Priceless thinking 2019

What's been happening in media M&A

September 2019

Contents

Foreword

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It's my pleasure to introduce the third edition of our review into the M&A media landscape in the UK. Our report brings together an analysis of the UK media companies quoted on the London Stock Exchange Main Market, AIM and private companies adopting IFRS 3 business combinations. Since our last report, the market for high quality media assets remains buoyant.

In the last two year period under consideration, we found 214* completed media deals which had an total value of approximately £4.5bn – this compares to 171 deals completed in our 2014 report with an associated value of £2.7bn. This is a fantastic result for the UK media industry – particularly for the large number of entrepreneurs who realised the value of their hard work.

Despite the strong transaction environment, buyers are offering less upfront cash to sellers than when we last looked at the market. We found that about 80% of total consideration value was cash (mid market deals showed a 70% cash component), with the remaining largely a mix of deferred consideration, earn-outs and equity that are required to be recorded at fair value.

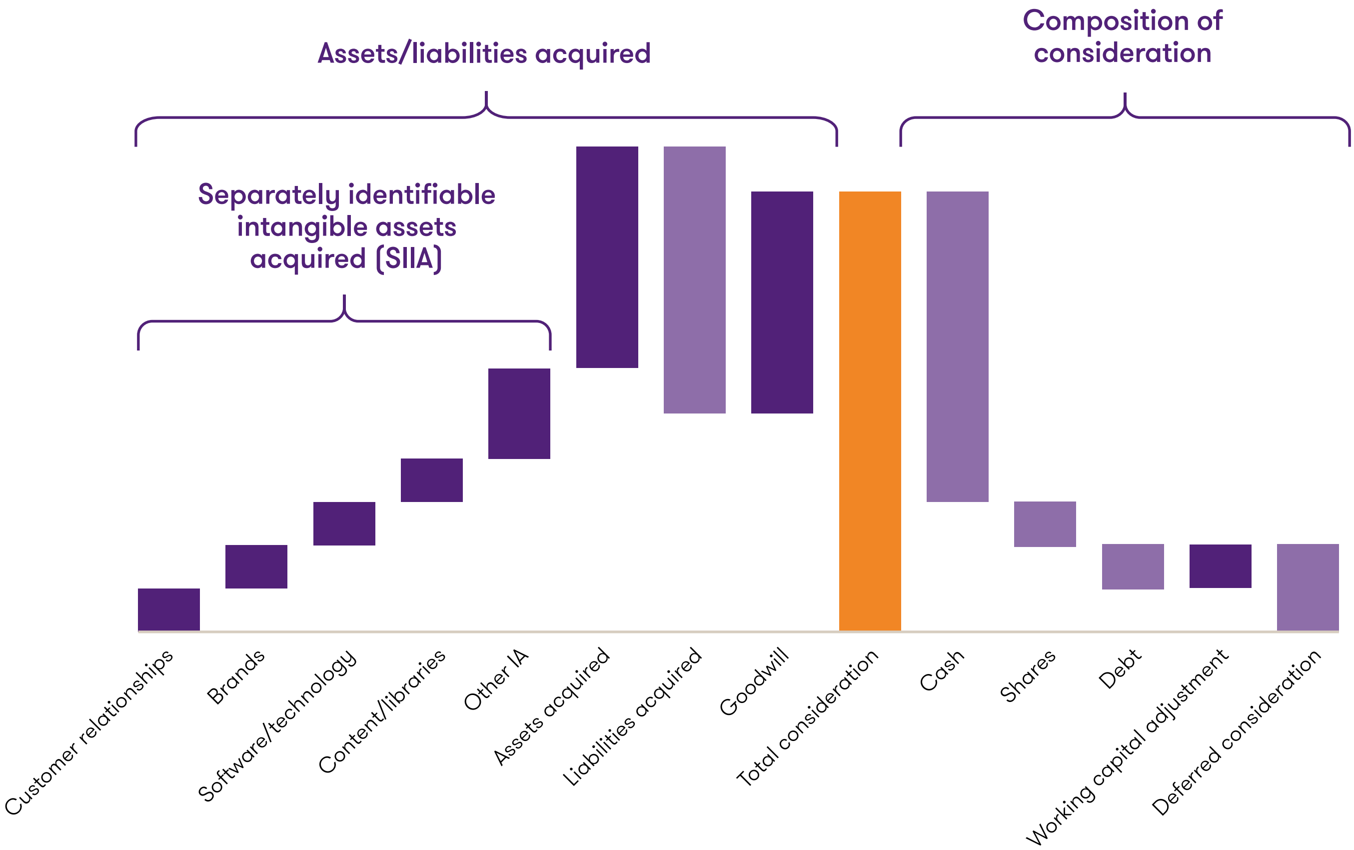
In our last report, we found that approximately 90% of the total transaction value was made up from up-front cash.

