relevant events and circumstances that may have an impact on those inputs and assumptions

The same factors that would be monitored as goodwill impairment test triggers could serve as a starting point for events and circumstances to be considered as part of a Step 0 analysis, in addition to more specific ones. Other relevant factors might include a recent fair value calculation, the time elapsed since the fair value was calculated, the extent of any interim adverse changes, and the amount of "cushion" at the reporting unit (the amount by which fair value exceeds the carrying amount).

3: Weigh the events and circumstances

Generally, no individual factors and circumstances are determinative of whether a quantitative test is needed. In this step, the relevant inputs and assumptions (e.g. discount rate) affected by each of the identified events and circumstances (e.g. interest rate environment) would be given a weight (e.g. high, medium, low), and their impact on the fair value measurement would be assessed (e.g. negative or positive).

Ultimately, however, all available evidence, both positive and negative, is to be considered in the aggregate, to determine whether, based on the weight of the evidence, an entity passes Step 0. This requires judgment as well as consideration of the extent to which the evidence considered can be objectively verified.

4: Conclude on the totality of events and circumstances

If, after assessing the totality of the relevant events and circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount (i.e. the entity passes Step 0), there is no need to proceed to the first (quantitative) step of the goodwill impairment test. The extent of analysis and related documentation to reach this conclusion would vary depending on the situation, though it is believed that documentation of Step 0 is only required when an entity is relying on Step 0. If the entity relies on Step 0, per the provisions of paragraph 24 of the Basis for Conclusions of ASU No. 2011-08, it needs to make a positive assertion about its conclusion reached and the events and circumstances taken into consideration.

Other considerations

Chapter 3 also clarifies that a comparison to market capitalization generally remains a prudent check of the aggregate value of the entity's reporting units; thus, an entity applying Step 0 to some or all of its reporting units may have to consider high-level fair value estimates for such reporting units, to gain comfort with the outcome of the overall analysis. Chapter 3 also includes a detailed example illustrating the application of Step 0 to three reporting units of a company.

2014 Survey Results

During the summer of 2014, an electronic survey on goodwill impairments was conducted using a sample of FEI members representing both public and private companies.

This survey is performed annually and provides insight into the reasons for goodwill impairments and the valuation techniques used in the impairment analysis.

Notably, the 2014 Survey indicates a broader use of the Step 0 test (see Question 15). Public company use of Step 0 increased from 29% in the 2013 Survey to 43% this year. Private companies' use of Step 0 also increased from 22% to 29%. This may be an indication that companies have grown accustomed to the qualitative test.

In addition, 78% of the companies applying Step 0 to some or all reporting units believe that it meets the stated objective of reducing costs (see Question 14).

Question 1: What is your company's industry?
(N=152)

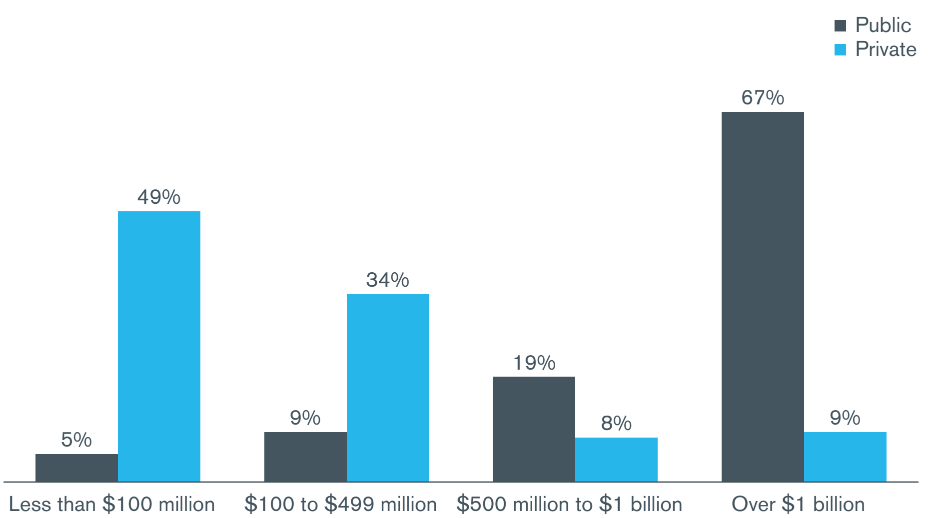
Public Company (64)

Industry	% of Total
Manufacturing	25%
Technology	13%
Banking/Financial Services	9%
Aerospace/Defense	6%
Food/Restaurant	5%
Medical/Pharmaceutical	5%
Professional Services	5%
Retail	5%
Telecommunications	5%
Consumer Goods	3%
Energy/Utilities/Oil & Gas	3%
Healthcare Services	3%
Arts/Entertainment/Media	2%
Automotive	2%
Education	2%
High-Tech or Software	2%
Metals	2%
Real Estate	2%
Service	2%
Transportation	2%
Wholesale	2%

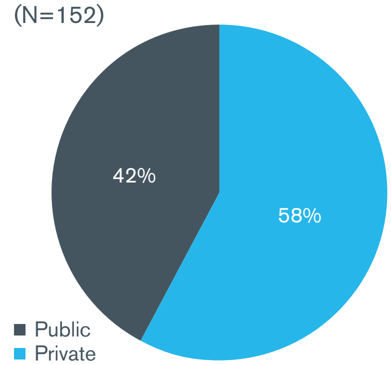
Private Company (88)

Industry	% of Total
Manufacturing	23%
Professional Services	7%
Technology	6%
Consulting/Employment Agency	5%
Energy/Utilities/Oil & Gas	5%
Real Estate	5%
Aerospace/Defense	3%
Consumer Goods	3%
Distribution	3%
Education	3%
Insurance	3%
Advertising	2%
Arts/Entertainment/Media	2%
Automotive	2%
Banking/Financial Services	2%
Capital Products (Equipment)	2%
Construction/Engineering	2%
Healthcare Services	2%
High-Tech or Software	2%
Retail	2%
Service	2%
Ag./Forestry/Fishing/Hunting	1%
Food/Restaurant	1%
Internet/Multimedia	1%
Medical/Pharmaceutical	1%
Metals	1%
Non-Profit Organizations	1%
Personal Services	1%
Research & Development	1%
Telecommunications	1%
Wholesale	1%

Question 2: What is the revenue for your company?
(N=152)

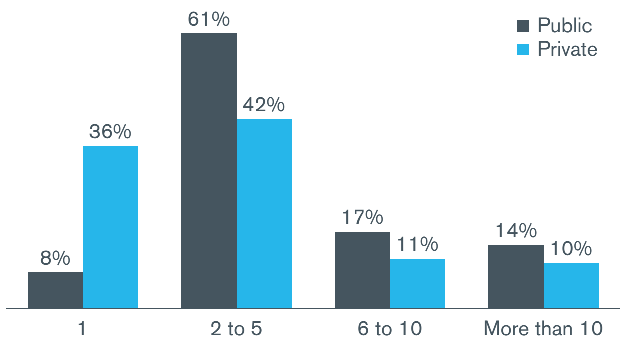


Question 3: Is your company public or private?
(N=152)



Survey Results

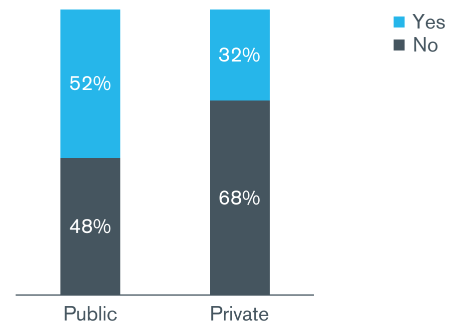
Question 4: How many reporting units do you have as of the most recent reporting period?
Question 5: At what level is your reporting unit structure defined?
(N=152)



Number of Reporting Units	1 (Public)	1 (Private)	2 to 5 (Public)	2 to 5 (Private)	6 to 10 (Public)	6 to 10 (Private)	More than 10 (Public)	More than 10 (Private)
At the operating segment level	100%	87%	69%	76%	9%	50%	44%	33%
One level below the operating segment	0%	0%	10%	5%	36%	20%	44%	0%
A combination of both	0%	13%	21%	19%	55%	30%	12%	67%

Note: the percentages above represent the distribution of responses within each of the categories in the graph

Question 6: Do you use a valuation consultant?
(N=150)



Sample of Survey Participants

Similar to the 2013 Survey, larger entities (revenues in excess of $1 billion) make up two-thirds of public company respondents. (see Question 2). In contrast, private companies, which made up 58% of all respondents, tended to be in the smallest size category (49% of private companies had revenues lower than $100 million).

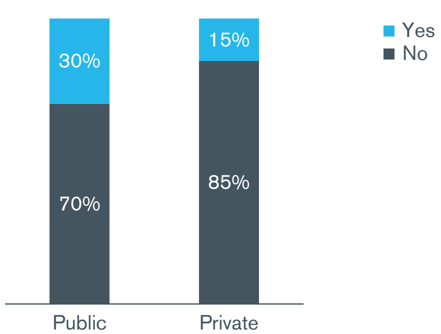
The largest proportion of companies (public or private) within each group had between two and five reporting units (see Question 4). Overall, nearly two-thirds of respondents (66%) define reporting units exclusively at the operating segment level.

8.6% of public companies with goodwill recorded GWI (Table 1) vs. 30% for public company respondents (Question 7)

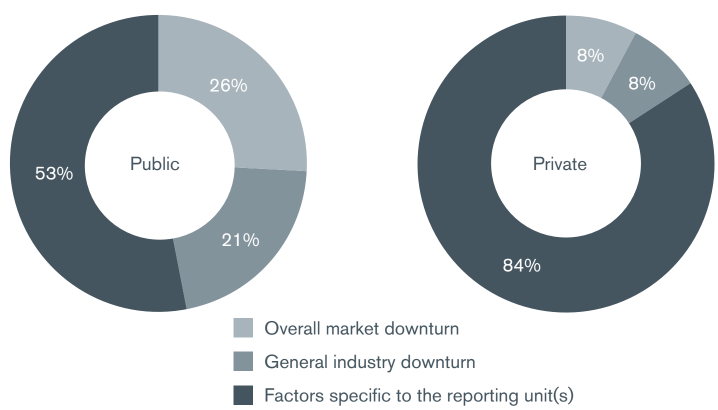
Goodwill Impairment Trends and Causes

Consistent with improvements seen in the general U.S. macroeconomic environment, the proportion of public companies recognizing an impairment declined from 37% in the 2013 Survey to 30% this year. Impairment rates for private companies continued their downward trend, declining from 23% last year to 15% in 2013 (see Question 7). The largest proportion of respondents continued to cite factors specific to the reporting unit as the reason for taking an impairment (see Question 8).

Question 7: Has your company recognized goodwill impairments during your most recent annual reporting period?
(N=152)

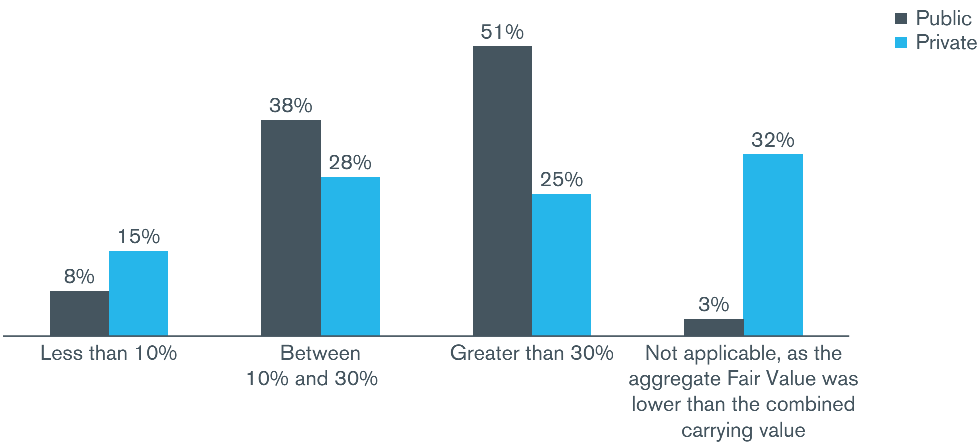


Question 8: If your response to question 7 was yes, what was the reason for the impairment?
(N=31)

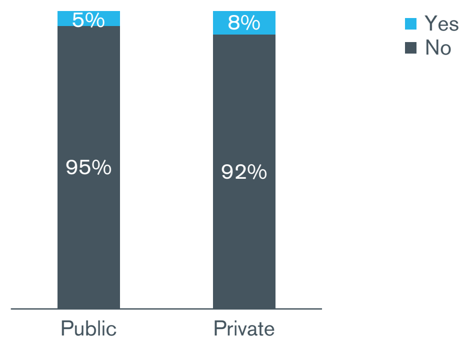


Survey Results

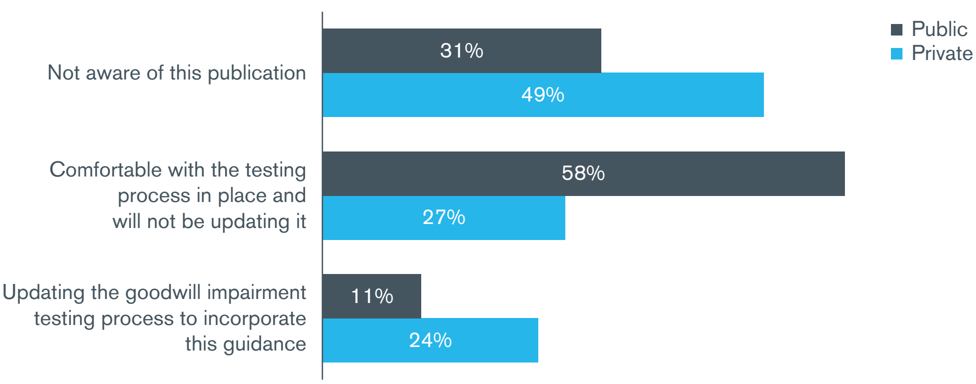
Question 9: In your latest goodwill impairment analysis (interim or annual), by what margin did the aggregate fair value of the reporting units exceed their carrying value?
(N=142)



Question 10: Do you anticipate additional goodwill impairments during an upcoming interim or annual test?
(N=148)



Question 11: The AICPA recently published an Accounting and Valuation Guide, "Testing Goodwill for Impairment" providing best practices guidance on this topic. You are:
(N=150)



Goodwill Impairment Guide

Awareness of the AICPA Accounting and Valuation Guide – *Testing Goodwill for Impairment* has increased since last year's survey (see Question 11). This year, 51% of private company respondents were aware of the guide, a notable increase from 35% last year. Public company respondents' awareness of the guide also increased from 61% last year to 69% in the 2014 Survey. This AICPA guide was issued in final form in November 2013 and provides implementation guidance on testing goodwill for impairment, including the application of Step 0.

59% of the companies that believed there was a lack of guidance about the application of Step 0 were not aware of the AICPA Guide. (Questions 11 and 15)

Survey Results

Question 12: If control premiums were considered in the analysis, which approach was used?

(N=143)

	Public	Private
A general control premium was derived from market-based studies	33%	5%
A specific analysis of incremental cash flows derived from improving current operations	5%	3%
A specific analysis of incremental cash flows available by combining the operations of the reporting unit with the buyer	2%	0%
A combination of the above	22%	12%
Control premiums were not considered	38%	80%

Control Premiums

The use of general control premiums by public companies declined significantly from 51% last year to 33% in the 2014 Survey. Further, public companies that did not consider a control premium increased from 25% to 38% (see Question 12).

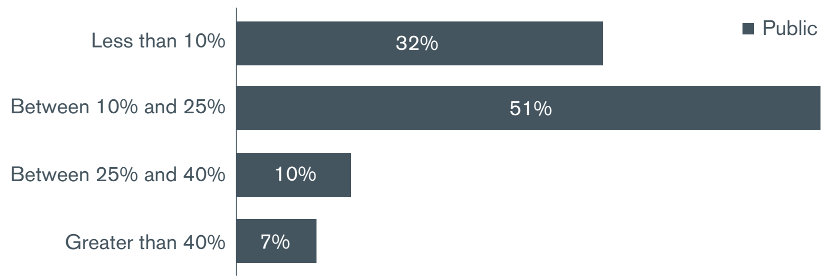
Whether this trend is the result of improving economic conditions — closing the gap between internal company and stock market valuations — or greater awareness of developing best practices remains to be seen. The Appraisal Practices Board's Valuation Advisory Discussion Draft *The Measurement and Application of Market Participant Acquisition Premiums* provides an approach to quantifying and supporting control premiums based on specific cash flows, rather than broad-based market studies.

