## **Calcbench Guide – Analyzing Lease Disclosures**



## **Getting started**

- Using Calcbench's online platform
- Using Calcbench's Excel Add-In

## **Analyzing lease disclosure text**

Quickly read, compare lease disclosures for a group of companies

## Analyze operating and finance/capital lease data

- 1. Where lease obligations are reported
- 2. Capital/financial lease obligations
- 3. Capital/financial lease obligations (cont'd)
- 4. Capitalized amounts for building, machinery, and equipment (PP&E)



#### What We Do

Calcbench harnesses the power of XBRL to provide cutting edge tools for academic research and teaching.

We make working with complicated, detailed financial data faster and easier than ever before.

- Robust: 9,000+ company universe with 300 million+ data points
- Relevant: Multiple products for accessing data and footnote text to meet your workflow
- Timely: Real-time updates of the data as companies file
- Accurate: Continuous data quality monitoring and updates
- Intuitive: XBRL tag mapping to streamline complexity

us@calcbench.com

## **Operating & Capital Lease Data – Our Online Platform**



- 1. Go to: www.calcbench.com/multi.
- 2. Select a group of companies.



3. Open data point explorer, search for 'leases.' Select the metric you want to study. (We offer many.)



4. The leasing data appears on screen, or export to Excel!

Ticker	Revenue Y-2017 Total: \$11,156,736,461,000 Average: \$22,358,189,301	OperatingIncome Y-2017 Total: \$1,434,353,094,000 Average: \$2,868,706,188	OperatingLeasesFutureMinimumPaymentsDue Y-2017 Total: \$638,892,356,301 Average: \$1,663,782,178
3M Co (MMM)	\$31,657,000,000	\$7,692,000,000	\$1,098,000,000
Abbott Laboratories (ABT)	\$27,390,000,000	\$1,726,000,000	
AbbVie Inc. (ABBV)	\$28,216,000,000	\$9,592,000,000	\$957,000,000

# **Analyze Operating & Capital Lease Data – In Excel**



- 1 Download our Excel add-in at: <a href="www.calcbench.com/excel">www.calcbench.com/excel</a>
- 2 Download the operating and capital leases template at: <a href="www.calcbench.com/home/guides">www.calcbench.com/home/guides</a>
- 3 Insert the ticker symbol, calendar year, or fiscal period you want to search

	ALR		ALR	
	Υ		Υ	
		2014		2013
Calcbench metric				
CapitalLeasesFutureMinimum	\$	4,150,000	\$	6,551,000
CapitalLeasesFutureMinimum	\$	2,891,000	\$	3,485,000
CapitalLeasesFutureMinimum	\$	1,546,000	\$	1,883,000
	CapitalLeasesFutureMinimum CapitalLeasesFutureMinimum	Y	Calcbench metric CapitalLeasesFutureMinimum \$ 4,150,000 CapitalLeasesFutureMinimum \$ 2,891,000	Calcbench metric CapitalLeasesFutureMinimum \$ 4,150,000 \$ CapitalLeasesFutureMinimum \$ 2,891,000 \$

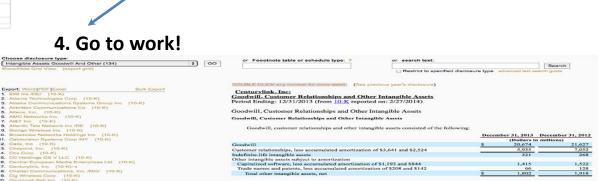
## **Quickly Read, Compare Lease Disclosures**



- 1. Go to: www.calcbench.com/footnote
- 2. Select a group of companies.



3. Choose 'Leases' from the drop down list of disclosure types.



Choose disclosure type:

Show/Hide Grid View (export grid)

Leases (64)



# Analyzing Common Parts of Operating and Capital Lease Disclosure

- 1. Where lease obligations are reported
- 2. Capital/financial lease obligations
- 3. Capital/financial lease obligations (cont'd)
- 4. Capitalized amounts for building, machinery, and equipment (PP&E)

**Effective Dec. 15, 2018**, accounting standard ASC 842 requires companies to list the cost of operating leases on the balance sheet as liabilities, with a corresponding Right-of-Use asset on the asset side of the balance sheet.