While offering protection to buyers against overpaying, this reinforces our view that sellers, particularly privately held businesses in the mid market, need the right advice on deal structure to ensure their financial security as well as have the freedom to pursue other interests after a transaction.

Finally, we are encouraged by the improved quality of disclosures under IFRS 3 and there are now a number of fantastic examples of "best in class" disclosures. To illustrate this quantitatively, we found that fewer acquirers are allocating assets into goodwill and the proportion of intangibles allocated to goodwill has fallen since our last analysis (from 60% to 57%). This may be either due to improved reporting of intangible assets or due to paying less for future growth or a mixture of both. Although as with the previous report we see no reason for the industry to rest on its laurels and still see scope for improvement in transparency of reporting acquired intangible assets across deals.

*This excludes two mega deals - Informa/UBM and the Cineworld/Regal deal noted separately.

Brief primer on IFRS 3



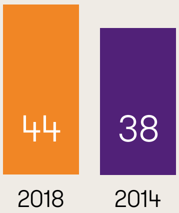
Since the introduction of the IFRS 3 standard, acquiring companies have been required to disclose both what they are paying for (the "assets/liabilities acquired") and how they are paying for it (the "composition of consideration"). This is represented, visually, in the figure above - although few individual transactions are likely to have so many separately identifiable intangible assets (SIIA).

Importantly, the net assets acquired must equal the total consideration paid. Net assets can include significant intangible assets (which we are particularly interested in, for this survey).

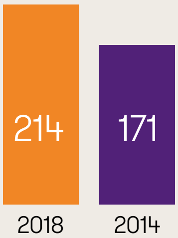
The widespread adoption of IFRS has led to a wealth of data, allowing us to look at and better understand a number of important questions for our industry, such as: "What are companies actually buying when they make an acquisition?", "What did companies actually pay?" and "How are selling shareholders compensated?" (Particularly relevant for a large number of smaller businesses with entrepreneurs, who may be considering an exit at some point in the future).

Key findings

157 companies both listed and privately held adopt IFRS compared to 143 in 2014.



44 companies made acquisitions in the current period compared to 38 in 2014.

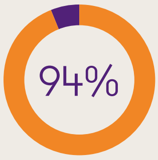


214 deals reported in the media sector in 2017-18* compared to 171 in 2014.

109 deals were reported in advertising and marketing services in 2017-18, the most of any sub sector compared to 115 in 2014. Acquired brands were considered to be the most valuable intangible asset.

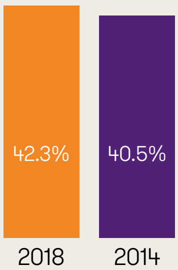
£2.7bn spent on acquisitions by the publishing/data sector in the last two years.

£37.1m average size per deal.

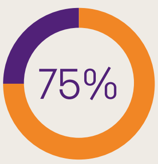


201 of 214 deals had intangible asset allocations associated with them.

Only 3 instances of companies accounting for non-competes as a SIIA (separately identifiable intangible asset).



SIIA as a percentage of all intangible assets have increased from 40.5% in 2014 to 42.3% in 2017-18 with brands being the most valuable.



75% of deals included a token deferred/contingent component despite a strong deal environment - similar to our analysis in 2014.

81% of deal value was satisfied using cash, a slight decline compared to 2014 (where c.85% of deal value was satisfied with cash). However mid market deals depending on size and stake showed c.70% cash component.