Magnitude of Control Premium

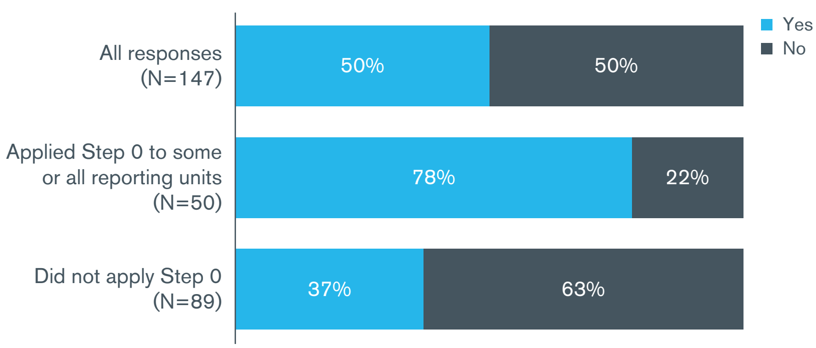
Public company responses provide a broad basis to assess the magnitude of control premiums through comparisons to market capitalization. The percentage of those with a premium of less than 10% or greater than 40% remained similar to the 2013 Survey. However, those assuming a control premium between 10% and 25% increased from 38% to 51%, while those assuming a premium of 25% to 40% declined by more than half from 22% to 10% (see Question 13).

Question 13: What was the assumed level of control premium above the entity´s market capitalization in your latest analysis?

(N=41)



Question 14: Do you believe that the optional qualitative goodwill impairment assessment (Step 0) meets its stated objective of reducing costs?

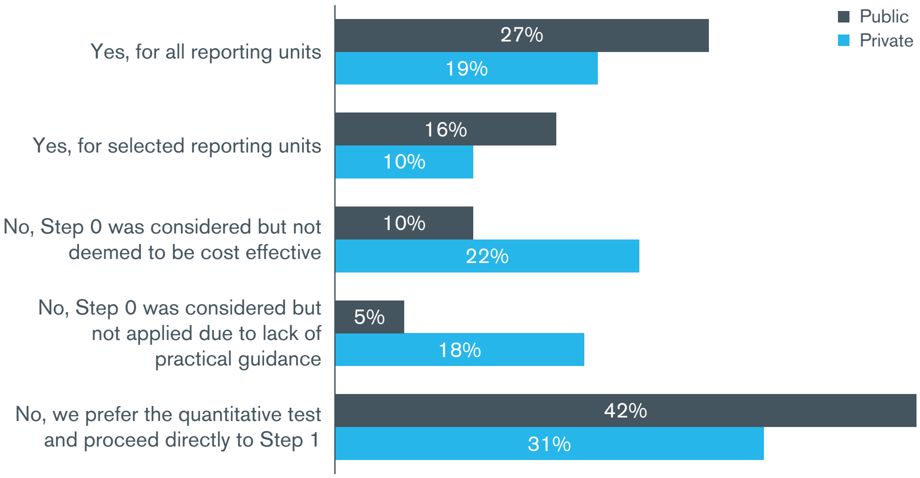


Cost Reduction Objective

The optional qualitative assessment (Step 0) was introduced by FASB with the objective of reducing the cost and complexity of performing quantitative goodwill impairment testing. Half of the respondents believed that Step 0 met its stated objective. Notably, however, of those companies that actually applied Step 0, 78% were satisfied that the cost reduction objective had been achieved.

Survey Results

Question 15: In your most recent goodwill impairment analysis (interim or annual), did you apply the optional qualitative assessment (Step 0)?
(N=139)



Use of Step 0 by public company respondents increased from 29% in the 2013 Survey to 43% in the 2014 Survey (Question 15)

Question 16: If you have never applied Step 0 to any reporting units, will you be considering its use in future periods?
(N=84)

Yes	No
(39%)	(61%)

Demographics for respondents who answered "Yes" within each Respondent Subgroup:

Question	Parameter	Respondent Subgroup	% Yes	Respondent Subgroup	% Yes
2	Revenue	> $500 MM (N=35)	46%	≤ $500 MM (N=49)	35%
3	Company type	Public (N=30)	43%	Private (N=54)	37%
4	Number of reporting units	More than One (N=57)	44%	One (N=27)	30%
6	Who performs the goodwill impairment analysis	Consultant (N=31)	48%	In-house (N=53)	34%

Application of Step 0

Public company respondents demonstrated a higher usage rate of Step 0 (27% + 16% = 43%) relative to those from private companies (19% + 10% = 29%), as shown in Question 15.

Separately, we addressed the use of Step 0 in 2012 and 2013 by public companies in a dedicated Step 0 Study (see pages 4-6 of this document). Our study indicated that the use of Step 0 continues to increase, and that a large proportion of public companies apply Step 0.

In addition, our independent Step 0 Study corroborated the above usage rate of public company respondents, by indicating that 41% of public companies applied Step 0 in 2013, increasing from 33% in 2012.

Notably, a large proportion of both public (42%) and private (31%) companies stated that they prefer to bypass Step 0 altogether, and proceed directly to the quantitative Step 1 test. This may be an indication that they have grown accustomed to the quantitative test and in some cases may also see some incremental benefit beyond a compliance exercise.

If we focus strictly on public company respondents, 75% of those who do *not* prefer to proceed directly to the quantitative test, have elected to apply Step 0 to some or all of their reporting units.

Expected Use of Step 0

In general, Step 0 use is expected to continue to increase, since 39% of those who never applied it previously, will be considering doing so.

In certain cases, higher expected use rates were observed when drilling down to a variety of subgroups, as shown in Question 16.

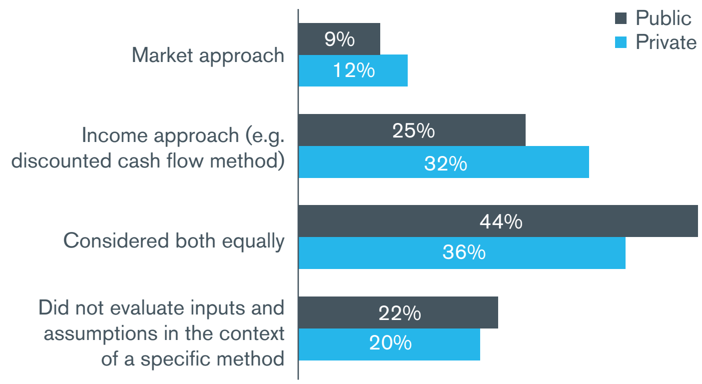
Survey Results

Step 0 Methodology

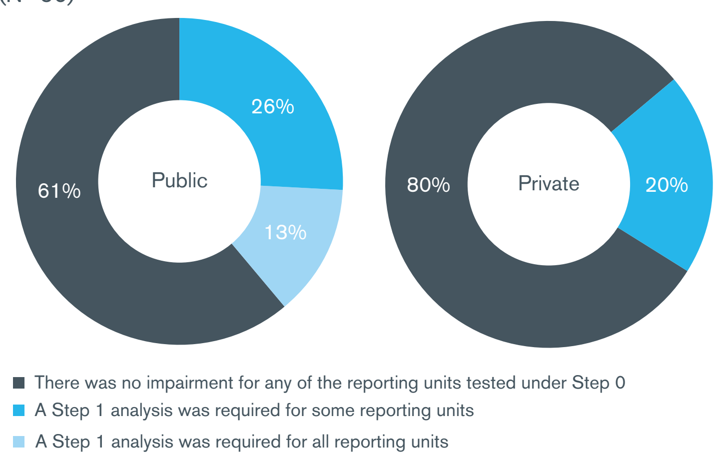
Public company distribution of responses remained somewhat consistent with last year's survey, with regards to weighting valuation methods when performing the qualitative assessment (see Question 17). The proportion of public respondents giving equal consideration to the income and market approach has increased (from 29% to 44%), likely mostly accounted for by a decline in the sole reliance on the market approach (from 21% down to 9%).

Private company respondents in this year's survey displayed a significant shift from those responding last year. In the 2013 Survey, 63% of private companies did not evaluate inputs and assumptions in the context of a specific valuation approach and appeared to have looked only at qualitative factors in general terms when applying Step 0. In contrast, this percentage declined to 20% in this year's survey. At the same time, the equal consideration of both the market and income approaches by private companies increased to 36%, from 0% last year (see Question 17). The reasons for this shift are not obvious from this survey, but perhaps the increased awareness of the AICPA Goodwill Impairment guide by private companies from 35% to 51% might have contributed to this encouraging development (see Question 11).

Question 17: If you applied Step 0, which of the following methods did you give the most weight to when identifying and evaluating the inputs and assumptions for your qualitative assessment?
(N=57)



Question 18: For those reporting units to which you applied Step 0, did you conclude that:
(N=56)



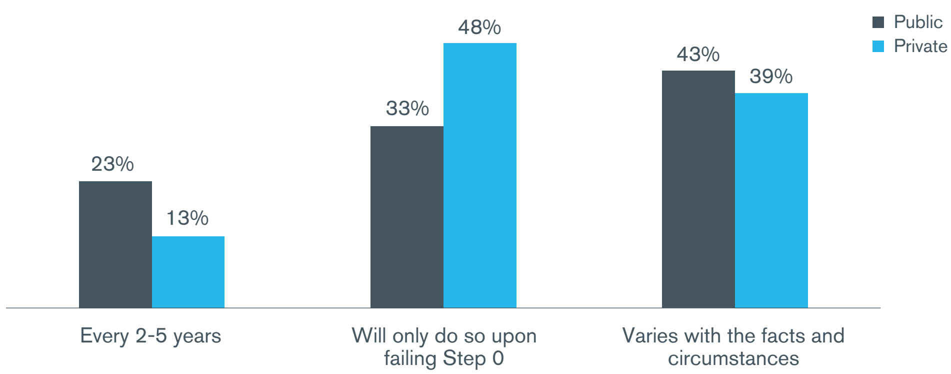
Step 0 vs. Step 1

Passing rates for Step 0 remained consistent with last year's survey. Public companies showed a small decline in passing Step 0, from 71% last year to 61% this year, but this may be a function of a different composition of respondents year-over-year (see Question 18). Private companies' passing rates for Step 0 were nearly identical: 81% in last year's survey compared to 80% this year.

Survey Results

Question 19: If you apply Step 0 to a reporting unit, how often do you plan on calculating its fair value under a Step 1 test?

(N=53)



Quantitative Refresh Frequency for Step 0

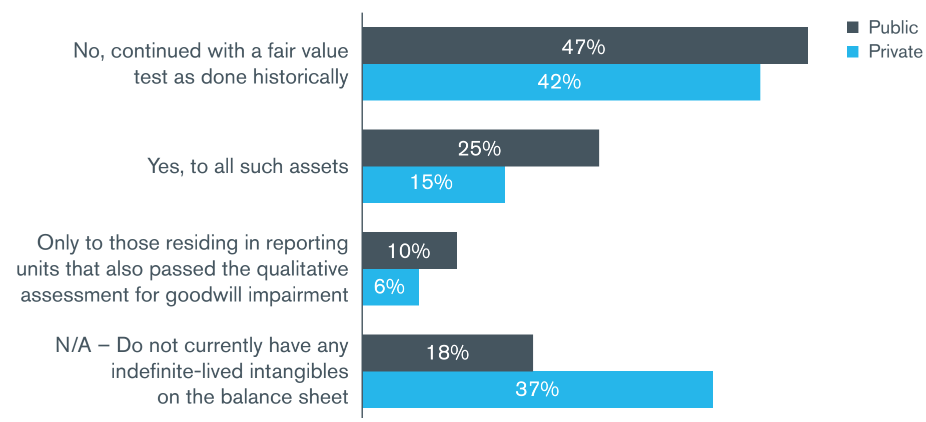
Public and private companies shared a similar trend in the expected frequency of refreshing their fair value analyses (see Question 19). Compared to last year's survey, public companies moved away from the intent to perform refreshes every 2-5 years, dropping by nearly half (from 43% to 23%), while private companies holding this view also declined by more than half (from 31% to 13%). The portion of companies planning to perform a quantitative refresh only when they failed Step 0 grew relative to 2013 Survey, with public companies moving from 13% to 33%, while nearly half of private companies plan to do so (from 31% to 48%).

Qualitative Impairment Tests for Indefinite-lived Assets

Relative to last year, private companies showed an increase in the use of the traditional fair value test when testing indefinite-lived assets for impairment, from 30% in 2012 to 42% in 2013 (see Question 20). This appears to be an almost complete offset to the decline observed in the proportion of private companies that applied the qualitative assessment to all indefinite-lived assets (a drop from 28% in 2012 to 15% in 2013).

Question 20: Did you apply the optional qualitative impairment assessment to indefinite-lived intangible assets in your most recent analysis (interim or annual)?

(N=140)



Question 21: If your company is private, are you planning to adopt one or more of the Private Company Council's goodwill accounting alternatives?

(N=84)

Demographics for respondents who answered "Yes" within each Respondent Subgroup:

Question	Parameter	Respondent Subgroup	% Yes	Respondent Subgroup	% Yes
2	Revenue	≤ $500 MM (N=70)	63%	> $500 MM (N=14)	50%
4	Number of reporting units	More than One (N=53)	68%	One (N=31)	48%
9	Excess of aggregate fair value over carrying amount (%)	≤ 30% (N=60)	68%	> 30% (N=19)	42%

PCC Proposals to Simplify Goodwill Accounting

A significant proportion of private company respondents stated that they plan on adopting one or more of the PCC goodwill accounting alternatives (61%). This intent was even more noticeable for smaller companies and for those with more than one reporting unit (see Question 21). Private companies having a "cushion" of less than 30% (i.e., excess of aggregate fair value of reporting units over carrying value) also found the PCC alternatives more attractive. A possible explanation might be that these companies see goodwill impairment looming, absent adopting an accounting alternative.

Survey Results

We have also performed several cross-tab analyses to draw further insights into specific subsets of the respondents to the 2014 Survey.

The first table compares various responses from small private companies (revenue less than $100 million) and large public companies (revenue greater than $1 billion). The second table does the same for companies that prefer the quantitative test versus those that applied Step 0 to some or all of their reporting units. It is noted that each line item in these tables represents the respective response category as a percentage of the total for that subgroup. For example, the first line item of the first table shows that 47% of small private companies have a single reporting unit compared to 2% of large public companies.

Some highlights of this cross-tab analysis are as follows:

Small Private vs. Large Public Companies

- Almost half of both groups believed that Step 0 meets the stated objective of reducing costs (43% small private and 47% large public companies). The two groups are also aligned regarding their expected use of Step 0 in the future, if they never used it previously (41% and 43%, respectively).
- Small private companies are far more likely to perform the analysis in-house than large public companies (71% vs. 43%); yet they continued to be less aware of the AICPA Goodwill Impairment guide (48% vs. 26%, small private vs. large public companies, respectively).
- Small private companies were more than twice as likely to disregard control premiums altogether in their goodwill impairment analysis (82% vs. 35%). This may have contributed to a lower proportion of private companies having a fair value greater than 30% over carrying value relative to the large public companies (18% vs. 56%).

Prefer Quantitative Test vs. Application of Step 0

An additional series of cross-tab analyses were performed to assess whether there were differing views between respondents that preferred using the quantitative Step 1 test and those that applied Step 0.

- Companies applying Step 0 were twice as likely to believe that Step 0 meets the objective of reducing costs, compared to those that preferred the quantitative test (78% vs. 41%).
- Companies applying Step 0 were also 30% more likely to be unfamiliar with the AICPA Goodwill Impairment guide (42% of companies applying Step 0 vs. 33% of companies using the quantitative Step 1).

Selected responses: Private companies with revenue < $100 million and Public companies with revenue > $1 billion

Question		Small Private (N=43)	Large Public (N=43)
4	Single Reporting Unit	47%	2%
6	Perform analysis in-house	71%	43%
9	Excess fair value over carrying amount >30%	18%	56%
11	Not aware of AICPA GWI Guide	48%	26%
12	Control premium from market-based studies	3%	40%
12	Did not consider control premiums	82%	35%
14	Step 0 meets objective of reducing costs	43%	47%
15	Applied the Step 0 test to some or all RUs	19%	41%
16	Considering Step 0 in the future	41%	43%
21	Planning to adopt a PCC GWI alternative	60%	n/a

This chart can be read as follows: Question 14 indicates that 47% of large public company respondents believe that Step 0 meets the objective of reducing costs.

