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# Non-GAAP Reconciliations Study

June 2022



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*How are companies reporting non-GAAP net income in 2021 filings?*

*What are they disclosing?*

*What types of adjustments are they making?*



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## What we did

- Examined the 2021 earnings releases of S&P 500 firms that reported both GAAP and non-GAAP net income numbers
- Measured the difference between net income (in dollar terms) for a random sample of 123 companies
- Reviewed individual adjustments made to GAAP net income and classified them into 11 concepts
- Studied the size of non-GAAP adjustments (in dollar terms) for each of those categories



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## What we found

- Adjusted (non-GAAP) Net Income was higher than GAAP Net Income by an **average \$460M per company** (about **14%** of GAAP Net Income)
- Our sample has a total of **718 individual reconciling items**. Total value of adjustments almost **\$86B**. Average value of almost \$120M per item



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## What we found (continued)

- Category with highest value was the **Amortization of Intangibles** (more than **half** of total adjustments)
- Second highest category was **Stock-Based Compensation** (about **16%** of total adjustments)
- These findings question the informative value of as reported GAAP Net Income and raise questions about companies' motivations in reporting Adjusted Net Income



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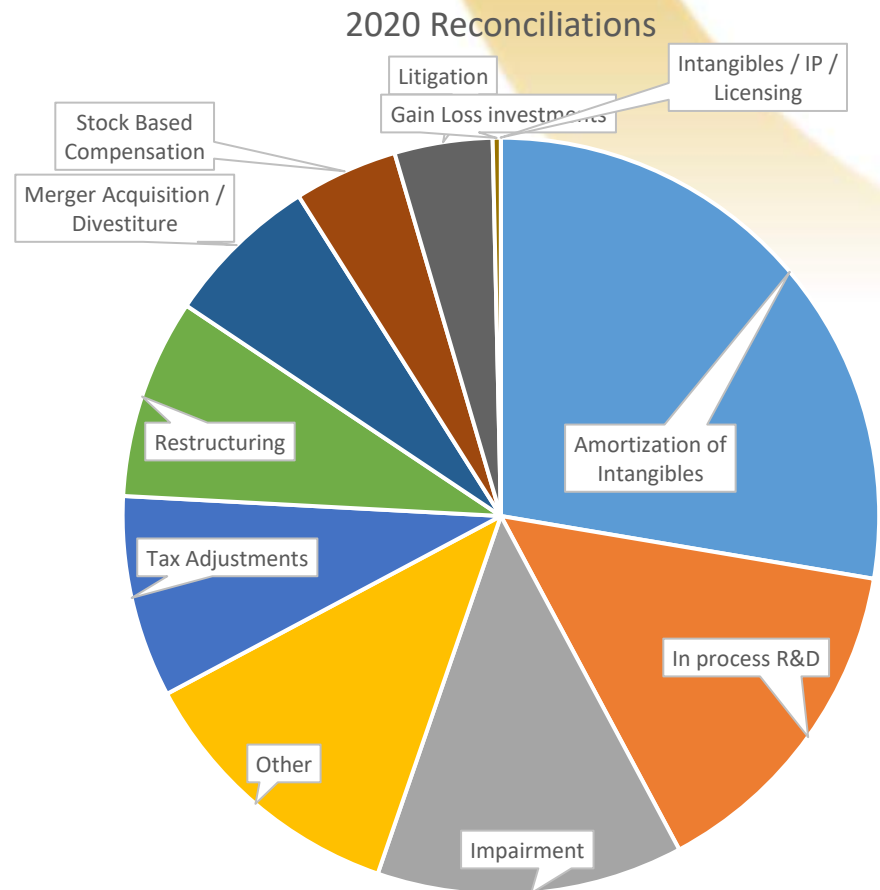
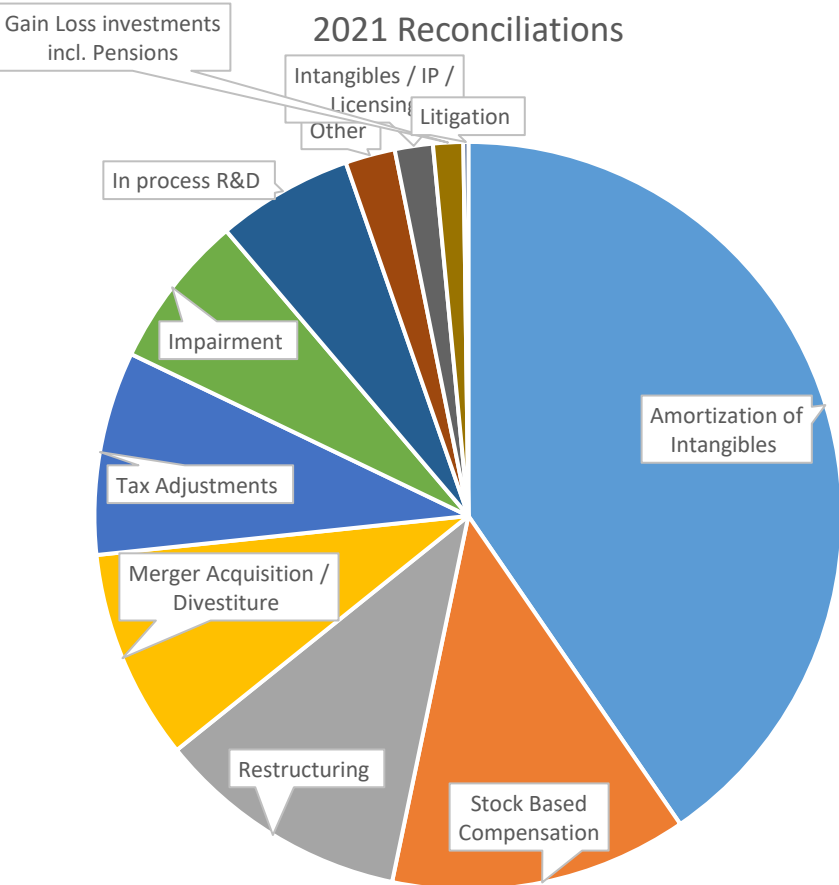
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Category	Dollars Adjusted (in millions USD)	Percent of Total
Amortization of Intangibles	43,505	50.63%
Stock Based Compensation	13,838	16.11%
Restructuring	11,799	13.73%
Merger Acquisition / Divestiture	9,794	11.40%
<b>Tax Adjustments</b>	<b>(9,458)</b>	<b>-11.01%</b>
Impairment	7,183	8.36%
In process R&D	6,339	7.38%
Other	2,320	2.70%
Intangibles / IP / Licensing	1,769	2.06%
<b>Gain Loss investments incl. Pensions</b>	<b>(1,398)</b>	<b>-1.63%</b>
Litigation	230	0.27%
<b>Total</b>	<b>85,922</b>	<b>100.00%</b>