*This excludes two mega deals - Informa/UBM and the Cineworld/Regal deal considered to be outliers and noted separately.

Introduction and methodology

Introduction

It is widely accepted that on average, the majority of intrinsic business value is not just in its property, machinery and stock but in its relationships, people and ideas commonly referred to as “intangible assets”.

This has created enormous problems for preparers of financial statements. In general, businesses cannot capitalise intangible assets as they are created – for example, the value of Coca Cola’s distinctive red logo has no entry on Coca Cola’s balance sheet – despite having enormous worth and being the key sales driver to the business.

However, after a business combination, this discrepancy can no longer be ignored. IFRS 3, aims to improve financial disclosure for the shareholders by requiring firms to disclose, where possible, the mix of intangible assets in goodwill as well as the deal structure.

We have tracked the implementation of IFRS 3 within the UK media industry which provides shareholders with significantly better transparency compared to what they received 20 years ago before the introduction of IFRS 3.

Background

IFRS 3 ‘business combinations’ and IAS 38 ‘intangible assets’ contain provisions mandating the fair valuation of a wide range of identifiable intangible assets in a business combination. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion set out in IFRS 3. This is of particular significance to the media sector where five types of intangible assets are most likely to be identified in media deals.

Types of intangible assets

The media sector is characterised by businesses that are 'people' centric and owning an abundance of intangible assets such as intellectual property, brands, content and customer relationships.

Marketing-related intangible assets covering assets such as brands, trademarks, trade names, service marks, newspaper/magazine mastheads and internet domain names.

Customer-related intangible assets are typically one of the most common assets found in business combinations and often acquisition of those client relationships will form a key consideration in the acquisition of a media business.

For businesses in the media sector the category of artistic-related intangible assets is often key in acquisitions, such as literary assets, music libraries or film catalogues.

A further category is technology-based intangible assets such as patented or unpatented technology, computer software and databases.

Other contract-based intangible assets such as licensing, royalty and standstill agreements and operating and broadcast rights are also likely to be a feature in media acquisitions.

Most of these assets arise as a result of contractual benefits – deals that the companies have done to acquire or develop content, rights or orders that can be exploited in the future for the financial benefit of the companies.

Valuation of intangible assets is not that straightforward and can be quite subjective, normally based upon the companies' assessment of the future cashflows to be derived from exploiting the assets. One of the most valuable assets in services based sectors such as media i.e. the people in the business will not however be identified and valued separately based on the recognition criteria of IFRS 3 but will be subsumed within goodwill, which does explain why goodwill can form a large part of the value in a media deal.

Introduction and methodology

The companies

Our analysis covers companies in the media sector that have adopted IFRS in their financial statements. This includes the listed UK media sector and also some private companies incorporated in the UK. Our survey sample included 157 companies and we reviewed the last two years of annual reports up to March 2019 for the purposes of this survey.

The UK media sector has a broad diversity of company size and business activity. For the purposes of our survey we have split the sector into three sub-sectors: advertising and marketing services, publishing/data and entertainment. Many of these companies have areas of overlap between the sub-sectors. Our survey is based on a subjective view of the best fit of the companies' activities based upon the information contained in their published reports.

Table 1. Make-up of UK media deals, by sub-sector

Sector	Number of companies
Advertising and marketing services	17
Entertainment	10
Publishing/data	17
Total	**44**

Of the 157 companies we examined,44 were found to have made acquisitions in the relevant period – a slight increase from the 38 acquirers we examined in the 2014 report.

We have removed the "communication services" segment of the sector as previously this had only two constituents – this segment is now incorporated into "entertainment" - which reflects a recurring theme in the TMT space. As the industry experiences disruption boundaries between traditional media, and technology-enabled media blur. We therefore need to constantly re-evaluate our understanding and categorisation of the media market dynamics.