Selected responses: Companies responding to Question 15 that preferred the quantitative test and those applying Step 0 to some or all RUs

Question		Prefer the Quantitative Test (N=49)	Applied Step 0 to Some or All (N=50)
2	Revenue greater than $500 million	53%	54%
3	Public	53%	54%
4	More than one Reporting Unit	76%	86%
6	Perform analysis in-house	63%	57%
9	Excess fair value over carrying amount >30%	40%	33%
11	Not aware of AICPA GWI Guide	33%	42%
14	Step 0 meets objective of reducing costs	41%	78%

This chart can be read as follows: Question 14 indicates that 78% of the companies that applied Step 0 to some or all of their reporting units believe that Step 0 meets the objective of reducing costs.

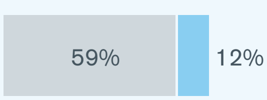
Summary Statistics by Industry
(Table 1)

Table 1 summarizes the annual amount of GWI and number of GWI events by industry, the proportion of companies within each industry that carry goodwill, and the percentage of those that recorded a GWI. This format allows for a ready comparison of data across industries over time.[4]

Industries are listed in descending order of their total GWI amounts for 2013. For example, Materials tops the list with its $4.5 billion aggregate impairment.

Additionally, the graphs on the right in Table 1 provide for a quick comparison of (i) the preponderance of companies with goodwill within each industry; and (ii) the proportion of those companies that have recorded a GWI. For example:

59% of Industrial companies carried goodwill in 2013.



12% of those companies recorded an impairment.

Goodwill Impairments

The *first row* of Table 1 data for each industry presents the annual dollar amounts of GWI (in billions), immediately followed by the number of impairment events (shown in parentheses).[5]

In general, 2013 was a year characterized by a notable improvement in the financial health of U.S. companies. With the exception of Telecommunication Services and Materials, all other industries exhibited a decline in the amount of recorded GWI relative to 2012. In addition, the number of GWI events fell by 18%, with some industries having a very small number of events. In effect, Telecommunication Services had a single impairment event in 2013, followed by Utilities with two. This trend resulted in an average impairment amount of $108 million for 2013, which is now approaching the low of $86 million in 2009.

Materials jumped from fifth place in 2012 to first in 2013 as the industry with the highest amount of GWI ($4.5 billion, or 22% of 2013's aggregate impairments in just eight events). It replaced Information Technology, which fell to sixth place in 2013, in the absence of two large 2012 impairments that had driven it to being in first place. In fact, these two events accounted for 90% of the total (or $19.9 billion) of Information Technology's aggregate GWI in 2012. Excluding those two events, would have resulted in a GWI amount of $2.1 billion, which is more in line with the $1.4 billion recorded in 2013 for this industry.

The two largest impairment events of 2013 were both in Materials, driving up the total for the industry. The third largest 2013 GWI was recorded within Healthcare.

Percent of Companies that Recorded a GWI

The *second row* in Table 1 indicates the portion of all companies within each industry that recorded a GWI. In 2013, Industrials had the largest percentage of companies that impaired goodwill (7.4%) followed by Consumer Discretionary and Information Technology (both at 5.7%). The average percentage across all industries declined to below 4% between 2012 and 2013, well below the 6% level seen in 2009.

Percent of Companies with Goodwill

Obviously, companies that do not carry goodwill on their books are also not susceptible to a GWI; therefore, for perspective, the *third row* in Table 1 provides the proportion of companies with goodwill within each industry. Over the 2009-2013 period, Industrials had the highest percent of companies with goodwill in any given year (62% on average), while Financials had the lowest proportion (29% on average). Overall, somewhat less than half of U.S. companies carry some amount of goodwill on their balance sheets; with the average remaining somewhat consistent at approximately 44% over the last three years.

Percent with Goodwill Recording a GWI

The *fourth row* in Table 1 indicates the percentage of the companies with goodwill that recorded a GWI. This differs from the first row, where the percentages are based on all companies in each industry, rather than limited to those that carry goodwill on their balance sheets.

In 2013 Energy topped the list at 13.6%, as the industry with the highest proportion of companies recognizing a GWI, continuing an upward trend started in 2009. Energy was also the only industry showing an increase from 2012 to 2013. All other industries showed a decline, with the most notable being Telecom Services (from 8.6% to 3.1%) and Consumer Staples (from 14.4% to 9.4%).

In aggregate, the average annual industry impairment percentages ranged from 7% to 13% of companies with goodwill during the 5-year period.

4. The information covering the period between 2009 and 2012 was carried forward from prior studies.
5. The number of events is broadly defined in this study: it captures whether or not a company has recorded goodwill impairments in any given year (i.e., a binary "yes" or "no" decision). Thus, while a company could have recorded multiple goodwill impairments during a calendar year, it will still be considered a single event for purposes of this study.

2013 Goodwill Impairment
(Table 1)

Goodwill Impairments: $ billions (number of events)
Percent of Total Companies that Recorded GWI
Percent of Companies with Goodwill
Percent of Companies with Goodwill that Recorded a GWI

(Companies)		2009	2010	2011	2012	2013	Companies with GW	Percent Recording GWI
Materials (272)	Goodwill Impairments: $ billions (number of events)	0.3 (11)	0.2 (5)	1.2 (10)	3.6 (10)	4.5 (8)	44%	7%
	Percent of Total Companies that Recorded GWI	4.2%	2.1%	4.3%	3.8%	2.9%		
	Percent of Companies with Goodwill	45.8%	49.8%	49.8%	43.5%	43.8%		
	Percent of Companies with Goodwill that Recorded a GWI	9.1%	4.1%	8.7%	8.8%	6.7%		
Healthcare (637)	Goodwill Impairments: $ billions (number of events)	0.9 (21)	3.9 (20)	3.7 (27)	6.0 (28)	3.4 (21)	41%	8%
	Percent of Total Companies that Recorded GWI	3.2%	3.4%	4.3%	4.4%	3.3%		
	Percent of Companies with Goodwill	47.0%	50.0%	40.3%	39.6%	41.0%		
	Percent of Companies with Goodwill that Recorded a GWI	6.8%	6.8%	10.7%	11.1%	8.0%		
Industrials (612)	Goodwill Impairments: $ billions (number of events)	5.3 (57)	2.5 (28)	2.8 (38)	6.5 (50)	3.0 (45)	59%	12%
	Percent of Total Companies that Recorded GWI	9.4%	4.6%	6.4%	8.2%	7.4%		
	Percent of Companies with Goodwill	62.1%	64.5%	61.6%	60.2%	59.2%		
	Percent of Companies with Goodwill that Recorded a GWI	15.2%	7.1%	10.4%	13.6%	12.4%		
Consumer Discretionary (616)	Goodwill Impairments: $ billions (number of events)	2.3 (42)	1.7 (18)	2.9 (47)	4.5 (38)	2.9 (35)	53%	11%
	Percent of Total Companies that Recorded GWI	6.4%	2.8%	7.5%	5.9%	5.7%		
	Percent of Companies with Goodwill	52.5%	54.3%	53.7%	51.9%	53.4%		
	Percent of Companies with Goodwill that Recorded a GWI	12.2%	5.1%	13.9%	11.3%	10.6%		
Energy (321)	Goodwill Impairments: $ billions (number of events)	0.3 (8)	1.3 (9)	1.4 (8)	2.4 (11)	2.2 (14)	32%	14%
	Percent of Total Companies that Recorded GWI	2.8%	3.1%	2.9%	3.5%	4.4%		
	Percent of Companies with Goodwill	40.7%	39.5%	34.3%	33.5%	32.1%		
	Percent of Companies with Goodwill that Recorded a GWI	6.9%	7.8%	8.3%	10.5%	13.6%		
Information Technology (794)	Goodwill Impairments: $ billions (number of events)	3.1 (57)	0.8 (32)	3.3 (45)	22.0 (53)	1.4 (45)	54%	11%
	Percent of Total Companies that Recorded GWI	6.6%	3.8%	5.6%	6.5%	5.7%		
	Percent of Companies with Goodwill	57.0%	61.9%	55.3%	54.2%	53.7%		
	Percent of Companies with Goodwill that Recorded a GWI	11.6%	6.2%	10.2%	12.0%	10.6%		
Telecomm. Services (60)	Goodwill Impairments: $ billions (number of events)	0.0 (3)	0.4 (2)	2.8 (5)	0.1 (3)	1.1 (1)	53%	3%
	Percent of Total Companies that Recorded GWI	4.3%	3.7%	8.1%	4.8%	1.7%		
	Percent of Companies with Goodwill	56.5%	59.3%	53.2%	55.6%	53.3%		
	Percent of Companies with Goodwill that Recorded a GWI	7.7%	6.3%	15.2%	8.6%	3.1%		
Consumer Staples (194)	Goodwill Impairments: $ billions (number of events)	2.3 (10)	2.2 (9)	5.0 (13)	1.3 (14)	1.0 (9)	50%	9%
	Percent of Total Companies that Recorded GWI	5.2%	4.8%	7.0%	7.0%	4.6%		
	Percent of Companies with Goodwill	55.2%	59.6%	51.9%	48.3%	49.5%		
	Percent of Companies with Goodwill that Recorded a GWI	9.4%	8.0%	13.4%	14.4%	9.4%		
Financials (1,550)	Goodwill Impairments: $ billions (number of events)	10.7 (94)	14.8 (42)	5.8 (33)	2.8 (24)	1.0 (13)	29%	3%
	Percent of Total Companies that Recorded GWI	6.4%	2.9%	2.2%	1.6%	0.8%		
	Percent of Companies with Goodwill	29.8%	29.3%	28.5%	28.9%	29.4%		
	Percent of Companies with Goodwill that Recorded a GWI	21.4%	9.8%	7.7%	5.4%	2.9%		
Utilities (97)	Goodwill Impairments: $ billions (number of events)	1.3 (5)	2.0 (6)	0.0 (1)	2.1 (4)	0.4 (2)	57%	4%
	Percent of Total Companies that Recorded GWI	4.8%	5.9%	1.0%	4.0%	2.1%		
	Percent of Companies with Goodwill	54.8%	57.8%	56.7%	55.6%	56.7%		
	Percent of Companies with Goodwill that Recorded a GWI	8.8%	10.2%	1.8%	7.3%	3.6%		
Total (5,153)	Goodwill Impairments: $ billions (number of events)	26.4 (308)	29.7 (171)	29.1 (227)	51.4 (235)	20.9 (193)	43%	9%
	Percent of Total Companies that Recorded GWI	6.0%	3.4%	4.5%	4.5%	3.7%		
	Percent of Companies with Goodwill	46.4%	48.1%	44.4%	43.4%	43.4%		
	Percent of Companies with Goodwill that Recorded a GWI	12.8%	7.0%	10.2%	10.5%	8.6%		

Summary Statistics by Industry
(Table 2)

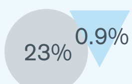
Table 1 captured the total amount of GWI and the frequency of events by industry. In Table 2 the focus shifts to the respective industries' (i) relative importance of goodwill to the overall asset base (goodwill intensity); (ii) magnitude of annual impairment relative to the carrying amount of goodwill; and (iii) magnitude of such impairment in relation to total assets (the last two being measures of loss intensity).

Goodwill intensity, defined here as goodwill as a percentage of total assets (GW/TA), measures the proportion of an industry's total assets represented by goodwill. Since goodwill arises as a result of a business combination, goodwill intensity is greater in industry sectors with significant M&A activity.

The first loss intensity measure, goodwill impairment to goodwill (GWI/GW), indicates the magnitude of goodwill impairments. In other words, it measures the proportion of an industry's goodwill that is impaired each year.

These first two metrics are captured visually for 2013 on the graphs on the right of Table 2. For example:

23% of the Healthcare industry asset base was made up of goodwill.



0.9% of Healthcare's prior year goodwill was impaired.

Finally, goodwill impairments to total assets (GWI/TA), the second loss intensity measure, quantifies the percent of an industry's total asset base that was impaired.

		Intensity Measure	How?	Why?
Goodwill Intensity	Which industries had/have the most goodwill on their balance sheets?	GW/TA	Goodwill as a percentage of total assets, measured at year end	Indicates how significant an industry's goodwill is in relation to total assets.
Loss Intensity	Which industries' goodwill got hit hardest by impairments?	GWI/GW	Goodwill impairments (total) as a percentage of the prior year's total goodwill	Indicates how impairments impacted each industry's goodwill.
Loss Intensity	Which industries' balance sheets got hit hardest by impairments?	GWI/TA	Goodwill impairments (total) as a percentage of the prior year's total assets	Indicates how impairments impacted each industry's total assets.

Goodwill Intensity

The *first row* in Table 2 illustrates Goodwill to Total Assets (GW/TA) reported over time for each industry, with 2013 being specifically highlighted in the gray circle of the graphic displayed farthest on the right.

Aggregate goodwill as a percentage of total assets for U.S. companies (across all industries) was approximately 6% in each of the years. However, this ratio can vary significantly; for example, in 2013 it ranged from 1.8% for Financials to 23.1% for Healthcare.

Healthcare (which includes, but is not limited to, Biotechnology and Pharmaceutical companies) continued to exhibit the highest goodwill intensity during the 5-year period. Contributing factors include ongoing transaction activity as well as high growth expectations from future (yet-to-be-identified) technologies, which may make goodwill a significant component of the purchase price.

Within each industry, goodwill intensity has been fairly stable over time. Industrials is the only industry to have exhibited an upward trend during the entire period, with goodwill intensity increasing from 12.0% in 2009 to 16.2% in 2013. The most notable uptick in 2013 was seen in Consumer Discretionary, followed by Industrials.

Goodwill Impairment to Goodwill

The *second row* of Table 2 presents the first measure of loss intensity (GWI/GW) recognized for each industry over the 5-year period, with 2013 metrics prominently displayed in the triangle portion of the graphic located on the far right.

The total amount of impairment decreased from $51 billion in 2012 to $21 billion in 2013, a plunge of approximately $30 billion (as previously shown in Table 1). Nearly two-thirds of the net total decrease (or $21 billion) was concentrated in Information Technology, which led to a drop in its loss intensity factor from 6.7% in 2012 to 0.4% in 2013. With the exception of Telecommunications Services and Materials, all other industries displayed a decline in loss intensity from 2012 to 2013.

Goodwill Impairments to Total Assets

This second measure of loss intensity is presented in the *third row* of Table 2 for each industry.

Goodwill impairment charges represent a relatively small proportion of a company's total asset base. The 1.3% GWI/TA ratio for Information Technology in 2012 was the only year when any industry exceeded 1.0%. Except for Materials' 0.5% in 2012 and 0.6% in 2013, no other industry exceeded a 0.5% GWI/TA ratio in any year during the 2009-2013 period.

