

Deloitte.



**Financial reporting and tax
valuation services**

Charting your course

Financial reporting and tax valuation services

Navigating marketplace complexities to discover value

Contents

| | |
|--|---|
| Navigating marketplace complexities | 2 |
| Steering clear of risk | 3 |
| Deloitte: The team you need | 4 |
| Financial reporting valuation services | 6 |
| Tax valuation services | 8 |
| Learn more | 9 |

Charting a course

Companies in today's evolving marketplace are having to plot a course and navigate ever-changing accounting requirements, increased regulatory scrutiny, oceans of data, and unsettled markets.

Deloitte works closely with clients to complement their strategic thinking. We help them evaluate the economic impacts of their financial decisions by translating complex initiatives into measurable financial outcomes.

Passing muster

As standards evolve, accounting and tax officials are casting a watchful eye on corporate dealings, particularly on the valuation of intangible assets.

Value occurs as of a moment in time and what companies include on their balance sheet and tax returns today can create valuation impacts for years to come. Regulators are vigilant that companies continually monitor their assets. Annual compliance by itself no longer passes muster. Therefore, clients are having to be watchful of market and business triggers (e.g., stock market fluctuations) that can prompt changes in value.

Facing headwinds

Shifting market conditions can sometimes blow even the best of business strategies off course. In today's economic environment, companies need a trusted advisor not just a contractor. Our team works closely with our clients to help them build meaningful relationships based on trust, experience, and value-added guidance.

Clients may also benefit from an objective and impartial point of view. It's all about perspective. We're not afraid to tell it like it is, and we offer viable alternatives and execution strategies. Our objective and defensible valuation methods can give clients peace of mind should they ever find themselves in an audit situation.

Together at the helm

Deloitte's Valuation and Modeling practice helps clients analyze fair value and fair market value estimates and develop valuation controls to help them reduce reporting risks.

We advise clients on some of their most complex business and transaction issues, providing leading insights that help them confidently make decisions. From growth through acquisition to an IPO, restructuring, or divestiture, our industry-focused professionals have the broad experience to help clients address their circumstances.



Steering clear of risk under rising scrutiny

There's growing recognition of the benefits of implementing an ethical and transparent corporate culture. Forward-looking businesses are focusing attention on compliance and increasing regulatory expectations.

Regulators are on the lookout for potential financial reporting errors and unsupported valuations. Therefore, it's essential for companies to maintain documentation and supportable conclusions.

For its part, the US Securities and Exchange Commission (SEC) continues to intensify efforts to fight financial reporting improprieties and fraud. This is leading to an increase in enforcement actions.



Reducing exposure to risk: Excerpt from “Harness the power,” Deloitte 2016

As regulators, auditors, audit committees, and company executives are discovering, valuation is potentially ripe for misapplication or, in the extreme, fraud. Companies can reduce exposure to risk by developing particularized valuation policies and procedures.

In a speech given by Norm Champ, former director of the SEC Division of Investment Management,* he suggested a framework for developing particularized valuation policies and procedures. While directed to a private equity audience, the concepts behind his recommendations apply more broadly to companies with significant fair value and other valuation estimates.

The concepts that Mr. Champ recommended include:

- Monitor operations and developments for circumstances that may necessitate the use of fair value prices.
- Provide a methodology for determining fair value.
- Implement a process for price overrides.
- Assure that controls are in place to review, monitor, and approve all overrides in a timely manner.
- Promptly notify and secure the review and approval of persons not directly involved in asset management to mitigate conflicts of interest.

*Remarks to the Practising Law Institute, Private Equity Forum, June 30, 2014, Norm Champ, Director, Division of Investment Management. <https://www2.deloitte.com/us/en/pages/advisory/articles/fair-value-measurement-risk-analytics.html>

Deloitte: The team you need

As a full-service professional organization, Deloitte is positioned to offer clients an enterprise-wide approach that can help them solve their business issues in today's ever-evolving landscape.

Deep industry experience

Different industries face different challenges. Our professionals have valuation proficiency in more than 20 industry sectors, and many participate in industry forums and committees as subject matter specialists. They assist in developing industry guidance on both fair value and fair market value for financial reporting and tax valuation issues.