Findings – sub sector overview

Table 2. Number of acquisitions and total consideration paid by sub-sector

Sector	Number of acquisitions	Total consideration value (£m)	Average deal size (£m)
Advertising and marketing services	109	1359.5	12.5
Entertainment	32	411.2	12.9
Publishing/data	73	2705.3	37.1

* Excludes the Informa/UBM and Cineworld/Regal Entertainment acquisitions

As with the previous survey, the advertising and marketing services was the most prolific sector, in terms of number of deals. We identified 109 deals by acquirers in this sector, and of this number, WPP spent approximately 40% of the total consideration and accounted for half of the deal volume. Other major acquirers in the media sector include Informa in the publishing space (18 acquisitions, £4.4bn total consideration including UBM), Next Fifteen (11 acquisitions, £82m total consideration), RELX (11 acquisition, £110m total consideration) and Keyword Studios (11 acquisitions, £90m total consideration).

Notwithstanding a few large deals, the overall average deal size was £20m – a typical mid-market deal. The data shows that demand for quality mid-market businesses remains strong – and a large number of entrepreneurs have taken advantage of the agency model to secure their financial future, as well as provide a secure platform for the businesses they have built.

The publishing/data sector had the highest average transaction size associated with it – mainly due to the higher multiples these companies are able to obtain as they are viewed as attractive bolt-on options empowering acquirers to diversify beyond their current offerings/areas and also due to the inherent scalability of the businesses.

By contrast, there were few marquee deals by UK entertainment companies. A significant amount of deal activity has been undertaken by Keywords Studios, a games development roll-up (completing 11 acquisitions in 2017 and 2018).

We note of all the sub sectors, entertainment is probably experiencing the most significant disruption as the industry is shifting to direct-to-consumer streaming where TV is disrupted by OTT (over-the-top) and advertisers have cut back on advertising. However, we see the UK content industry as well placed to benefit from these trends as the production of high quality, original content is increasingly valued by acquirers.

We include our high-level thoughts on the outlook for each sector on the next page.

Informa*	Next Fifteen	RELX
18 aquisitions	11 aquisitions	11 aquisitions
£4.4bn total consideration	£82m total consideration	£110m total consideration

*Includes Informa/UBM deal at £4.2bn

Our thoughts on the outlook for different sub sectors

Advertising and marketing services

Example (UK) Trade Buyers
WPP
Next Fifteen
UBM

Our take
Although there remain some well documented concerns about the agency holding model, there is a strong appetite for unique and differentiated AMS businesses that have novel ways to reach buyers. Digital skills are particularly in demand but any company that can "cut through the noise" (for example via specialist/niche events) should receive a premium valuation.

Entertainment

Example (UK) Trade Buyers
ITV
Keywords Studios
Sky

Our take
The economics of the entertainment business are very interesting, with almost zero marginal cost for every additional consumer served – and such dynamics lead to very strong investment in content. Although the entertainment segment is incredibly diverse, we see companies producing, or helping to produce original content as well placed in the current environment.

Publishing/data

Example (UK) Trade Buyers
Informa
RELX

Our take
The economics of the publishing/data industry are very similar to entertainment. Once the fixed costs of producing information are covered, each additional sale largely "drops to the bottom line". M&A in this sector can be especially accretive to profits, as newly acquired businesses experience very strong sales growth due to new cross-selling opportunities provided by the acquirer.

Recent mega-deals

Two recent mega deals in the industry are the acquisition of UBM by Informa, to create the largest B2B information services group, and the acquisition of US-based Regal Entertainment Group by Cineworld, which became the second largest cinema company in the world.

Informa/UBM

In June 2018, Informa acquired 100% of the share capital of UBM plc (UBM) for approximately £4.2 billion, creating the largest B2B information services group and the largest B2B events and exhibitions organiser in the world.

The combined business will have c.500 exhibition brands, more than 800 conferences/confexes, and will expand the specialist intelligence and B2B brands.

The brands and the customers (exhibitors and delegates) were noted to be a significant focus but with such a big deal we would expect to see various other intangibles. Provisional allocations show intangible assets at £2.3 billion however no specific split across the intangibles are reported.

According to Informa's latest annual report, goodwill is expected to be the largest acquired asset at £3.5 billion comprising c.80% of equity value, followed by SIIA at around 55% of equity value.

Goodwill is expected to result from increased scale and industry specialisation, access to new markets, synergies, enhanced quality of earnings and product and platform innovation.