2013 Goodwill Impairment (Table 2)

Sector (Companies)	Measure	2009	2010	2011	2012	2013	2013 GW/TA	2013 GWI/GW
Materials (272)	Goodwill Intensity (GW/TA)	10.0%	11.6%	13.6%	13.1%	12.8%	13%	4.3%
	Loss Intensity (GWI/GW)	0.4%	0.2%	1.6%	3.8%	4.3%		
	Loss Intensity (GWI/TA)	0.0%	0.0%	0.2%	0.5%	0.6%		
Healthcare (637)	Goodwill Intensity (GW/TA)	21.2%	22.0%	21.6%	23.5%	23.1%	23%	0.9%
	Loss Intensity (GWI/GW)	0.4%	1.3%	1.3%	2.0%	0.9%		
	Loss Intensity (GWI/TA)	0.1%	0.3%	0.3%	0.4%	0.2%		
Industrials (612)	Goodwill Intensity (GW/TA)	12.0%	14.3%	15.0%	15.5%	16.2%	16%	0.8%
	Loss Intensity (GWI/GW)	1.6%	0.7%	0.9%	1.9%	0.8%		
	Loss Intensity (GWI/TA)	0.2%	0.1%	0.1%	0.3%	0.1%		
Consumer Discretionary (616)	Goodwill Intensity (GW/TA)	13.7%	13.5%	13.3%	13.1%	14.2%	14%	1.0%
	Loss Intensity (GWI/GW)	1.0%	0.6%	1.4%	2.0%	1.0%		
	Loss Intensity (GWI/TA)	0.1%	0.1%	0.2%	0.2%	0.1%		
Energy (321)	Goodwill Intensity (GW/TA)	4.3%	4.7%	4.0%	4.4%	4.5%	5%	2.2%
	Loss Intensity (GWI/GW)	0.4%	1.4%	2.2%	3.3%	2.2%		
	Loss Intensity (GWI/TA)	0.0%	0.1%	0.1%	0.1%	0.1%		
Information Technology (794)	Goodwill Intensity (GW/TA)	17.5%	16.4%	18.2%	18.4%	18.8%	19%	0.4%
	Loss Intensity (GWI/GW)	1.2%	0.3%	1.2%	6.7%	0.4%		
	Loss Intensity (GWI/TA)	0.2%	0.0%	0.2%	1.3%	0.1%		
Telecomm. Services (60)	Goodwill Intensity (GW/TA)	17.4%	17.9%	19.0%	18.9%	18.7%	19%	0.8%
	Loss Intensity (GWI/GW)	0.0%	0.3%	2.3%	0.1%	0.8%		
	Loss Intensity (GWI/TA)	0.0%	0.1%	0.4%	0.0%	0.2%		
Consumer Staples (194)	Goodwill Intensity (GW/TA)	20.9%	20.9%	21.0%	19.5%	20.1%	20%	0.4%
	Loss Intensity (GWI/GW)	1.1%	0.9%	2.1%	0.5%	0.4%		
	Loss Intensity (GWI/TA)	0.2%	0.2%	0.4%	0.2%	0.1%		
Financials (1,550)	Goodwill Intensity (GW/TA)	2.0%	2.2%	1.8%	1.7%	1.8%	2%	0.2%
	Loss Intensity (GWI/GW)	2.5%	3.0%	1.3%	0.6%	0.2%		
	Loss Intensity (GWI/TA)	0.1%	0.1%	0.0%	0.0%	0.0%		
Utilities (97)	Goodwill Intensity (GW/TA)	3.9%	3.8%	4.1%	5.0%	4.8%	5%	0.6%
	Loss Intensity (GWI/GW)	2.8%	3.3%	0.0%	4.3%	0.6%		
	Loss Intensity (GWI/TA)	0.1%	0.1%	0.0%	0.2%	0.0%		
Total (5,153)	Goodwill Intensity (GW/TA)	5.9%	6.5%	5.9%	6.0%	6.2%	6%	0.8%
	Loss Intensity (GWI/GW)	1.3%	1.3%	1.4%	2.3%	0.8%		
	Loss Intensity (GWI/TA)	0.1%	0.1%	0.1%	0.1%	0.1%		

Industry Spotlights

In contrast to Tables 1 and 2, the Industry Spotlights allow the reader a more in-depth look at the 2013 statistics for the respective industries.

Industry Spotlights cover 10 industry sectors. They provide a focus on relevant metrics and statistics for the respective industries. Each spotlight displays a variety of data as well as the top three companies that recognized the highest amount of goodwill impairment for the year.

Highlights

Materials jumped from fifth place in 2012 to first in 2013, recognizing $4.5 billion of GWI (22% of 2013's aggregate impairments) in just eight events. It replaced Information Technology, which had $22.0 billion of GWI in 53 events in 2012. The two largest impairment events of the year were both in Materials, driving up the total for the industry. The third largest 2013 GWI was recorded within Healthcare.

Market-to-Book Value

While not a sole or definitive indicator of impairment, a company's market capitalization should not be ignored during a goodwill impairment test. Understanding the dynamics of the market-to-book ratios is informative, but the fact that an individual company has a ratio below 1.0 does not by default result in failing either Step 1 or 2 of the goodwill impairment test. Reporting unit structures, their respective performance, and where the goodwill resides are a few of the critical factors that must be considered in the impairment testing process.

A low market-to-book ratio will, however, likely create challenges in supporting the "Step 0" more-likely-than-not conclusion (that the fair value of a reporting unit is not less than its carrying amount) required from a qualitative assessment.

Guide

The guide below provides a brief description of the components of the Industry Spotlights.

Goodwill Trends

Provides goodwill amounts at the beginning and end of a 5-year period, as well as the aggregate goodwill additions and impairments over that period.

Impairment History

Annual amounts and number of goodwill impairment events over the last five years. The industry market-to-book ratio (red line) provides some context for the annual impairment measures, although it is not predictive on its own.

Market-to-Book Ratio Distribution

Highlights the number of companies in the industry (shown in percentages terms) with a market-to-book ratio below and above 1.0. The blue shaded area to the left of the needle further separates the number of companies with a ratio above and below 0.5. Although not predictive on its own, companies with a low market-to-book ratio would be at a greater risk of impairment.

Summary Statistics

2013 Goodwill Intensity (GW/TA), Goodwill Impairment to Goodwill (GWI/GW), Companies with Goodwill, and Percent of Companies with Goodwill that recorded a Goodwill Impairment are depicted here and also in Table 2 elsewhere in the Study.

Size of Industry

Represents the size of the industry relative to the combined size of all the companies included in the Study sample, measured in terms of market cap.

Index

Five year index of the industry sector and the S&P 500 Index. Summarizes the relative performance of the industry: reflects what a $1 investment in the beginning of 2009 would be worth at the end of 2013

Top 3 Industry Goodwill Impairments

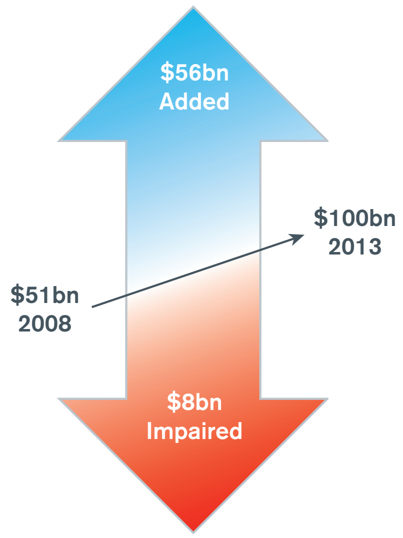
Highlights the concentration of the top 3 impairments recorded in the industry during the year of the Study.

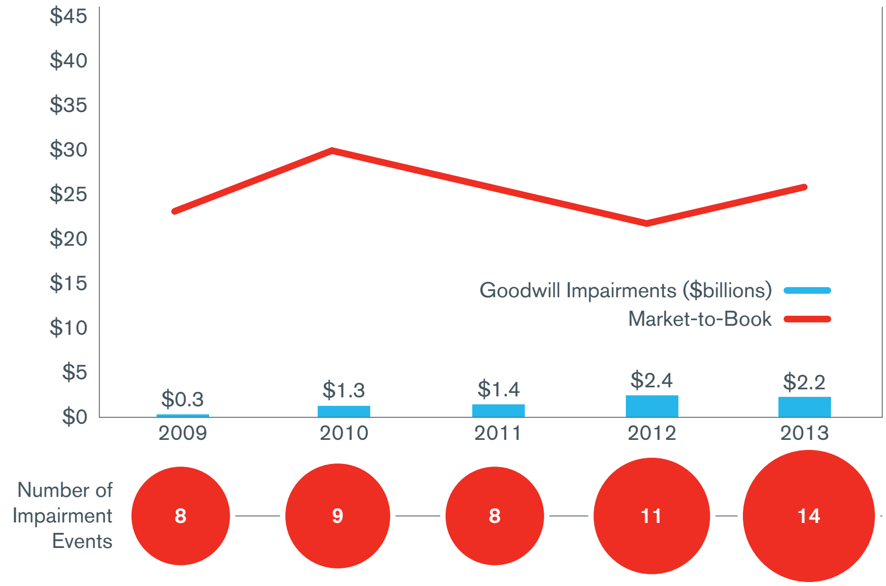
2013 Industry Spotlight

Energy

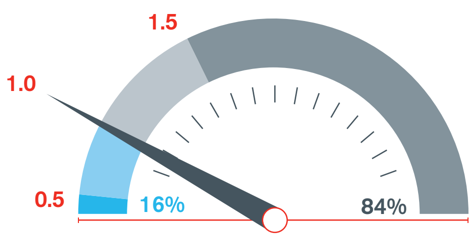
GICS Code 10

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

321
Companies

4.5%
Goodwill to Total Assets (GW/TA)

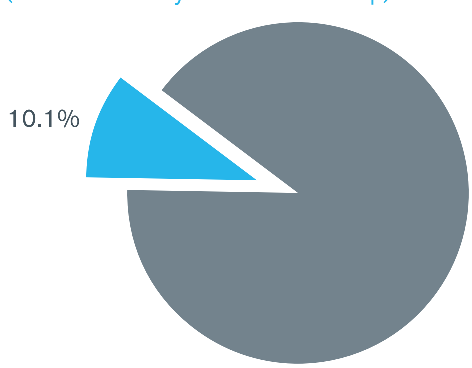
2.2%
Percent of Goodwill Impaired (GWI/GW ratio)

32.1%
Companies with Goodwill

13.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

1.9
Market-to-Book Ratio (median)

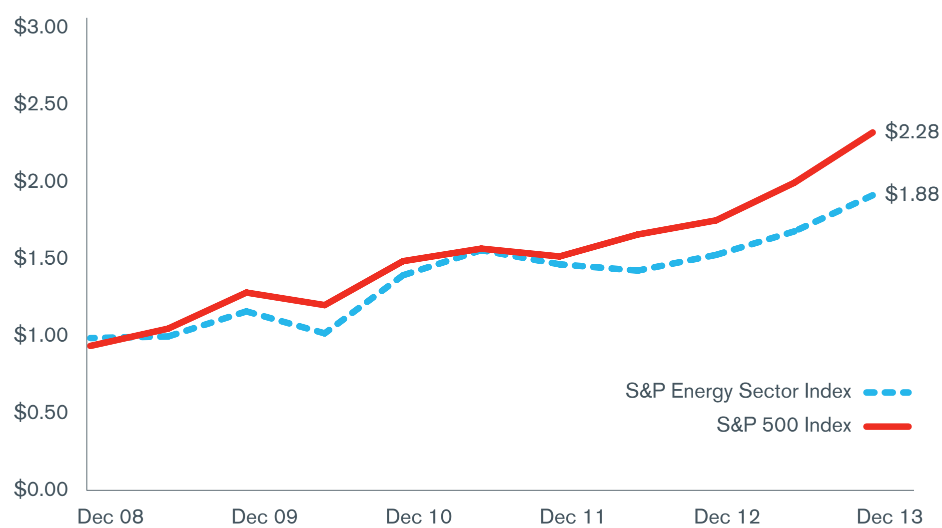
Size of Industry
(Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments

Energy Transfer Equity, L.P.	$689 million
NuStar Energy L.P.	$332 million
Arch Coal Inc.	$265 million

Index (Year End 2008 = $1)

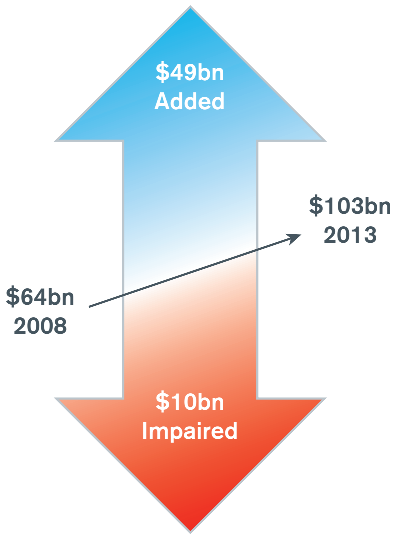


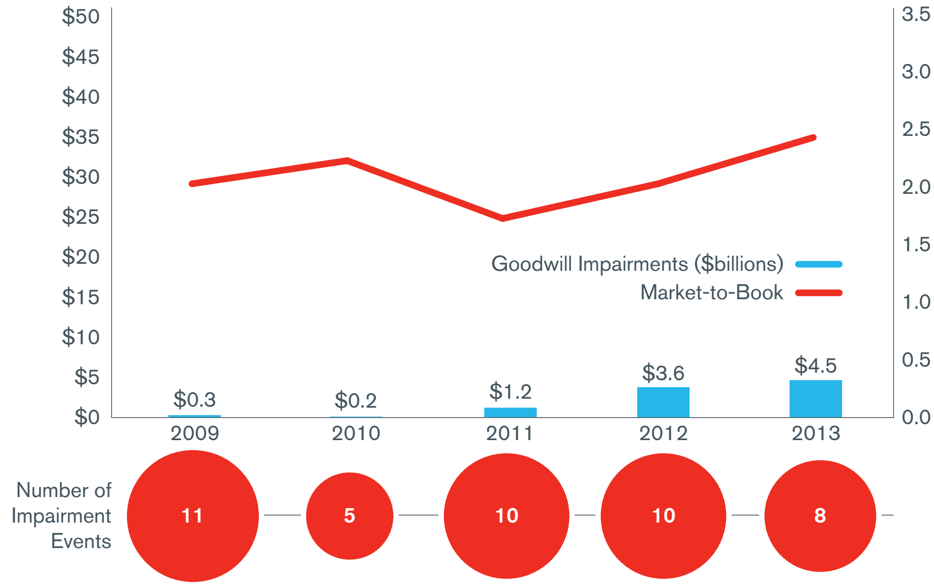
2013 Industry Spotlight

Materials

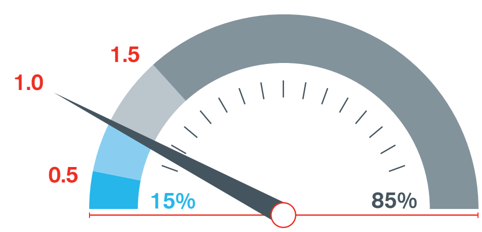
GICS Code 15

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

272
Companies

12.8%
Goodwill to Total Assets (GW/TA)

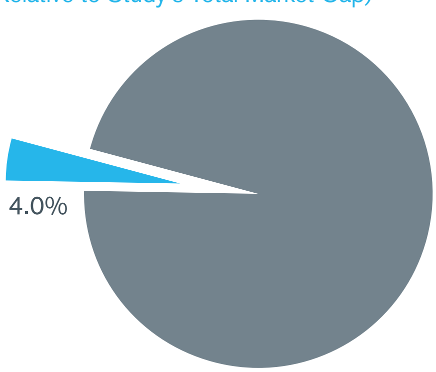
4.3%
Percent of Goodwill Impaired (GWI/GW ratio)

43.8%
Companies with Goodwill

6.7%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

2.4
Market-to-Book Ratio (median)

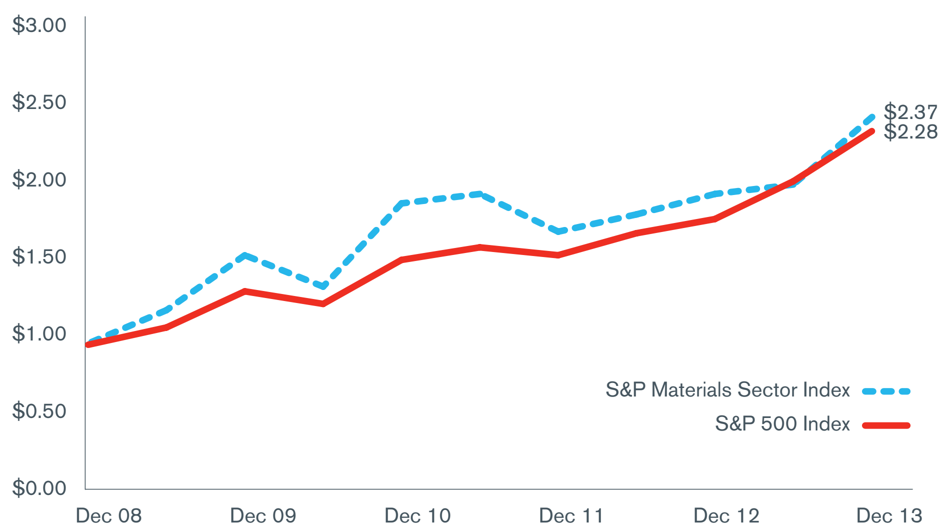
Size of Industry
(Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments

United States Steel Corp. ....$1,806 million
Alcoa Inc. ....$1,731 million
International Paper Company.......$512 million

Index (Year End 2008 = $1)