## Lease Disclosures on the Balance Sheet

As companies adopt ASC 842, operating lease liabilities and assets will appear on the balance sheet (example: Microsoft).



In addition, operating leases are now **subject to impairment**. In such a case, a Lease Impairment Loss will appear on the company's income statement.



**Operating lease obligations** are accounted for as a rental expense; a contract allows for the use of an asset, but does not convey right of ownership of the assets.

**Note**: All leases that do not meet capital lease requirements are classified as an operating lease.

	Operating Leases <sup>(1)</sup>	Sub-lease Income		Net Operating Leases	
2018	\$ 1,175	\$ 15	\$	1,160	
2019	1,133	13		1,120	
2020	1,073	11		1,062	
2021	975	7		968	
2022	831	3		828	
Thereafter	3,616	1		3,615	
Total minimum payments	\$ 8,803	\$ <u>50</u>	\$	8,753	

Each year's minimum lease payments due are listed: current payments due in the top line; then the second, third, fourth, and fifth future years, respectively; then a line for all payments due further in the future; and finally a total for all minimum lease payments.

Where applicable (as above), sublease income and net totals are also reported.



**Finance or Capital lease obligations** are non-cancelable, and must meet at least one of the following requirements:

- Lease transfers ownership of the asset
- Lease contains a bargain-purchase option
- Duration of the lease is 75 percent or more of the asset's expected economic life, and/or the lease is worth at least 90 percent of the asset's value.

Future Minimum Lease Payments (millions)		Operating Leases (a)	Capital Leases (b)	Rent Income	Total
2018	\$	227	\$ 92	\$ (25) \$	294
2019		234	96	(25)	305
2020		226	97	(24)	299
2021		222	96	(23)	295
2022		217	96	(23)	290
After 2022		3,027	1,524	(307)	4,244
Total future minimum lease payments	\$	4,153	\$ 2,001	\$ <u>(427)</u> \$	5,727
Less: Interest (c)			849		
Present value of future minimum capital lease pa	ayments (d)		\$ <u>1,152</u>		

Each year's minimum lease payments due are listed (as with operating leases) by current year; annually for the next five years, and all payments due further in the future; and finally a total for all minimum lease payments. Where applicable, sublease income and net totals are also reported.



The present value of capital lease obligations are calculated to adjust for the time value of money. The amount of cash today that is equivalent in value to a payment, or to a stream of payments, to be received (or paid) in the future.

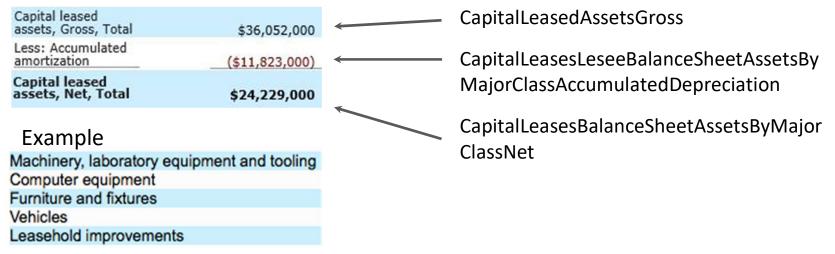
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C1 = Cash Flow at period 1 r = rate of return n = number of period



The **Capitalized Lease Method** accounting approach identifies a company's lease obligation as an asset on the balance sheet. Although the company has not taken ownership of the asset, the transaction is still considered to be a beneficial economic exchange for the lease holder. It is normal for expenses to be higher in the earlier years of the lease term.

#### Capital Leases



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Questions? Contact us! us@calcbench.com

Thank you!