Cineworld/Regal Entertainment

In March 2018, Cineworld acquired Regal Entertainment Group (Regal) for an equity value of £2.7 billion to become the second largest cinema company in the world by revenue and significantly expanding its US footprint – with an extra 555 sites.

Of the purchase consideration, almost all the value of approximately £3.4 billion was allocated to goodwill with small proportions totalling c.£ 508.6 million allocated in respect of brands (the Regal brand) and customer relationships. The biggest asset was reported to be property, plant and equipment.

The goodwill is expected to result from the skills and industry knowledge of the management team and workforce, synergies to be realised post-acquisition and future value from the pipeline of new sites and potential for refurbishment in the existing Regal estate.

£4.2bn deal consideration

£2.3bn Total SIIA

£2.7bn deal consideration

£508.6m Total SIIA

Analysis of acquired intangibles

Table 3. Total consideration paid for all deals, segmented by sub-sector and by asset type

Sector	Total consideration (£m)	Total IA (£m)	Total GW (£m)	Total SIIA (£m)	SIIA as a % of IA 2019 edition	SIIA as a % of IA 2014 edition	SIIA as a % of IA 2010 edition
Advertising and marketing services	1359.5	1385.1	838.9	546.2	39.4%	37.7%	35.0%
Entertainment	411.2	375.6	284.5	91.1	24.3%	40.9%	49.0%
Publishing/data	2705.3	2909.4	1573.5	1336.0	45.9%	33.9%	18.0%

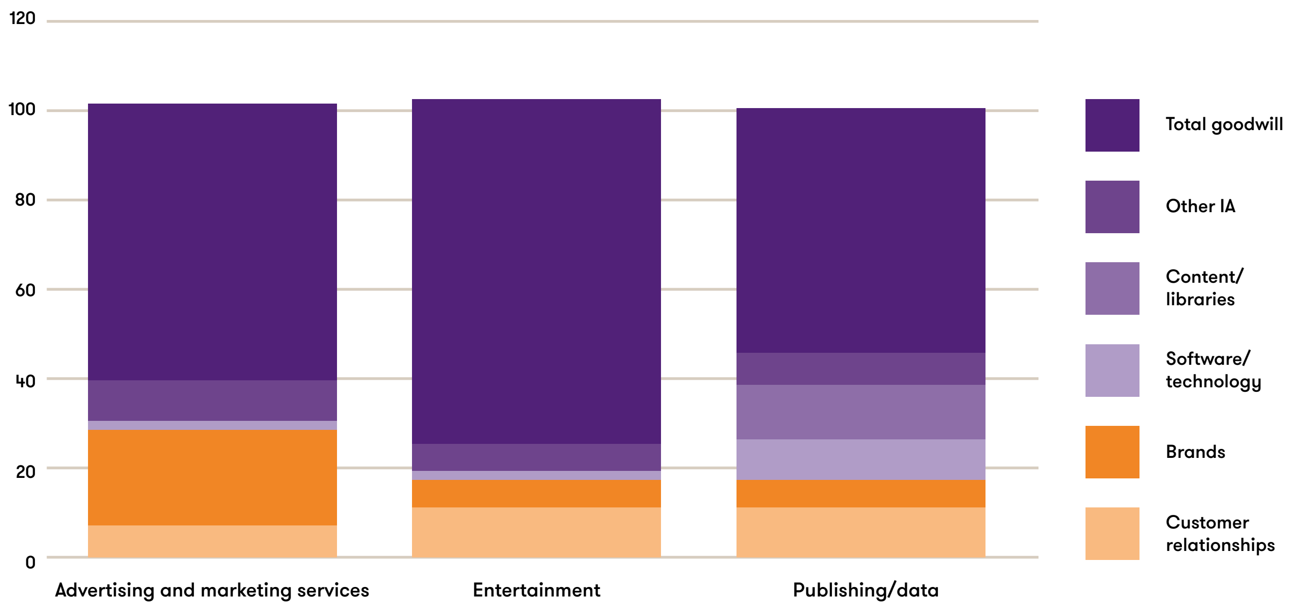
In general, since the widespread implementation of IFRS 3, there has been a trend towards a greater proportion of deal value being SIIA (separately identifiable intangible assets) and a lower proportion being goodwill. This trend continues in our 2019 report: goodwill made up 57% of total intangible assets (excluding two large outlier deals) compared to 59.5% in our 2014 study.