Many also have professional designations, including accredited senior appraiser, chartered financial analyst, professional engineer, counselor of real estate, and member of the Appraisal Institute.

We serve the world's largest organizations. Our clients include corporations across industry sectors, law firms, high-net-worth individuals, the federal government, and government agencies.

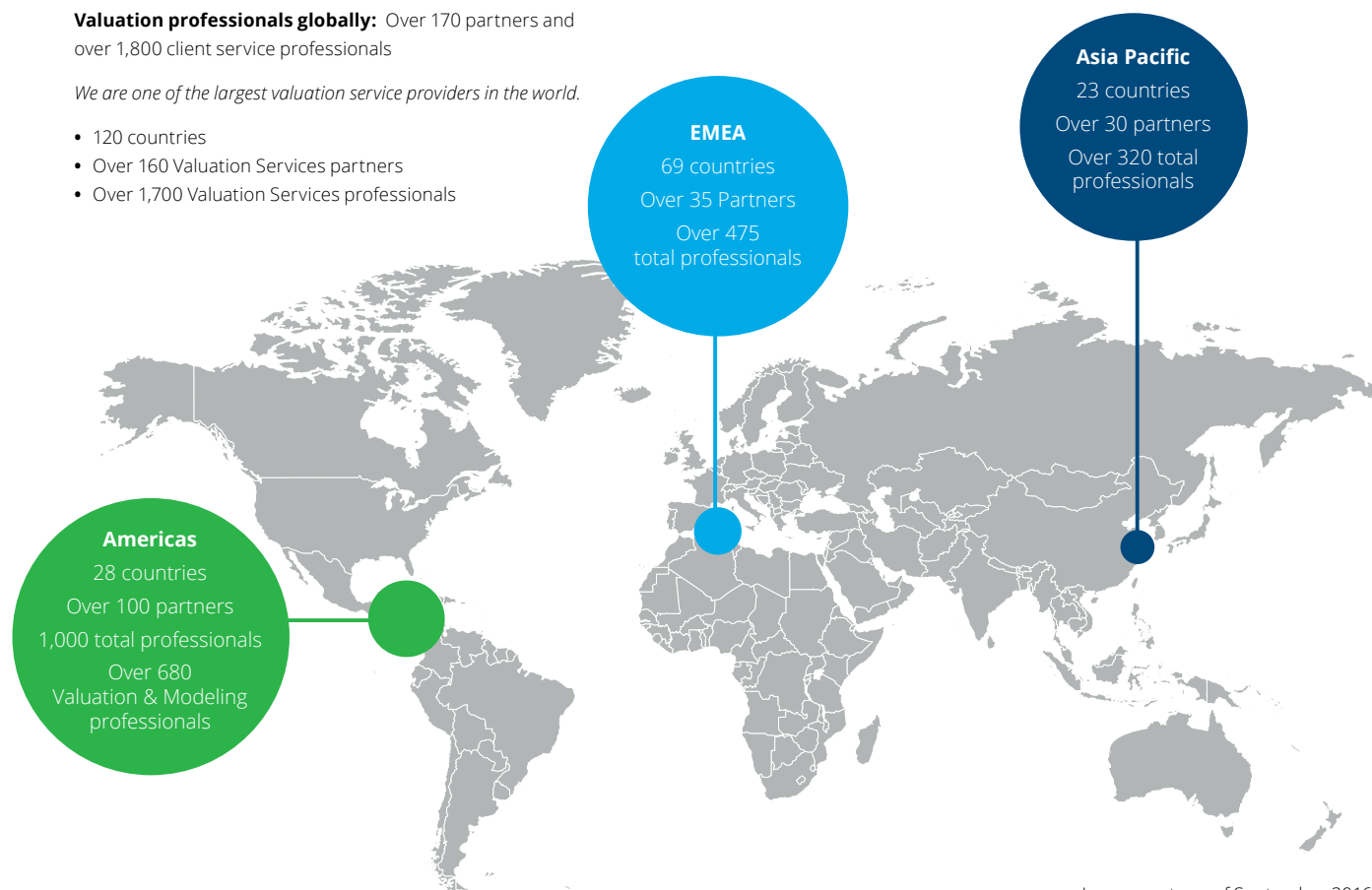
Global footprint

The member firms of Deloitte Touche Tohmatsu Limited (DTTL) are supported by tens of thousands of professionals in 150 countries. The geographic reach of our platform can be beneficial, particularly for cross-border transactions. We help make the world feel a little smaller, and we assist clients in extending their reach across the globe to incorporate local resources and viewpoints.