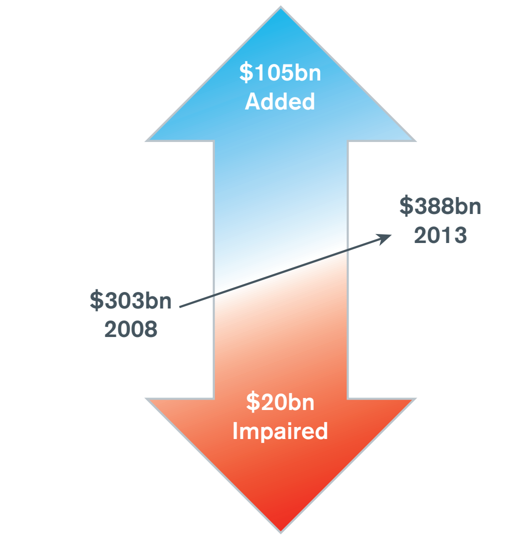


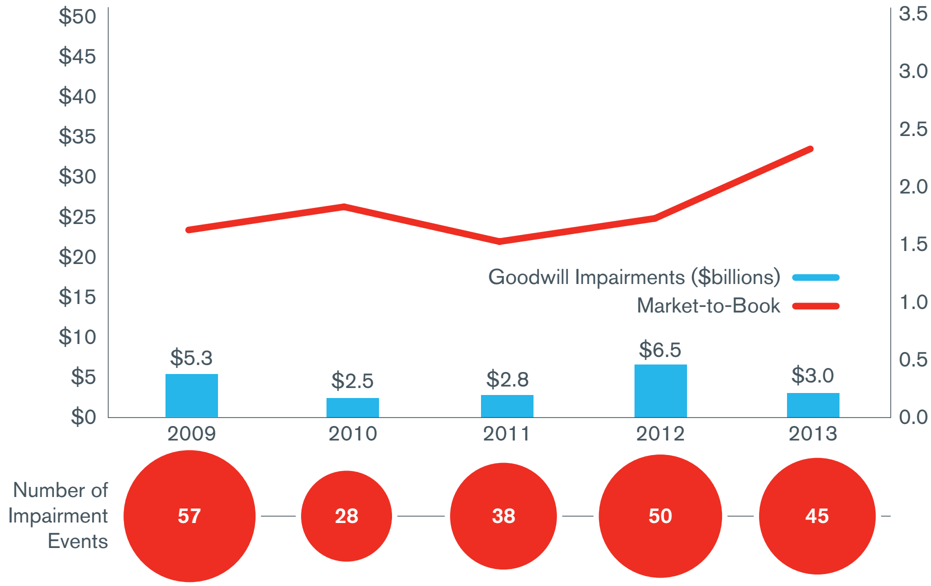
2013 Industry Spotlight

Industrials

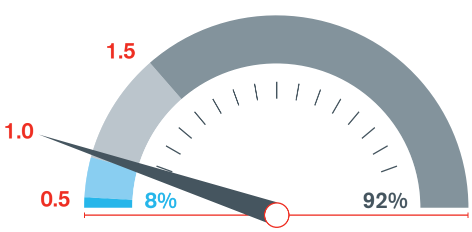
GICS Code 20

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

612
Companies

16.2%
Goodwill to Total Assets (GW/TA)

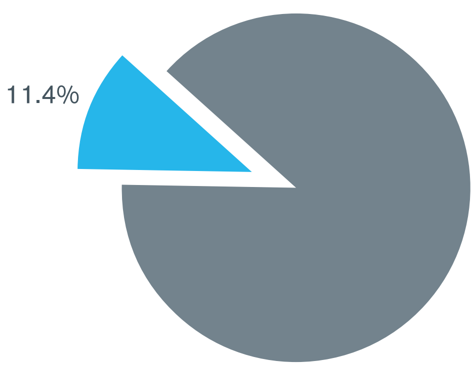
0.8%
Percent of Goodwill Impaired (GWI/GW ratio)

59.2%
Companies with Goodwill

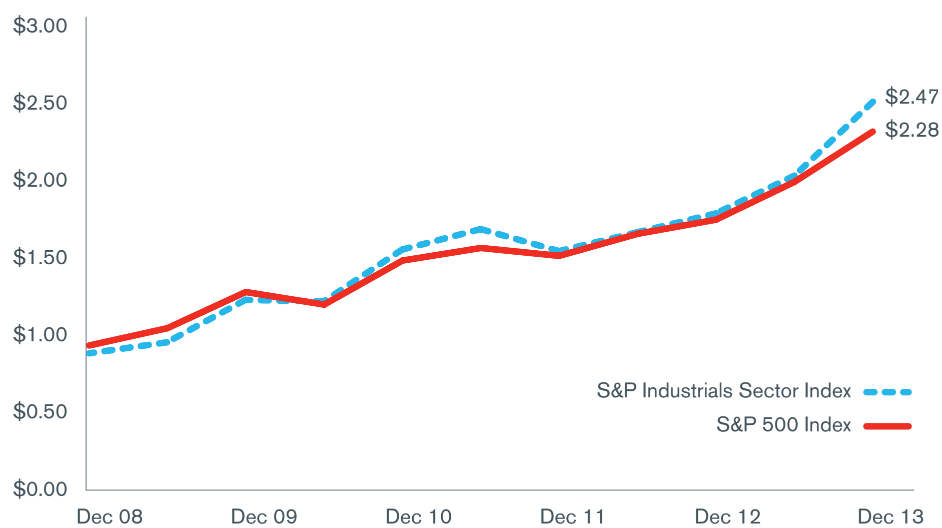
12.4%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

2.3
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

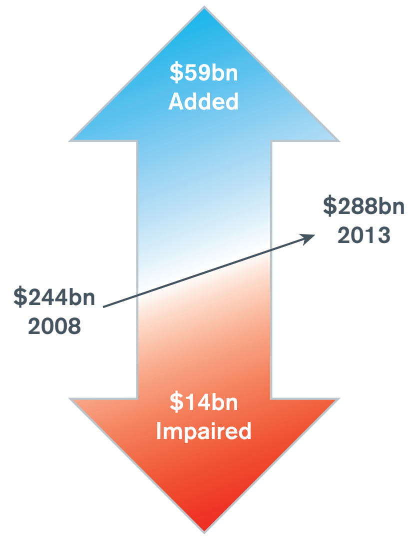
Emerson Electric Co. .... $528 million
Waste Management, Inc. .... $509 million
Lockheed Martin Corporation ...... $195 million

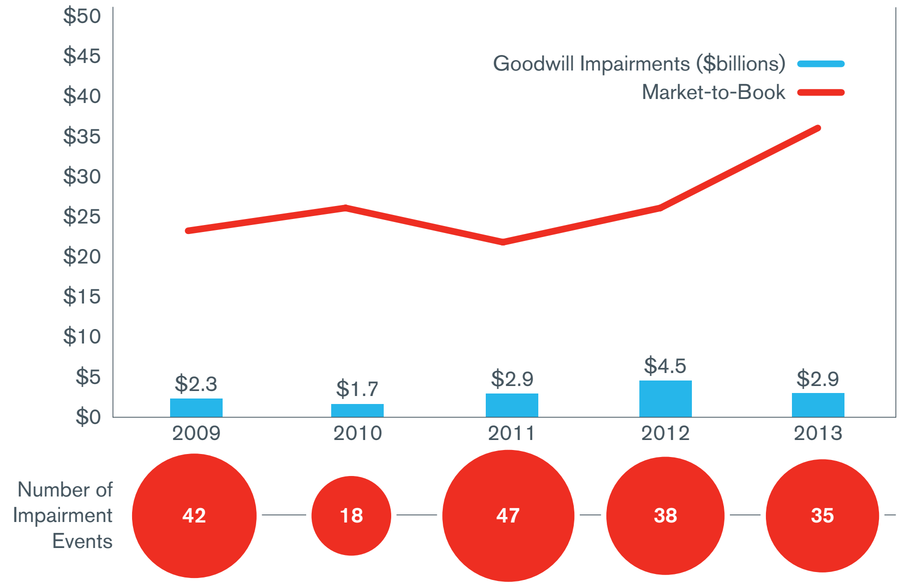
2013 Industry Spotlight

Consumer Discretionary

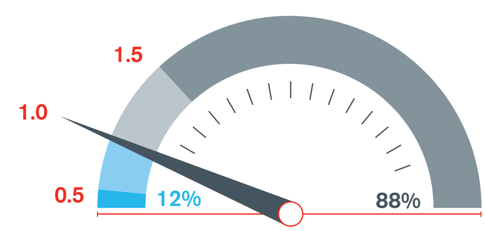
GICS Code 25

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

616
Companies

14.2%
Goodwill to Total Assets (GW/TA)

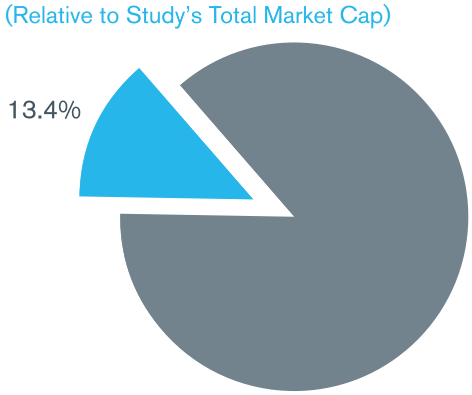
1.0%
Percent of Goodwill Impaired (GWI/GW ratio)

53.4%
Companies with Goodwill

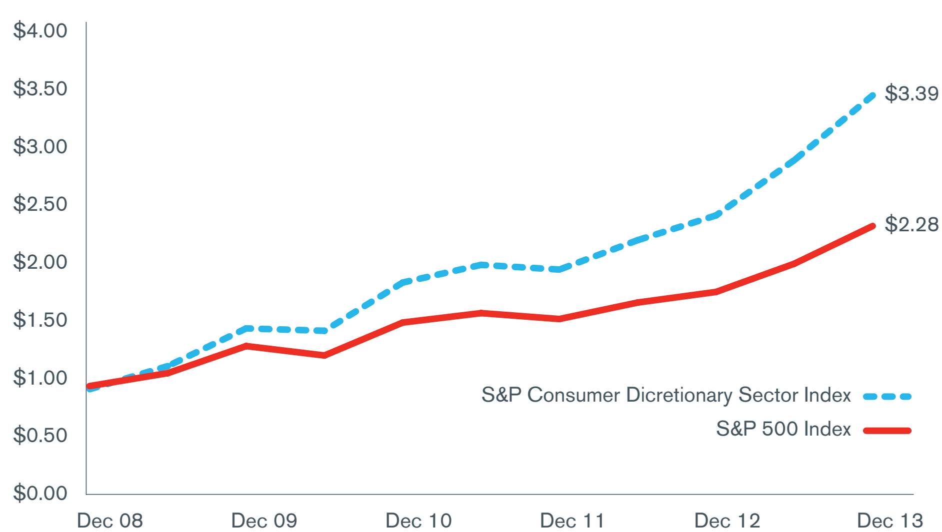
10.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

2.5
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

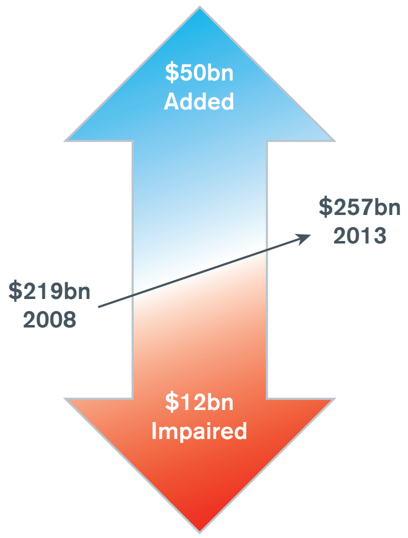
Best Buy Co., Inc. .... $822 million
Penn National Gaming Inc. .... $807 million
Johnson Controls Inc. .... $430 million

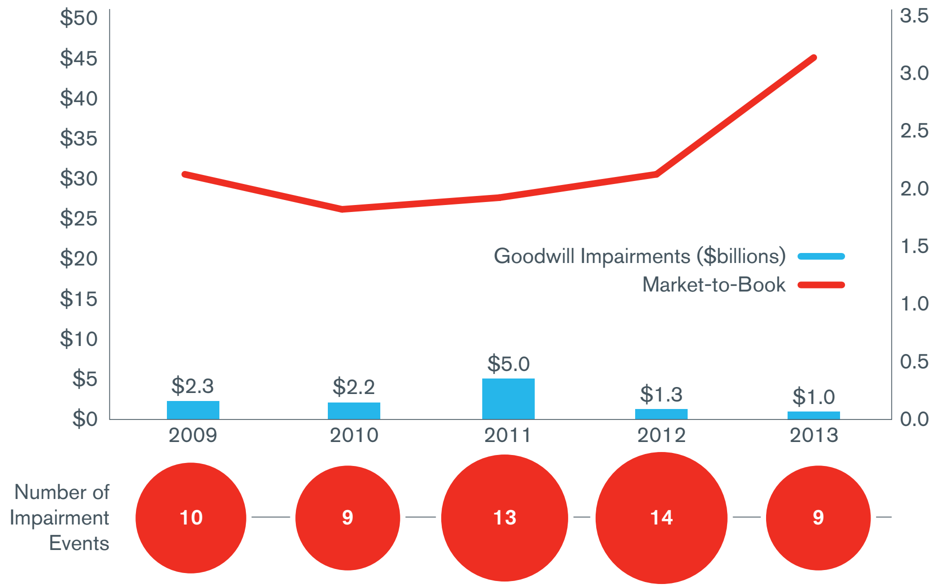
2013 Industry Spotlight

Consumer Staples

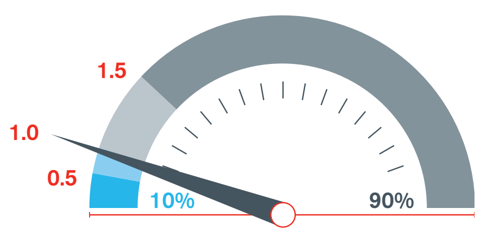
GICS Code 30

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

194
Companies

20.1%
Goodwill to Total Assets (GW/TA)

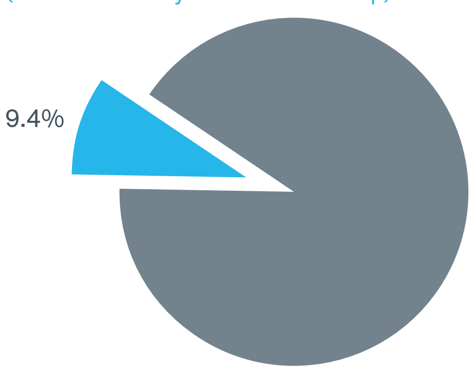
0.4%
Percent of Goodwill Impaired (GWI/GW ratio)

49.5%
Companies with Goodwill

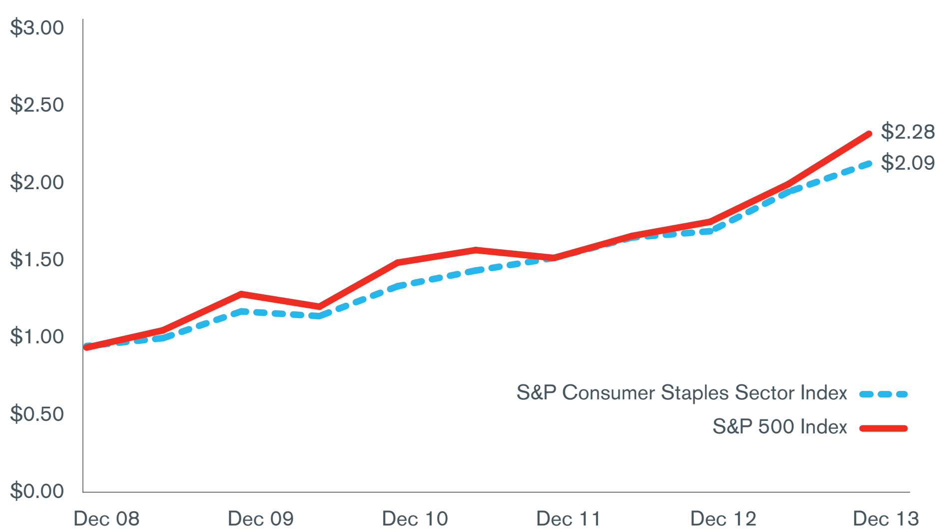
9.4%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

3.1
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

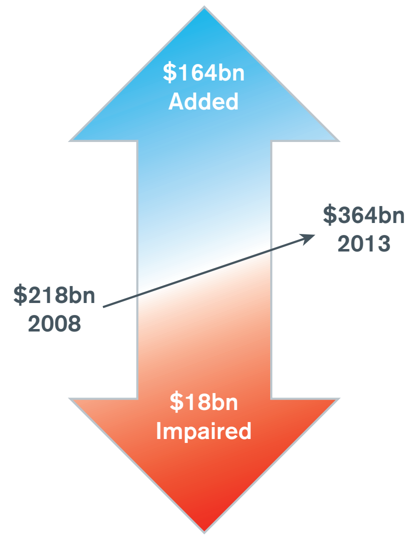
Campbell Soup Company ....$360 million
Constellation Brands Inc. ....$279 million
The Procter & Gamble Company........$259 million