Within the dataset, there is still a very wide array of how companies have allocated the purchase price for their deals: with some acquirers having little goodwill and some acquirers have a lot. We expect that some deals will always inherently have a much higher goodwill component because:

- Media industries are dependent on creativity and new ideas to stay ahead of the competition, there may be greater value placed on non-separable intangible assets, such as a skilled workforce or on expectations for assets to be developed in the future, such as new content
- Greater optimism for value creation in the price for assets, for example the expected benefits of cross-selling or synergies, especially as we are much later in the economic cycle than the earlier surveys and we observe similar assets fetching much higher multiples than in the recent past.

What are companies actually buying?

Table 4. Distribution of separately identifiable intangible assets and goodwill by sector



Advertising and marketing services

As might be expected in an industry focused on branding, agencies themselves have strong inherent brand value and account for 21% of all IA in the sector. Customer relationships represent the second largest SIIA. We also note that the goodwill balance of agencies is slightly above average – one explanation for this is the network model of M&A which can achieve significant revenue and cost synergies that cannot be capitalised as an SIIA.

Entertainment

Within entertainment, customer relationships were found to be the largest SIIA indicating they are important based on longevity of contracts and the importance of retaining the base post acquisition. A high goodwill balance may be due to an emphasis on acquisitions which draw on the creativity of the workforce, rather than assets with extensive existing libraries that can be monetised – we were not able to find any examples of content SIIA for entertainment acquisitions in the last few years.

Publishing/data

Within publishing/data, content/libraries were found to be the most valuable separately acquired asset, followed closely by customer relationships. These make sense in the context of the business model: most data can be monetised for a long time and customer relationships in the industry are extremely sticky and typically based on a subscription model.

Other

Surprisingly, some types of SIIA are rarely shown in purchase price allocation: specifically the value of non-compete clauses. This may be due to the higher proportion of earn outs or post combination remuneration incentivising key management to stay in the business and therefore eliminating the need for non-competes. We also note the surprising paucity of technology SIIA – especially given that most businesses have begun a digital transformation journey and technology is the key enabler for this.

Composition of consideration

Table 5. Overall composition of the total consideration across each sub sector

Sector	Total consideration (£m)	Cash (£m)	Shares (£m)	Deferred/ contingent consideration (£m)	Other consideration (£m)
Advertising and marketing services	1359.5	946.4	130.8	277.0	5.4
% of total consideration		*70%*	*10%*	*20%*	*0%*
Entertainment	411.2	259.3	16.6	73.9	61.4
% of total consideration		*63%*	*4%*	*18%*	*15%*
Publishing/data	2705.3	2452.5	21.0	180.4	51.4
% of total consideration		*91%*	*1%*	*7%*	*2%*

The key theme we noted is that the proportion of the total consideration paid in cash has decreased since 2014, from 85% to 81%.

However we note that the average cash component varies by deal stake, size and sub sector. For example, we found entertainment deals had the lowest proportion of cash (c. 60%) and publishing/data deals depending on deal size had the highest (c 90%). In terms of size, while the headline figure showed that c.81% of deal value was settled in cash, we found that mid-market deals had an average of c.70% cash consideration. Within our own professional experience, although 'day 1' cash is a key figure for sellers, there are a multitude of other reasons to accept an offer such as - buyer rapport, future plans and a shared ambition for the business which are all key decision points that are not captured in the numerical analysis.

The proportion of consideration paid as deferred/contingent consideration is lowest for publishing/data which is consistent with it being the lowest in terms of goodwill recognised. This may reflect focus on improving the performance of existing assets rather than future performance.

We note that the deferred/contingent consideration shown above is based on the fair value presented in the companies' accounts and is therefore subject to judgement. The maximum potential value may be much higher than the amount reported in the accounts if the companies perform ahead of the base case expectations captured within this analysis.