Valuation professionals globally: Over 170 partners and over 1,800 client service professionals

We are one of the largest valuation service providers in the world.

- 120 countries
- Over 160 Valuation Services partners
- Over 1,700 Valuation Services professionals



In aggregate as of September 2016



Investing in the future: New tools from Deloitte

Recognizing the growing need for advanced data assessment, Deloitte is investing heavily in a proprietary data analytics engine that leverages technology for data analytics visualization and benchmarking. Data from hundreds of transactions worldwide, across industries and asset types, is being used to drive efficiencies that can help clients unlock hidden value and gain deeper insights.

Deloitte: The team you need

Market-leading accounting and tax organization

The subsidiaries of Deloitte LLP provide industry-leading audit, consulting, tax, and advisory services to many of the world's most admired brands, including 80 percent of the Fortune 500.

Our global breadth and depth provides clients with the international coverage, local-country and industry-specific experience that they require to meet their valuation needs. Being part of a world-class accounting and tax organization gives us unique insight into valuations for financial reporting and tax purposes and allows us the ability to leverage the myriad of skills that come from those parts of the organization to provide unique insight and value to our clients. Also central to our business is providing support to audit teams related to fair value issues and support to our tax practice around valuation matters for tax purposes.

Strong working relationships with regulators and professional associations

Our professionals are well respected and well connected with regulatory and standard-setting organizations and agencies, such as the SEC, Public Company Accounting Oversight Board (PCAOB), American Institute of Certified Public Accountants (AICPA), Appraisal Foundation, and the IRS. We work with industry-governing bodies to help establish and update guidelines and set and implement new standards. We understand the implications of new financial reporting and tax rules on the valuation studies we provide to clients.

A recognized leader in M&A services globally and in the US

Valuation & Modeling is an important part of Deloitte's merger and acquisition (M&A) business. With access to over 7,500 specialists globally, our M&A business is a closely connected group of professionals with in-depth industry knowledge and deep experience in complex and precedent-setting transactions.

Together, we provide corporate entities and private equity investors with a spectrum of accounting, tax, and business advisory services to support all forms of mergers, acquisitions, and investment and financing structures, on both the buy side and sell side. We advise corporate and private equity investors through each stage of the M&A lifecycle to help them achieve their growth objectives. Serving as an objective and trusted advisor we help clients with:

Strategy — Clients count on us to help identify potential opportunities and targets for growth that align with their corporate strategy.

Execution — From financial, tax, operational and IT due diligence to transaction structuring, and financing options, our hands-on experience helps clients navigate the complex transaction.

Integration and divestiture — Integration and divestiture involve additional challenges, including costs, timelines, and disruption to business as usual. We help clients address end-state planning and integration/separation needs to be better prepared for day one and beyond.

Market-leading knowledge management

Our culture and approach is based on knowledge sharing, collaboration, education, and ongoing development of technical competencies. We employ effective delivery capabilities through our proprietary valuation portal, where we house the latest technical standards, guidance and leading practices, models, learning modules, research tools, access to subject matter specialists, and more. This portal enables our professionals to collaborate and provide effective services to our clients consistently and efficiently, which helps reduce our clients' exposure to risk.



Our Valuation & Modeling services help you make decisions confidently, enhance your results, and help you get ahead of key issues:

- We're a recognized leader in assessing the dynamics of fair value measurement and tax-related valuations for clients around the globe.
- We provide rigorous and careful assessments to help clients prepare for financial and tax reporting.
- We perform valuation analyses in line with prevailing accounting, tax, and regulatory codes for transaction, financing, litigation, bankruptcy, restructuring, strategic planning, and compliance purposes.
- We help our clients evaluate financial risk and translate strategy and risk into positive and measurable financial impact.
- We help uncover opportunities for growth, resilience, and long-term advantage.