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## Industry analysis

- We compare the industry distribution (based on SIC code) of the 2020 sample, the 2021 sample, and the entire S&P 500
- **Mining and manufacturing companies report non-GAAP income** relatively more often, compared to other industries
- **Transportation, public utilities, and service companies report non-GAAP Net Income less frequently**

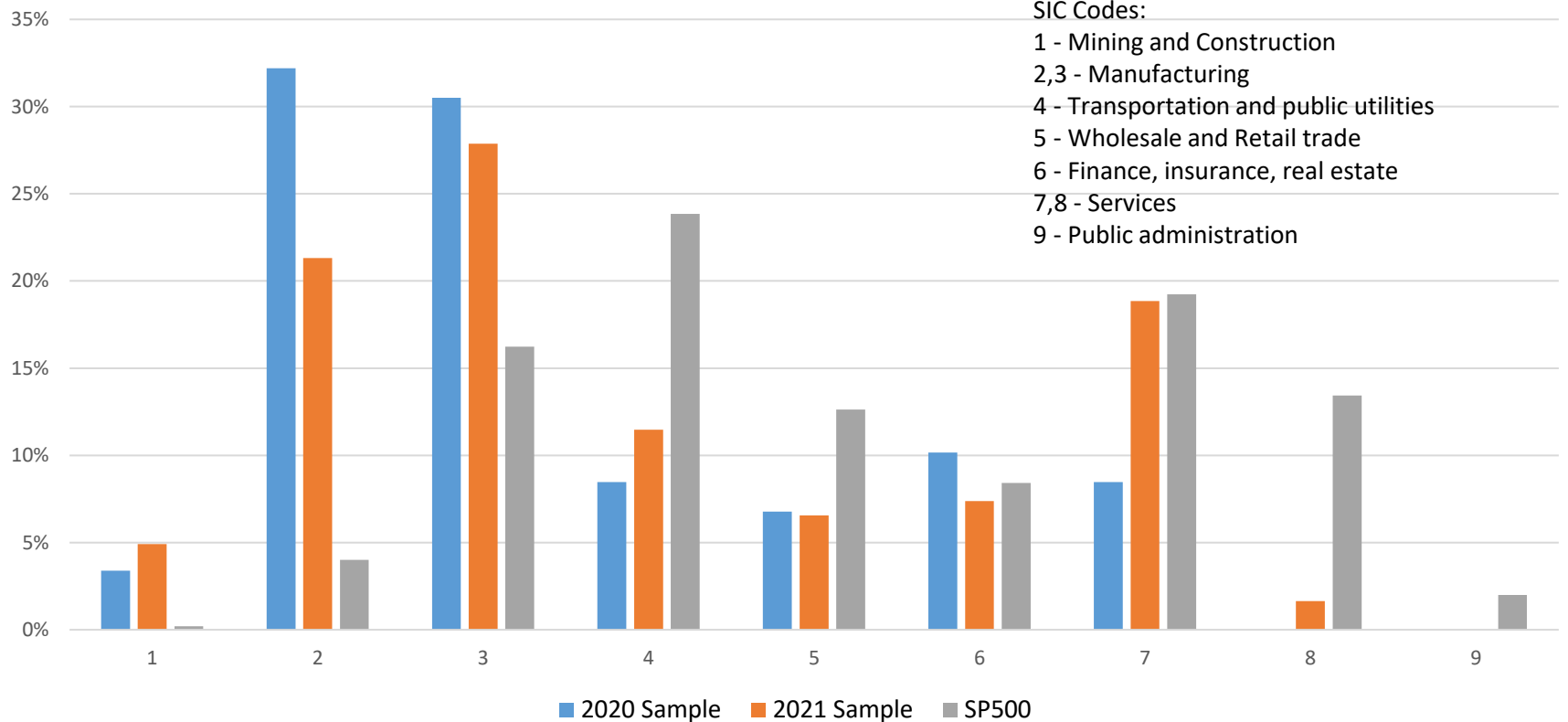




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### Industry Distribution





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For a full copy of report please follow this [link](#) or email us @  
[us@calcbench.com](mailto:us@calcbench.com)



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## Acknowledgements

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