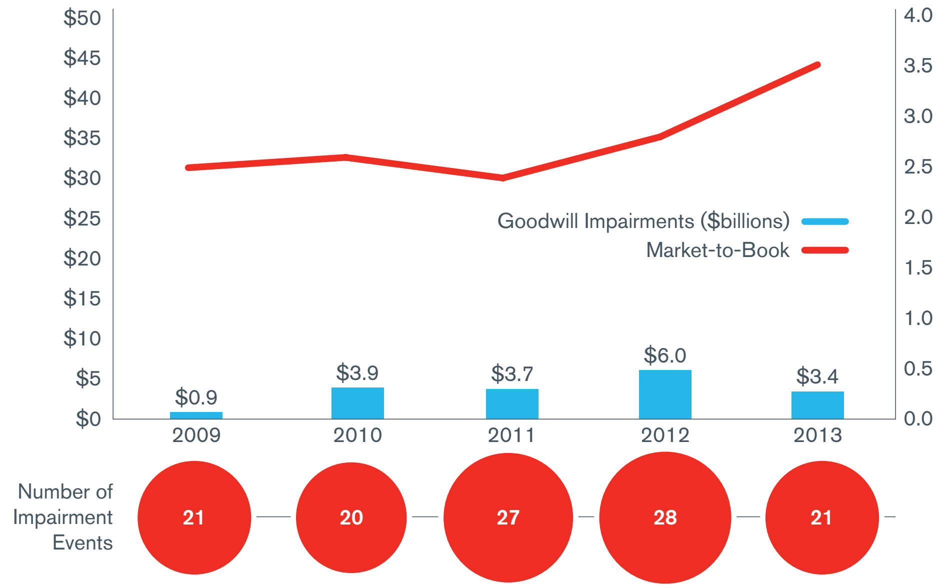
2013 Industry Spotlight

Healthcare

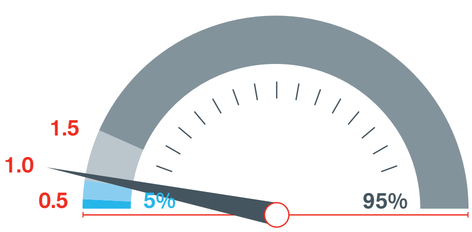
GICS Code 35

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

637
Companies

23.1%
Goodwill to Total Assets (GW/TA)

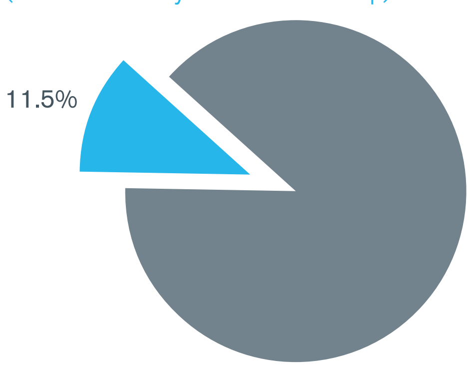
0.9%
Percent of Goodwill Impaired (GWI/GW ratio)

41.0%
Companies with Goodwill

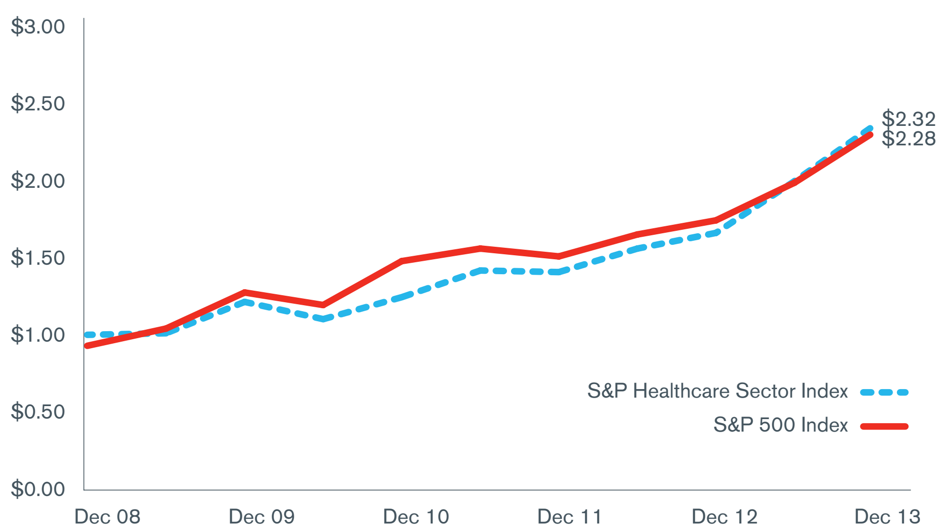
8.0%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

3.5
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

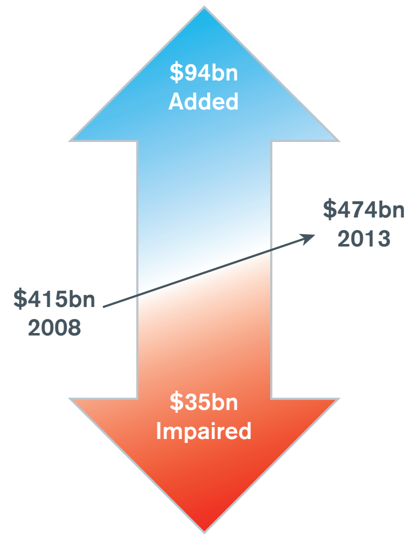
Hologic Inc. .... $1,117 million
Cardinal Health, Inc. .... $829 million
Gentiva Health Services Inc. .... $601 million

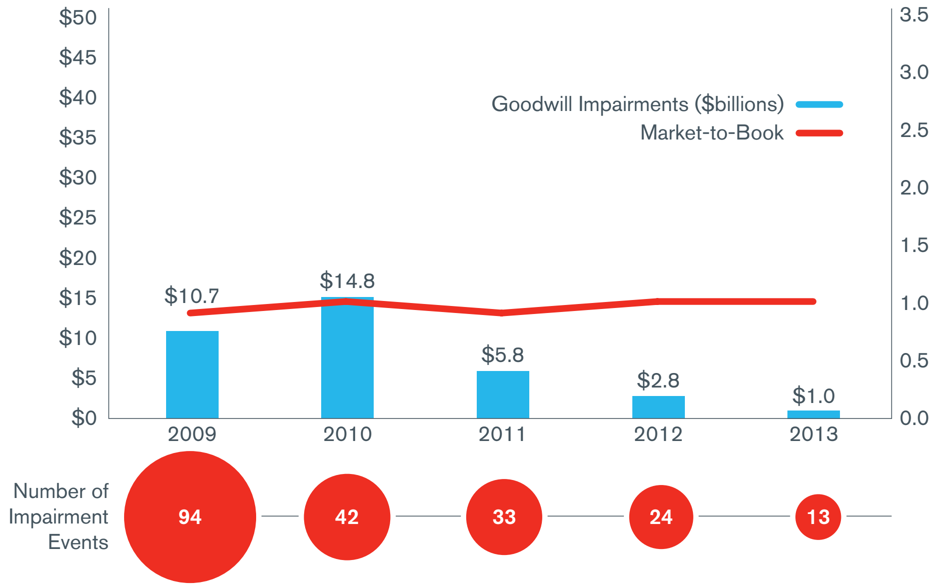
2013 Industry Spotlight

Financials

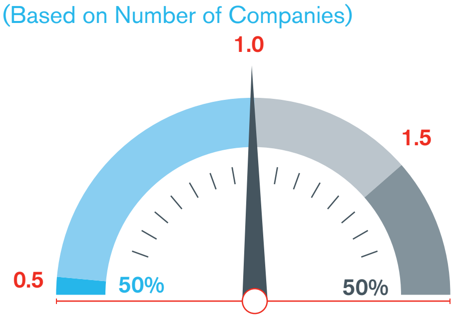
GICS Code 40

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

1,550
Companies

1.8%
Goodwill to Total Assets (GW/TA)

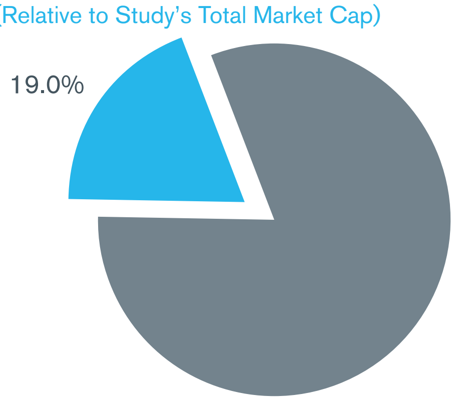
0.2%
Percent of Goodwill Impaired (GWI/GW ratio)

29.4%
Companies with Goodwill

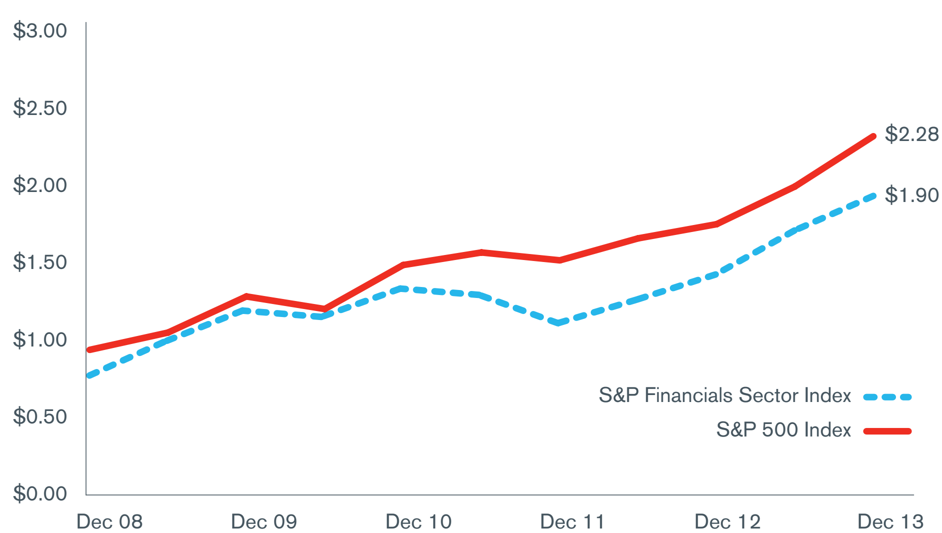
2.9%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

1.0
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

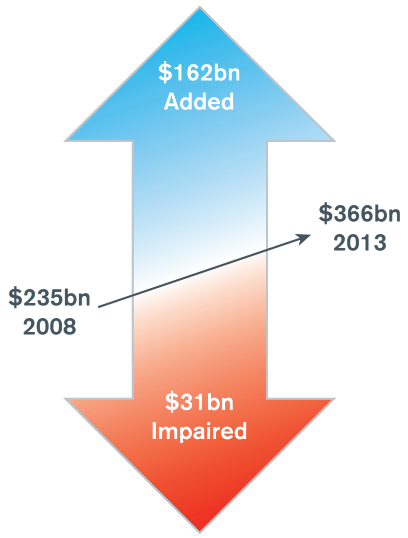
Loews Corporation................................$636 million
E*TRADE Financial Corporation...........$142 million
Meadowbrook Insurance Group Inc. ..$115 million

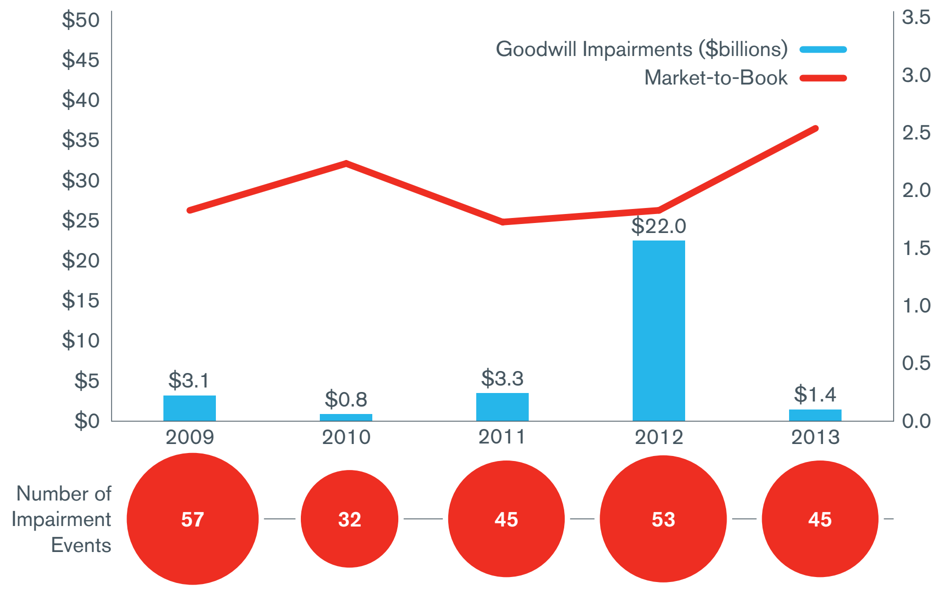
2013 Industry Spotlight

Information Technology

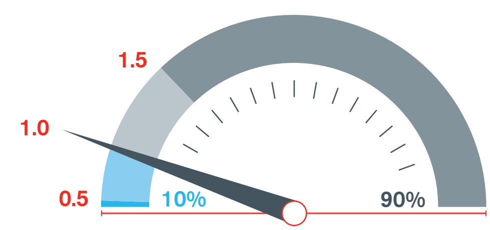
GICS Code 45

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

794
Companies

18.8%
Goodwill to Total Assets (GW/TA)

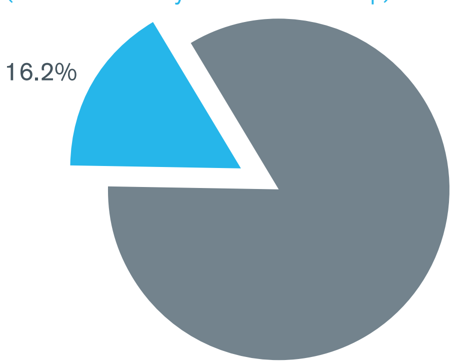
0.4%
Percent of Goodwill Impaired (GWI/GW ratio)

53.7%
Companies with Goodwill

10.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

2.5
Market-to-Book Ratio (median)

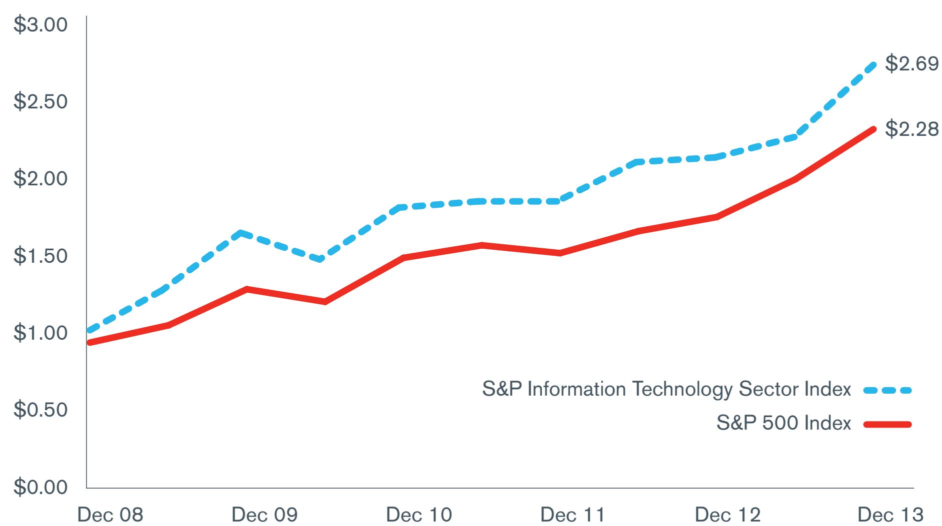
Size of Industry
(Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments

EarthLink Holdings Corp. .... $257 million
Applied Materials, Inc. .... $224 million
Itron, Inc. .... $173 million

Index (Year End 2008 = $1)