Financial reporting valuation services

The financial reporting environment is evolving rapidly. Deloitte is committed to helping our clients be at the leading edge of these developments to weather both the implications and the opportunities.

With auditors and regulatory institutions focusing on your accounting, it's essential for companies to develop fair value estimates using objective data points, particularly market-based ones.

Understanding the dimensions of a proposed transaction early in the

process and supporting the valuation and accounting treatments applied to it can help organizations effectively comply with current fair value standards. And going forward, we can help with ongoing asset impairment testing.

Our professionals can assist in estimating the fair value of underlying assets in relation to purchase price and help management set an appropriate basis for financial or other reporting purposes.

Below are some of the financial reporting valuation services we offer:

- **Business combinations**

Financial reporting valuation for business combinations (i.e., fair value measurement of assets and liabilities acquired), inclusive of reporting unit values, intangible assets, legal entities, real estate, machinery and equipment.

- **Impairment of assets**

Valuations of indefinite-lived and long-lived assets for impairment testing

- **Financial instruments**

Valuation of securities such as those held in portfolios, derivative securities, debt instruments, and employee stock option plans.

- **Portfolio valuations**

Valuation for alternative and illiquid investments, particularly those that require more vigorous and objective valuation. We also advise on valuation policy leading practices.



Captains of industry

To better serve our clients, we participate in various forums relevant to leading-edge valuation related accounting and financial reporting issues, including:

- The Financial Accounting Standards Board's (FASB) Valuation Resource Group, which works to provide the FASB with input on potential clarifying guidance on issues related to fair value
- The Appraisal Foundation's Working Group on Best Practices for Valuations
- The Business Valuation Committee of The American Society of Appraisers' (ASA) Business Valuation Committee
- The Business Valuation Committee of the American Institute of the Certified Public Accountants (AICPA)
- The International Valuation Standards Council (IVSC)



Financial reporting case studies

Value delivered

Financial services institution



Assisted management of a regional bank with a business combinations (ASC 805) analysis related to an FDIC-assisted bank transaction. We estimated the fair value of the acquired loan portfolio (which totaled approximately \$2.3 billion), loss share indemnification asset, and unfunded commitments. As part of the loan analysis, we developed credit estimates for substandard and non-accruing commercial real estate and construction loans. We also estimated the fair value of select real estate owned (REO) properties with market values greater than \$2 million.

Banking company



Engaged by a publicly-traded bank to estimate the fair value of its 4 reporting units for ASC350 (goodwill impairment) purposes. The fair value analysis included a bank mortgage origination, financial advisory, and insurance reporting units.

Technology company



Engaged by a multi-national computer technology company to complete a valuation analysis in connection with its acquisition of a large computer storage and virtualization company. Deloitte's intangible asset, personal property, and real property valuation teams worked together to perform the appraisal which included complex tech-related assets such as developed technology, in-process R&D, and patents. The real and property assets were located in facilities in 76 countries.

Technology company



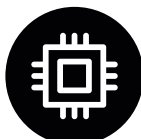
Engaged by a US data storage company to assist in its acquisition of a US flash memory manufacturer, our M&A professionals worked with the client on pre-transaction issues as well as a range of professionals addressing transitional and post-transaction concerns and compliance issues. Together with our intangible asset, personal property, and real property valuation teams, we delivered an integrated approach for the valuation analysis of tech-related assets such as developed technology, in-process R&D, trademark/trade name, and inventory.

Gold mining company



Prepared a purchase price allocation for a large multinational gold mining company based in the United States in relation to its acquisition of a gold mine in the US. The acquisition value was approximately \$1 billion. The purchase price allocation required the valuation of the gold mine, installed plant & machinery and heap leach stockpile. Deloitte Valuation worked with internal mining experts to provide valuation and technical insights.

