

Intangibles

XBRL Element: IntangibleAssetsNetExcludingGoodwill

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Introduction

What is a recipe worth? Or a brand name, or customer list? Depends on who you ask, and in the financial world, it depends on when the assets were last purchased.

The classic example of the value of a formula is Coca-Cola (KO). Locked away in a vault in the Atlanta Headquarters, only a few individuals are ever allowed to see it. It has helped drive the company to a 200 Billion dollar market capitalization, while showing less than \$95 billion in assets and \$20 billion in equity.

Coke does as some intangibles on its balance sheet. Trademarks are listed at over \$10.4 billion, and grew 1.2 billion in the first quarter of 2020 as new businesses were acquired. It also lists Franchise rights, goodwill, and other intangible assets. But since the Coca-Cola name has not changed hands, it has never been subjected to market valuation and so does not show up on the balance sheet.

Within the same line of business, Kraft Heinz Co (KHC) sits third in the S&P 500 for the most amount of intangible assets, with over \$48 billion on the books. Because of the 2015 merger between Kraft and Heinz, over \$49 billion in intangible assets were identified (including over \$1 billion for Maxwell House coffee??). The following year it was adjusted downward by \$2 billion. But while the financial statements show over \$57 billion in equity, the markets have formed their own opinion and valued it at \$37 billion.

Within the S&P 500, the greatest level of intangible assets live in the Healthcare sector, at \$456 billion, or 56% of its stockholders equity. Of its 60 companies, 47 had some level of intangible assets, showing how common takeovers and mergers are within this sector. Bristol Myers Squibb (BMY) leads the way with \$61.666 billion in intangibles. Within their financial notes it is broken down between licenses, Acquired developed product rights, capitalized software, and products under development.

The least amount of intangibles are in the utilities sector, at only \$6.3 billion. \$2.4 billion of this total sits on the books at DTE Energy. Here the intangibles are classified as customer relationships, again created as part of a merger.