The number of deals and proportion settled with share consideration remains low since the 2014 review. This suggests that more reliance is placed on deferred/contingent consideration which forces the acquiree to meet performance expectations, rather than benefitting from the unrelated performance of the acquirer.

We note from our own conversations with buyers in the space that acquirers would typically like to settle with a lower proportion of cash than is shown above. We note that buyers will often 'sweeten the pot' by raising the cash component of an offer which is desirable to the acquiree than equity – and the most competitive acquisition processes may only have a token deferred/contingent component.

IFRS 3 reporting in media – the good, the bad and the ugly

Generally IFRS 3 has been a good thing bringing more transparency to investors and other stakeholders in relation to acquisitions.

Extending these principles to private companies the FRS 102 originally required companies to identify intangible assets acquired on a not dissimilar basis to that requested by IFRS 3. Complying with these regulatory requirements comes with its share of difficulties especially to smaller companies. Accounting for business combinations involves high costs in addition to the extensive time taken to perform such an exercise. This can be challenging to companies where costs appear to outweigh the benefits.

Interestingly with a view to provide some relief to this issue in December 2017 the Financial Reporting Council then published amendments to FRS 102 (Financial Reporting Standards), effective for accounting periods beginning on or after 1 January 2019.

As part of this a key amendment to the recognition criteria for intangible assets arising from a business combination means that the number of intangible assets are likely to reduce.

The new amendment aims at simplifying the requirements of UK GAAP and make it less onerous whilst still providing useful information about the business.

On a similar vein the related issue of annual impairment testing as opposed to amortisation of goodwill is being revisited by the American counterpart, Financial Accounting Standards Board (FASB) which has issued an Invitation to Comment (ITC) on how to account for certain SIIA acquired in a deal. Initial feedback received by FASB in its preliminary outreach indicates that "the benefit of certain intangible asset and goodwill impairment information might not justify the cost of preparing and auditing that information". However there are no current indications of similar suggestions in regards to IFRS 3.

Whilst there are constant challenges faced particularly by smaller media companies in complying with the financial reporting requirements, in a world where intangibles driven mega tech and media businesses such as the "FAANG + Microsoft" stocks dominate the S&P 500, it is important to understand how these identified intangible assets contribute to their overall value. In these instances the accounting and recognition of the intangible assets remains an important and vital part of shareholder reporting contributing to an understanding of any transaction rationale and explain synergies that ultimately drive the deal value.

How the future of financial reporting and the media landscape will evolve is hard to guess but given that intangible assets make up a disproportionate part of value in deals among listed media companies it is likely to remain an important area of focus for investors and stakeholders.

About Grant Thornton

About us

Grant Thornton UK LLP is part of one of the world's leading organisations of independent advisory, tax and audit firms. We help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice.

Leading valuation experience: Grant Thornton is recognised as a leading financial adviser in global commercial transactions. We have extensive experience across all facets of projects, including valuations, transactions, financial modelling and audits.

Global reach: Grant Thornton's specialist Valuations team has an extensive track record of delivering valuations to clients around the world. Our global presence enables us to draw on the deep experience of our international member firms present in all the major economies.

Partner-led approach: One of the greatest distinctions you will find in working with Grant Thornton is the unparalleled high level of partner involvement. You will deal directly with the person making the decision, for the quickest possible outcome. We work closely with partners and subject matter experts throughout the firm.

Valuations team

You can count on us to help you with valuation issues by using our expertise based on experience

- applying expertise on your behalf to provide a thoroughly reasoned analysis of the intangible assets acquired
- ensuring a smooth process including liaison with your auditors to minimise disruption to management
- applying our extensive network of in-house valuation experts and wide ranging professional relationships to assist with the valuation of any related tangible assets if required

The valuations team has wide ranging experience in valuing public and private companies. Over the past three years we have completed more than 500 valuation assignments. We serve enterprises of all types and sizes, covering a wide range of industries. We have a specialist team comprising 30 experienced individuals from a wide variety of backgrounds. We have extensive experience in purchase price allocations under UK GAAP, IFRS, and US GAAP.