Semiconductor supplier



Engaged by a Fortune 1000 semiconductor supplier to perform a valuation analysis in connection with its acquisition of another semiconductor company. Deloitte's intangible asset, personal property, and real property valuation teams worked together to perform the appraisal which included complex tech-related assets such as developed technology, in-process R&D, and inventory, as well as real and personal property located in seven countries.

Tax valuation services

Our valuation professionals coordinate with our tax colleagues from Deloitte Tax LLP and other professionals worldwide through the DTTL network of member firms. We provide multidisciplinary and cross-border services to meet the diverse circumstances of our clients.

Our clients benefit from the range of tax-related valuation services we offer, including purchase price allocation, valuing legal entities for tax structuring or restructuring purposes, and assisting clients with other tax-related valuation requirements in complying with domestic and global taxing authorities.

Our knowledgeable professionals can assess specific valuation requirements and make qualified recommendations to help companies address their unique circumstances. Our people, knowledge, and services can help organizations manage the complexities of their valuation requirements.

Below are some of the situations where a tax valuation may be required:

- Cancellation of debt income (§ 108)
- Corporate reorganizations/restructuring (§ 304)
- S-corporation built-in gains
- Estate, gift, trust, and charitable deductions
- Fair market value election (§ 861)
- Foreign Investment in Real Property Tax Act (FIRPTA)
- Net operating loss (NOL) limitations (§ 382)
- Non-compete agreements (§ 280G)
- Personal goodwill
- Purchase price allocations (§ 1060)
- IRC § 355 tax-free distributions
- Worthless stock deduction (§ 165(g)(3))



Tax valuation case studies

Value delivered

Telecommunications company



Engaged by a US based ILEC (incumbent local exchange carrier) to value their network and non-network assets for state sales & use tax and federal income tax planning purposes. The company had multiple wholly owned subsidiaries that owned assets leased to other entities within the company. The company was considering a transaction whereby the leasing entities planned to sell the assets to the various operating entities.

Biotechnology company



A leading global biotechnology company sought help in assessing numerous fee-for-service (FFS) arrangements. Deloitte delivered required analysis related to fair market value of FFS agreements provided by various vendors to the client. Deloitte identified a list of specific strategic benefits derived by the client due to FFS agreements and quantified the ones the client deemed material. Deloitte also developed a tool which enabled the client to estimate fair market value of future contracts for similar services.

Biopharmaceutical company



The client, a global, research-based biopharmaceutical company sought help regarding price reporting treatment of certain fees paid by the client to service providers in the chain of drug distribution or payment. Deloitte established a framework to assess the fair market value of certain services, specifically identified as bona fide fee-for-services for compliance and regulatory purposes.

Food manufacturing company



Engaged by a market-leading food manufacturing company to perform a range of value analysis related to a potential joint venture investment in a foreign target. The valuation considered different levels of value including the impact of certain tax structures and synergies that were contemplated in connection with the investment. Deloitte also reviewed and benchmarked the target's forecast against market participant, local and global industry data.

Industrial mineral producer



A leading industrial mineral producer with global operations was facing challenging economic climate due a softness in demand for certain products, resulting in inutility of certain facilities. The client needed help in determining whether their assets would be subject to US tax under the Foreign Investment in Real Property Tax Act (FIRPTA). Deloitte performed a valuation of tangible assets, intangible assets and an overall business enterprise value for the client's business. Teaming closely with our tax professionals, we assisted the client with valuation as of five determination dates, with a variety of facility types in more than 20 states. Our goal was to be more efficient by first focusing on the "worst" year inutility of certain facilities.

Learn more



Dbriefs webcasts

Take the lead

Anticipating tomorrow's complex issues and new strategies is a challenge. Take the lead with Dbriefs. These live webcasts feature valuable insights and practical knowledge from Deloitte specialists on important developments affecting your business. Plus, earn Continuing Professional Education (CPE) credit from the convenience of your desk.

Learn more.

To learn more about Deloitte Advisory's financial reporting & tax valuation solutions, visit:

<https://www2.deloitte.com/us/en/pages/advisory/solutions/business-valuation-services.html>

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