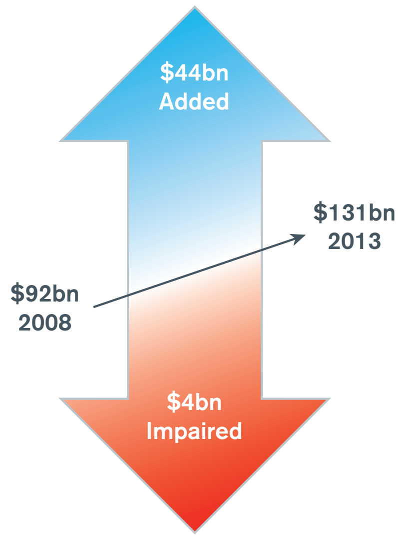


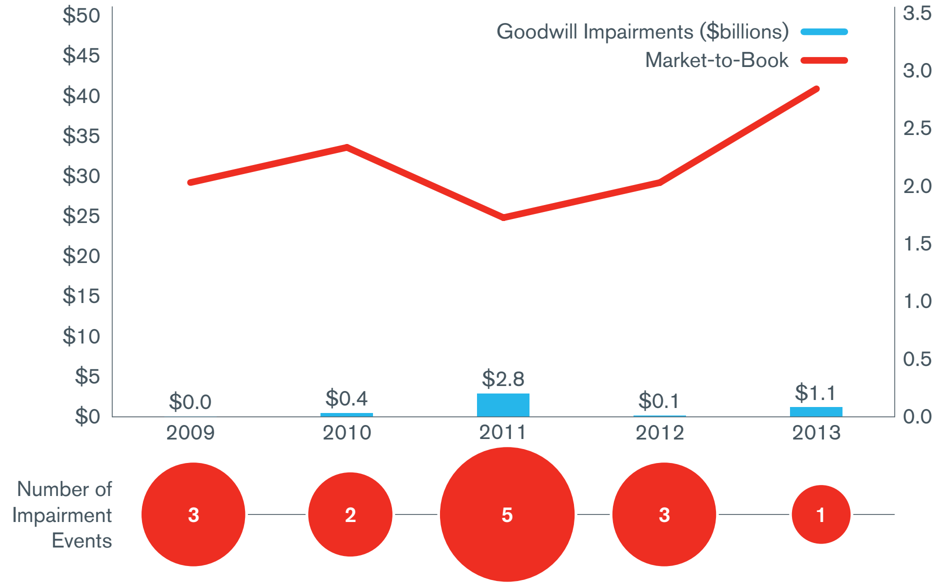
2013 Industry Spotlight

Telecommunication Services

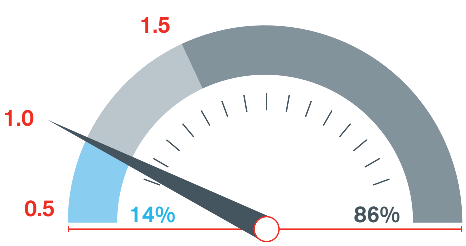
GICS Code 50

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

60
Companies

18.7%
Goodwill to Total Assets (GW/TA)

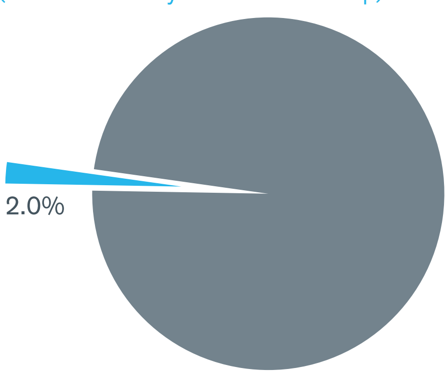
0.8%
Percent of Goodwill Impaired (GWI/GW ratio)

53.3%
Companies with Goodwill

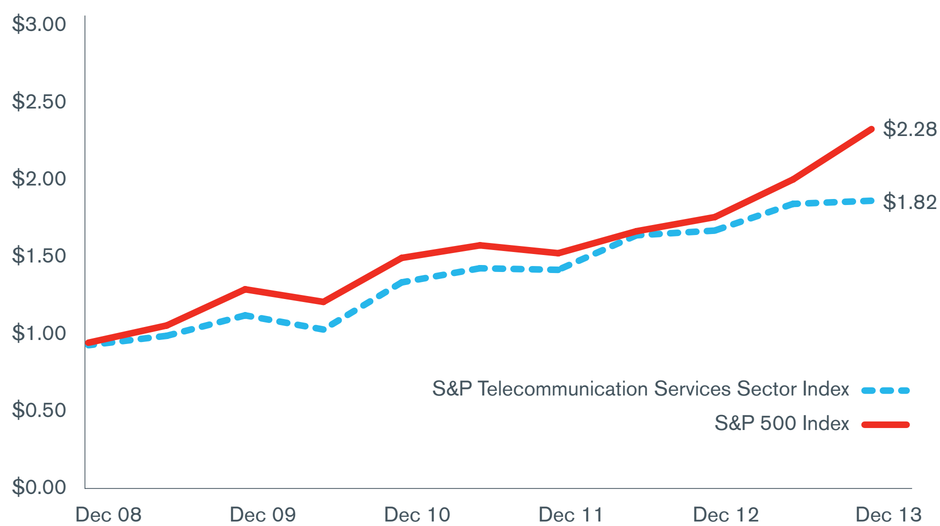
3.1%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

2.8
Market-to-Book Ratio (median)

Size of Industry
(Relative to Study's Total Market Cap)



Index (Year End 2008 = $1)



Top 3 Industry Goodwill Impairments

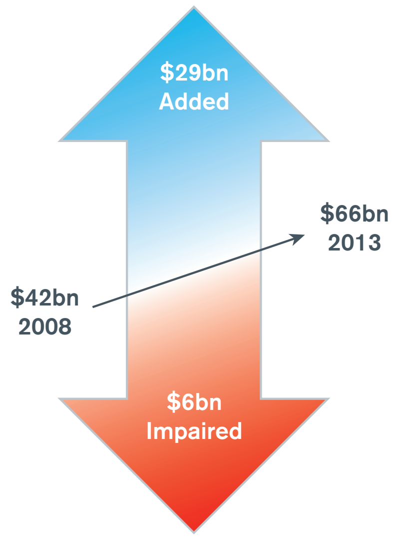
CenturyLink, Inc. .... $1,092 million

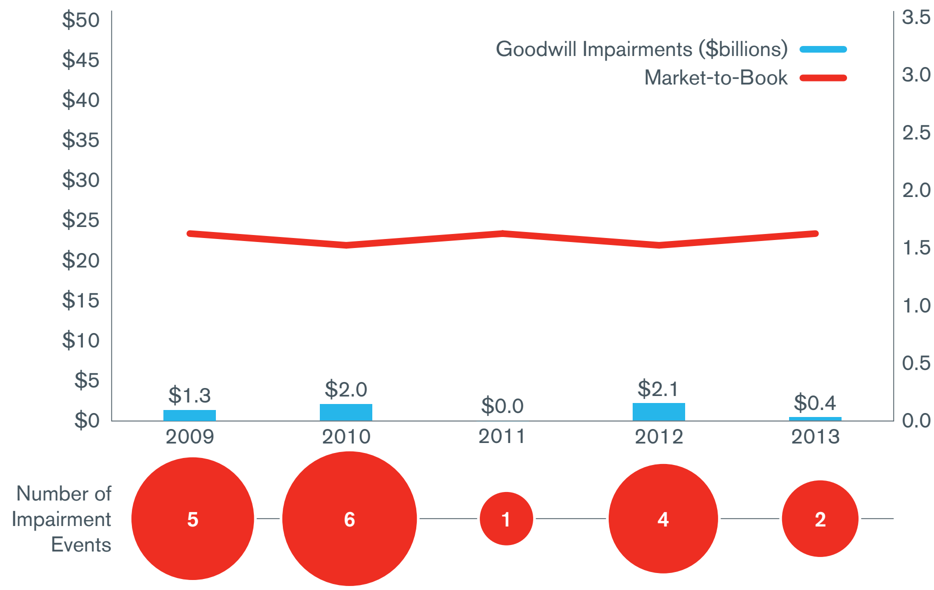
2013 Industry Spotlight

Utilities

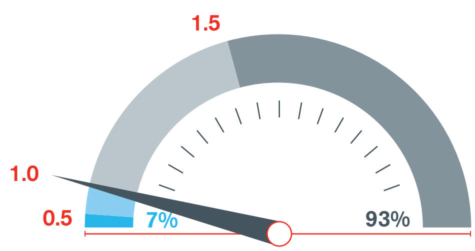
GICS Code 55

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

97
Companies

4.8%
Goodwill to Total Assets (GW/TA)

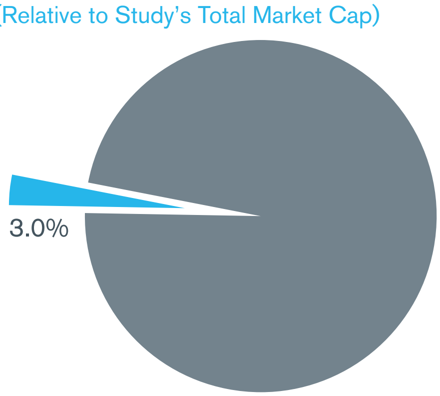
0.6%
Percent of Goodwill Impaired (GWI/GW ratio)

56.7%
Companies with Goodwill

3.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

1.6
Market-to-Book Ratio (median)

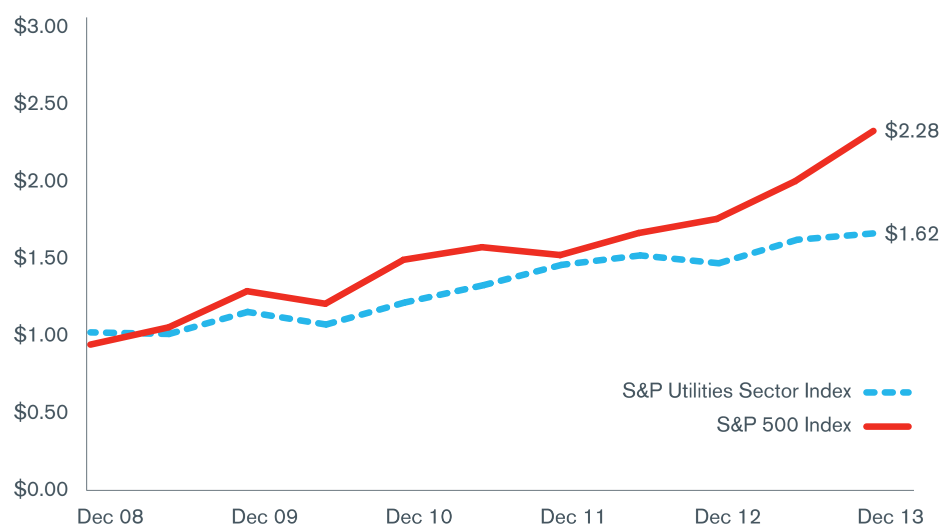
Size of Industry
(Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments

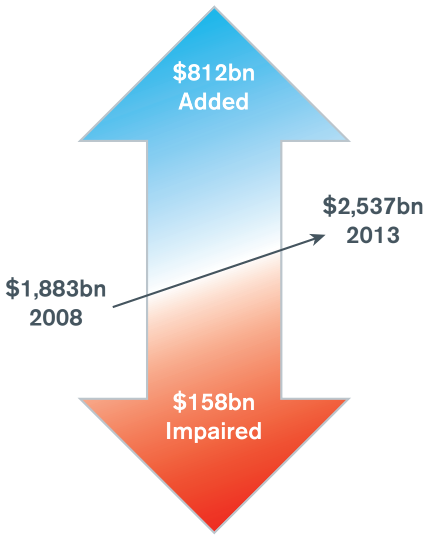
The AES Corporation.................. $372 million
Gas Natural Inc. .... $1 million

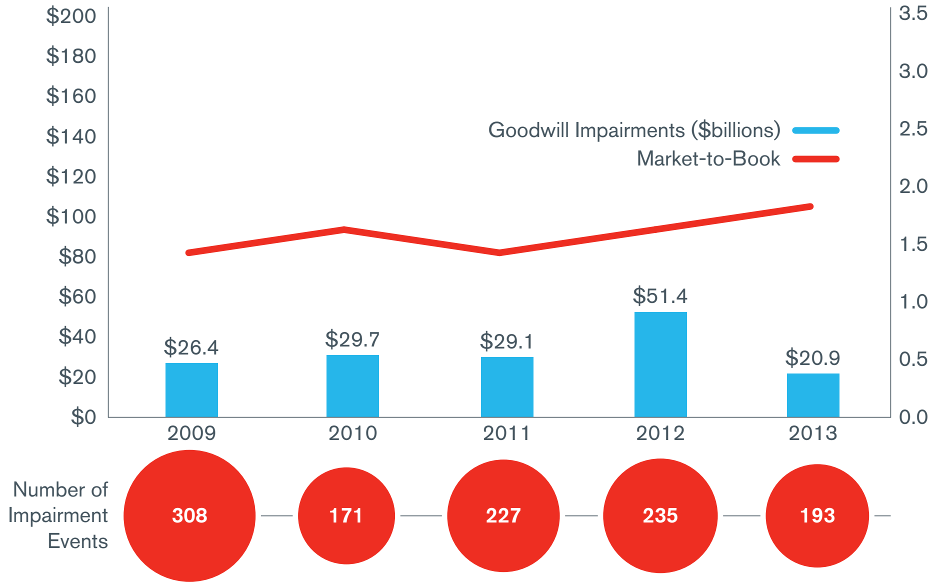
Index (Year End 2008 = $1)



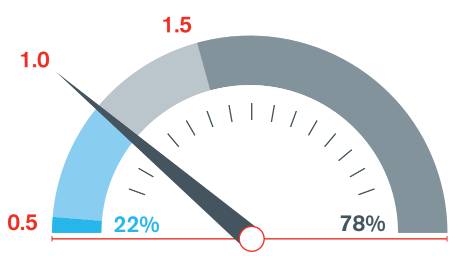
2013 Composite Industry Spotlight

Goodwill Trends 2008–2013





Market-to-Book Ratio Distribution
(Based on Number of Companies)



(Percentages of Companies Below / Above 1.0)

5,153
Companies

6.2%
Goodwill to Total Assets (GW/TA)

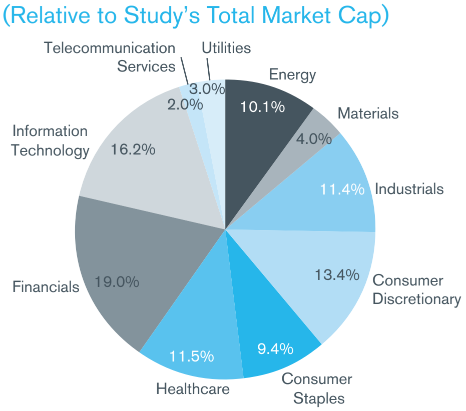
0.8%
Percent of Goodwill Impaired (GWI/GW ratio)

43.4%
Companies with Goodwill

8.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2013

1.8
Market-to-Book Ratio (median)

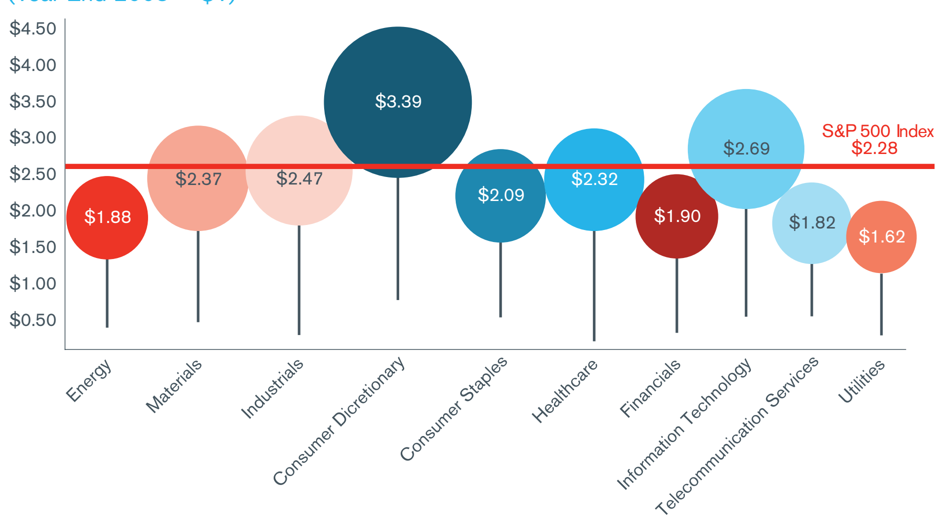
Size of Sectors
(Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments

United States Steel Corp.	$1,806 million
Alcoa Inc.	$1,731 million
Hologic Inc.	$1,117 million

Cumulative 5-year Terminal Index Value by Industry from 2009 to 2013 Index
(Year End 2008 = $1)



Goodwill Impairments by Sub-Industry

Calendar Year 2013

Goodwill Intensity:

- Goodwill to Total Assets (GW/TA)

Loss Intensity:

- Goodwill Impairment to Goodwill (GWI/GW)

List of Industries by Sub-Industry, as defined by Global Industry Classification Standard (GICS)

GICS Code	GICS Sub-Industry Name	Number Co.'s	% of Co.'s with GW	GW/TA	GWI/GW	% of Co's with GW that Recorded GWI	Goodwill Impairment (in $millions)	Market-to-Book Ratio
	Energy						**$2,157(industry total)**	
10101010	Oil and Gas Drilling	8	25%	0.7%	19.3%	50.0%	$42	1.4
10101020	Oil and Gas Equipment and Services	50	66%	15.7%	0.6%	6.1%	$155	1.8
10102010	Integrated Oil and Gas	4	50%	0.9%	–	–	–	1.7
10102020	Oil and Gas Exploration and Production	163	10%	2.7%	1.3%	11.8%	$231	2.1
10102030	Oil and Gas Refining and Marketing	27	52%	5.3%	5.9%	7.1%	$332	1.7
10102040	Oil and Gas Storage and Transportation	49	69%	8.8%	2.1%	17.6%	$880	2.1
10102050	Coal and Consumable Fuels	20	5%	0.6%	61.7%	66.7%	$519	1.7
	Materials						**$4,471 (industry total)**	
15101010	Commodity Chemicals	25	36%	13.9%	–	–	–	2.4
15101020	Diversified Chemicals	9	78%	14.1%	–	–	–	2.2
15101030	Fertilizers and Agricultural Chemicals	17	35%	14.5%	0.3%	16.7%	$30	2.4
15101040	Industrial Gases	3	100%	13.9%	–	–	–	–
15101050	Specialty Chemicals	56	63%	20.1%	0.0%	2.9%	$1	2.8
15102010	Construction Materials	12	58%	25.3%	–	–	–	2.2
15103010	Metal and Glass Containers	10	80%	24.3%	–	–	–	3.7
15103020	Paper Packaging	10	90%	19.6%	–	–	–	2.5
15104010	Aluminum	5	40%	8.8%	50.1%	50.0%	$1,731	0.9
15104020	Diversified Metals and Mining	40	18%	2.8%	0.6%	14.3%	$14	2.1
15104030	Gold	22	5%	0.4%	42.4%	100.0%	$56	3.9
15104040	Precious Metals and Minerals	12	8%	0.4%	–	–	–	2.0
15104045	Silver	2	–	–	–	–	–	0.7
15104050	Steel	33	48%	7.1%	34.0%	12.5%	$2,127	1.3
15105010	Forest Products	4	25%	0.3%	–	–	–	2.1
15105020	Paper Products	12	58%	10.9%	9.5%	14.3%	$512	2.2
	Industrials						**$3,026 (industry total)**	
20101010	Aerospace and Defense	68	62%	27.6%	0.3%	16.7%	$364	2.1
20102010	Building Products	26	62%	15.0%	0.4%	6.3%	$21	3.5
20103010	Construction and Engineering	31	77%	23.4%	0.1%	8.3%	$15	1.8
20104010	Electrical Components and Equipment	60	43%	26.3%	3.9%	23.1%	$616	2.4
20104020	Heavy Electrical Equipment	14	14%	20.0%	–	–	–	2.8
20105010	Industrial Conglomerates	9	78%	10.9%	0.1%	14.3%	$100	2.5
20106010	Construction Machinery and Heavy Trucks	27	81%	8.9%	1.0%	9.1%	$158	2.2
20106015	Agricultural and Farm Machinery	6	100%	3.1%	–	–	–	2.1
20106020	Industrial Machinery	92	64%	26.1%	1.1%	10.2%	$426	2.5
20107010	Trading Companies and Distributors	36	61%	15.0%	0.5%	18.2%	$40	2.3

Goodwill Impairments by Sub-Industry
Calendar Year 2013

List of Industries by Sub-Industry, as defined by Global Industry Classification Standard (GICS)

GICS Code	GICS Sub-Industry Name	Number Co.'s	% of Co.'s with GW	GW/TA	GWI/GW	% of Co's with GW that Recorded GWI	Goodwill Impairment (in $millions)	Market-to-Book Ratio
	Industrials (continued)							
20201010	Commercial Printing	11	91%	27.6%	5.8%	20.0%	$228	1.7
20201050	Environmental and Facilities Services	55	36%	35.2%	2.6%	20.0%	$626	2.4
20201060	Office Services and Supplies	21	62%	19.9%	4.4%	15.4%	$174	3.1
20201070	Diversified Support Services	24	63%	30.7%	0.1%	6.7%	$4	2.0
20201080	Security and Alarm Services	6	17%	9.5%	–	–	–	1.6
20202010	Human Resource and Employment Services	23	78%	22.3%	0.4%	11.1%	$18	2.5
20202020	Research and Consulting Services	33	64%	44.5%	1.1%	14.3%	$111	1.6
20301010	Air Freight and Logistics	16	63%	7.9%	0.8%	10.0%	$53	2.6
20302010	Airlines	12	33%	11.6%	–	–	–	1.5
20303010	Marine	6	83%	12.8%	–	–	–	2.1
20304010	Railroads	6	50%	0.6%	–	–	–	2.7
20304020	Trucking	24	58%	4.2%	2.3%	7.1%	$73	2.4
20305010	Airport Services	4	50%	20.6%	–	–	–	1.8
20305020	Highways and Railtracks	1	–	–	–	–	–	–
20305030	Marine Ports and Services	1	–	–	–	–	–	3.7
	Consumer Discretionary						**$2,940 (industry total)**	
25101010	Auto Parts and Equipment	39	51%	12.6%	3.4%	20.0%	$510	2.1
25101020	Tires and Rubber	3	67%	3.4%	–	–	–	2.4
25102010	Automobile Manufacturers	7	43%	0.1%	–	–	–	3.3
25102020	Motorcycle Manufacturers	2	100%	0.3%	–	–	–	5.0
25201010	Consumer Electronics	12	25%	6.6%	–	–	–	1.3
25201020	Home Furnishings	13	38%	20.5%	1.8%	20.0%	$63	2.4
25201030	Homebuilding	19	26%	0.3%	–	–	–	1.7
25201040	Household Appliances	6	50%	10.6%	0.2%	66.7%	$4	2.0
25201050	Housewares and Specialties	11	82%	26.9%	–	–	–	2.7
25202010	Leisure Products	20	55%	11.8%	–	–	–	3.6
25203010	Apparel, Accessories and Luxury Goods	40	60%	15.7%	0.6%	8.3%	$52	2.5
25203020	Footwear	11	64%	3.3%	–	–	–	2.8
25203030	Textiles	5	60%	1.5%	–	–	–	2.0
25301010	Casinos and Gaming	37	41%	10.3%	9.3%	20.0%	$862	1.9
25301020	Hotels, Resorts and Cruise Lines	15	60%	16.1%	–	–	–	3.0
25301030	Leisure Facilities	15	53%	7.8%	10.1%	12.5%	$89	1.9
25301040	Restaurants	51	65%	9.2%	2.9%	9.1%	$240	4.9
25302010	Education Services	24	50%	16.2%	0.1%	8.3%	$3	1.6
25302020	Specialized Consumer Services	14	86%	15.9%	0.7%	16.7%	$36	2.7
25401010	Advertising	21	38%	32.6%	0.1%	12.5%	$11	2.9
25401020	Broadcasting	22	86%	31.1%	0.1%	15.8%	$36	3.0
25401025	Cable and Satellite	10	70%	13.8%	–	–	–	–
25401030	Movies and Entertainment	28	50%	36.5%	–	–	–	2.8
25401040	Publishing	19	58%	30.2%	0.2%	9.1%	$13	2.6
25501010	Distributors	18	44%	19.8%	–	–	–	1.2
25502010	Catalog Retail	7	43%	35.4%	0.1%	33.3%	$5	3.7
25502020	Internet Retail	16	44%	13.2%	–	–	–	–
25503010	Department Stores	7	43%	5.4%	–	–	–	2.4

Goodwill Impairments by Sub-Industry
Calendar Year 2013

List of Industries by Sub-Industry, as defined by Global Industry Classification Standard (GICS)

GICS Code	GICS Sub-Industry Name	Number Co.'s	% of Co.'s with GW	GW/TA	GWI/GW	% of Co's with GW that Recorded GWI	Goodwill Impairment (in $millions)	Market-to-Book Ratio
	Consumer Discretionary (continued)							
25503020	General Merchandise Stores	8	25%	0.6%	–	–	–	2.5
25504010	Apparel Retail	42	43%	5.3%	2.4%	11.1%	$77	2.5
25504020	Computer and Electronics Retail	10	50%	12.5%	26.6%	80.0%	$857	1.3
25504030	Home Improvement Retail	3	67%	1.8%	–	–	–	–
25504040	Specialty Stores	33	52%	10.9%	1.1%	11.8%	$62	1.8
25504050	Automotive Retail	20	75%	9.2%	0.4%	13.3%	$19	2.8
25504060	Home Furnishing Retail	8	50%	6.0%	–	–	–	4.2
	Consumer Staples						**$1,037 (industry total)**	
30101010	Drug Retail	7	29%	25.2%	–	–	–	2.5
30101020	Food Distributors	6	83%	12.9%	–	–	–	3.2
30101030	Food Retail	13	69%	7.6%	–	–	–	1.8
30101040	Hypermarkets and Super Centers	3	67%	8.2%	–	–	–	4.6
30201010	Brewers	4	75%	15.0%	–	–	–	3.3
30201020	Distillers and Vintners	6	67%	34.4%	3.0%	50.0%	$280	2.5
30201030	Soft Drinks	15	47%	17.1%	0.3%	14.3%	$82	–
30202010	Agricultural Products	11	27%	3.3%	–	–	–	1.4
30202030	Packaged Foods and Meats	59	58%	30.1%	0.6%	5.9%	$360	3.0
30203010	Tobacco	7	86%	22.8%	–	–	–	3.1
30301010	Household Products	13	77%	30.5%	0.4%	20.0%	$267	3.1
30302010	Personal Products	50	22%	8.4%	2.6%	18.2%	$48	4.0
	Healthcare						**$3,397(industry total)**	
35101010	Healthcare Equipment	128	47%	23.5%	3.3%	11.7%	$1,750	3.0
35101020	Healthcare Supplies	42	64%	33.3%	0.5%	3.7%	$41	3.2
35102010	Healthcare Distributors	10	80%	18.1%	4.9%	12.5%	$829	3.2
35102015	Healthcare Services	52	54%	53.4%	1.1%	14.3%	$646	2.5
35102020	Healthcare Facilities	28	61%	24.7%	0.5%	17.6%	$96	2.3
35102030	Managed Healthcare	13	85%	24.8%	–	–	–	1.8
35103010	Health Care Technology	31	45%	30.2%	0.6%	7.1%	$22	–
35201010	Biotechnology	208	24%	13.8%	0.0%	4.0%	$6	–
35202010	Pharmaceuticals	81	28%	17.7%	0.0%	4.3%	$7	4.9
35203010	Life Sciences Tools and Services	44	52%	30.0%	0.0%	4.3%	$0	3.8
	Financials						**$1,005 (industry total)**	
40101010	Diversified Banks	10	80%	2.1%	–	–	–	1.0
40101015	Regional Banks	426	54%	2.4%	0.0%	1.3%	$22	1.1
40102010	Thrifts and Mortgage Finance	156	38%	0.1%	0.0%	1.7%	$0	1.0
40201020	Other Diversified Financial Services	2	–	–	–	–	–	–
40201030	Multi-Sector Holdings	7	43%	11.0%	0.0%	33.3%	$11	1.5
40201040	Specialized Finance	22	41%	13.1%	–	–	–	1.3
40202010	Consumer Finance	22	59%	3.5%	0.1%	15.4%	$28	2.1
40203010	Asset Management and Custody Banks	585	4%	3.4%	–	–	–	0.9
40203020	Investment Banking and Brokerage	29	62%	0.9%	0.9%	16.7%	$168	1.4
40203030	Diversified Capital Markets	3	67%	0.8%	–	–	–	0.7
40301010	Insurance Brokers	7	71%	39.3%	–	–	–	3.0

Goodwill Impairments by Sub-Industry

Calendar Year 2013

List of Industries by Sub-Industry, as defined by Global Industry Classification Standard (GICS)

GICS Code	GICS Sub-Industry Name	Number Co.'s	% of Co.'s with GW	GW/TA	GWI/GW	% of Co's with GW that Recorded GWI	Goodwill Impairment (in $millions)	Market-to-Book Ratio
	Financials (continued)							
40301020	Life and Health Insurance	21	57%	0.6%	–	–	–	1.1
40301030	Multi-line Insurance	13	69%	0.4%	14.9%	11.1%	$636	0.9
40301040	Property and Casualty Insurance	44	55%	1.8%	1.2%	4.2%	$115	1.3
40301050	Reinsurance	2	100%	0.2%	–	–	–	0.9
40402010	Diversified REITs	18	17%	0.5%	–	–	–	1.3
40402020	Industrial REITs	5	–	–	–	–	–	1.3
40402030	Mortgage REITs	25	12%	0.1%	10.5%	33.3%	$24	0.8
40402035	Hotel and Resort REITs	13	15%	0.1%	–	–	–	1.5
40402040	Office REITs	16	13%	0.0%	–	–	–	1.2
40402045	Healthcare REITs	11	36%	0.2%	–	–	–	1.9
40402050	Residential REITs	18	22%	0.1%	–	–	–	1.8
40402060	Retail REITs	29	14%	0.0%	–	–	–	1.6
40402070	Specialized REITs	14	50%	10.1%	–	–	–	2.7
40403010	Diversified Real Estate Activities	8	–	–	–	–	–	2.3
40403020	Real Estate Operating Companies	25	–	–	–	–	–	1.8
40403030	Real Estate Development	10	20%	2.3%	–	–	–	1.0
40403040	Real Estate Services	9	44%	31.3%	–	–	–	–
	Information Technology						**$1,380 (industry total)**	
45101010	Internet Software and Services	116	54%	24.4%	1.8%	20.6%	$444	3.2
45102010	IT Consulting and Other Services	51	43%	25.0%	0.3%	9.1%	$120	3.1
45102020	Data Processing and Outsourced Services	41	93%	25.6%	0.2%	7.9%	$113	3.8
45103010	Application Software	112	56%	36.2%	0.4%	6.3%	$119	3.7
45103020	Systems Software	35	57%	21.2%	0.0%	5.0%	$3	3.7
45103030	Home Entertainment Software	9	56%	41.8%	0.0%	20.0%	$1	2.8
45201020	Communications Equipment	86	49%	19.9%	0.1%	9.5%	$28	1.8
45202030	Technology Hardware, Storage and Peripherals	50	42%	12.6%	0.1%	9.5%	$70	2.3
45203010	Electronic Equipment and Instruments	87	39%	15.3%	8.3%	14.7%	$206	2.1
45203015	Electronic Components	22	64%	10.5%	–	–	–	1.7
45203020	Electronic Manufacturing Services	38	50%	11.1%	0.9%	21.1%	$26	1.6
45203030	Technology Distributors	23	65%	9.1%	0.0%	13.3%	$2	1.3
45301010	Semiconductor Equipment	43	51%	12.6%	3.5%	4.5%	$224	1.7
45301020	Semiconductors	81	59%	11.5%	0.1%	6.3%	$24	2.5
	Telecommunications Services						**$1,092 (industry total)**	
50101010	Alternative Carriers	19	47%	17.2%	–	–	–	4.2
50101020	Integrated Telecommunication Services	26	69%	19.7%	0.9%	5.6%	$1,092	1.5
50102010	Wireless Telecommunication Services	15	33%	3.9%	–	–	–	1.3
	Utilities						**$373 (industry total)**	
55101010	Electric Utilities	29	55%	5.0%	–	–	–	1.4
55102010	Gas Utilities	21	62%	11.4%	0.0%	7.7%	$1	1.8
55103010	Multi-Utilities	20	80%	3.5%	–	–	–	1.6
55104010	Water Utilities	15	47%	4.8%	–	–	–	1.9
55105010	Independent Power Producers / Energy Traders	7	43%	4.0%	10.3%	33.3%	$372	1.4
55105020	Renewable Electricity	5	–	–	–	–	–	1.0

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International Standard Book Number: 978-1-61509-170-6

Printed in the United States of America

First Printing

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FINANCIAL EXECUTIVES RESEARCH FOUNDATION gratefully acknowledges the following companies for generously supporting FERF's 2014 Annual Corporate Campaign

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