Why valuations are important

All businesses should have robust procedures in place to deal with intangible asset valuations to:

- comply with IFRS financial reporting requirements
- ensure that investors and readers of financial statements understand the nature of assets being purchased during acquisitions.

However, valuation of intangible assets is that not straightforward and is quite subjective, based upon an assessment of the future value to be derived from exploiting the assets.

Why is this relevant for your business?

A properly executed valuation will provide you and your investors with greater confidence regarding assets being acquired.

How we can help

Media valuations require specialist skills with an appreciation of the uniqueness of the creative sector. At Grant Thornton, our specialist media team can provide full valuations advice and wider advisory services through the entire transaction cycle.

Our recent deals and valuations in media

Brainlabs

Minority investment in Brainlabs by Livingbridge

Advertising technology

Grant Thornton provided vendor due diligence services

Connect Advertising and Marketing LLP

Sale to Inspired Thinking Group

Advertising and marketing services

Grant Thornton provided corporate finance advisory services

Chambers and Partners

Sale of Chambers and Partners to Inflexion Private Equity

Publishing

Grant Thornton provided corporate finance advisory, SPA advisory and tax services

Gold Key Media

Carve out and sale of Gold Key Media to Frontline Limited

Magazine distribution and marketing services

Grant Thornton provided corporate finance advisory and SPA advisory services

Forward 3D Group Limited

Sale to Stagwell Group LLC

Digital marketing agency

Grant Thornton provided vendor due diligence services

Yospace Enterprises Limited

Sale to RTL group

Provider of advanced advertising and stream management solutions to the broadcast and media sector

Grant Thornton provided corporate finance advisory services

Chime Communications Limited

Acquisition of Adconnection Limited

Media planning and buying

Grant Thornton provided due diligence services

The Press Association Limited

Investment in Blackball Media

Content marketing

Grant Thornton provided corporate finance advisory services

RELX

Acquisition of Safe Banking Systems by Accuity Inc. (part of RELX)

Publishing

Grant Thornton provided valuation of the CGUs and intangible assets

HH Global

Multiple acquisitions and a group re-organisation

Marketing services

Grant Thornton provided valuation of the CGUs and intangible assets

We hope you find this report interesting. For further information on the issues explored in this report, please contact its authors

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Glossary

B2B - business to business

Business combination – the bringing together of separate entities or businesses into one reporting entity

Earn-out – a provision written into some financial transactions whereby the seller of a business will receive additional payments based on the future performance of the business sold

FAANG stocks – Previously Facebook, Amazon, Netflix and Google. FANG is an acronym for high-growth technology stocks that have a significant influence on the overall valuation of the S&P 500 index. The definition of FANG was expanded to FAANG in 2017 to reflect the inclusion of Apple.

Goodwill – future economic benefits arising from assets that are not capable of being individually identified and separately recognised

IAS 38 'Intangible asset' – an identifiable non-monetary asset without physical substance

IFRS – International Financial Reporting Standards

IFRS 3 'Business combinations' – a transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as 'true mergers' or 'mergers of equals' are also business combinations as that term is used in this IFRS

IFRS Interpretations Committee (IFRS-IC) – the interpretative body, the mandate of which is to review on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRS)

Intellectual Property (IP) – refers to creations of the mind: inventions, literary and artistic works and symbols, names, images and designs used in commerce

M&A - mergers and acquisitions

Non competes – agreements frequently entered into in the course of a business combination offering a degree of protection to the new owner of a business from competition by the vendor, the vendor's owners and its key personnel

Other separately identified intangible assets – includes intangible assets either provisionally identified and valued or intangible assets that could not be separately identified or valued by the acquirer

Residual value – consideration for the business combination less the fair value of all identifiable net assets acquired in the business combination which is generally recognised as goodwill

Separately identified intangible assets (SIIA) – intangible assets that are recognised and accounted for independently from goodwill. An intangible asset is identifiable if it: (a) is separable i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, or, (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations

Synergies – benefits available only to the specific acquirer. Typical examples include cost savings from an expanded customer base or similar economies of scale

UK GAAP – UK Generally Accepted Accounting Principles

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